

**CHC HEALTHCARE GROUP AND
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS AND

AUDIT REPORT OF INDEPENDENT

ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of CHC Healthcare Group as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHC Healthcare Group and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CHC HEALTHCARE GROUP

By

Pei-Lin Lee
Chairman

March 23, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHC Healthcare Group

Opinion

We have audited the accompanying consolidated balance sheets of CHC Healthcare Group and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our

opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2019 were as follows:

Impairment assessment of goodwill

Description

As of December 31, 2019, the Group generated goodwill of NT\$150,617 thousand as a result of the merger with Shih-Lu Co., Ltd.

After identifying the smallest cash generating unit which can generate independent cash flows, the Group used the recoverable amount of each cash generating unit to assess whether goodwill may be impaired. Since the assumptions used by management to assess whether goodwill is impaired involve subjective judgement and have high uncertainty, we consider the impairment assessment of goodwill a key audit matter.

Refer to Note 4(21) for the accounting policy on goodwill impairment, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to goodwill impairment and Note 6(31) for related details.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding on how management identifies the objective evidence of goodwill impairment, taking into account certain factors in a consistent manner and ascertained whether the management uses reliable information.
- B. Obtained the report on the valuation of the subsidiary issued by an expert appointed by the management and performed the following:
 - (1) Assessed the expert's independence, objectiveness and competence by reviewing the expert's qualification.
 - (2) Assessed whether the valuation model is reasonable based on our knowledge of the Group's businesses and industry.
 - (3) Confirmed whether the expert uses the same future cash flows relative to the budget for the

next five years provided by the management.

- (4) Checked whether the comparable assets adopted in appraisal report are consistent with the actual operations.
- (5) Assessed whether the significant assumptions applied by the expert are relevant and reasonable and tested the mathematical accuracy.

Impairment assessment of property, plant and equipment

Description

Some of the Group's leasing businesses were not as profitable as expected due to fierce competition in the healthcare industry. The Group assesses the impairment based on the estimated recoverable amounts of leasing assets (shown as property, plant and equipment) where there is an indication that they are impaired. Given that the calculation of recoverable amounts requires significant accounting estimates relying on subjective judgement and uncertainty, we consider the impairment assessment of leasehold assets using the cash-generating units as a key audit matter.

Refer to Note 4(21) for the accounting policy on asset impairment and Note 5(2) for accounting estimates and assumption uncertainty of asset impairment.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding on how management identifies the objective evidence of impairment, taking into account certain factors in a consistent manner and ascertained whether the management uses reliable information.
- B. Acquired the asset appraisal report issued by an expert appointed by the management and performed the following:
 - (1) Assessed the independence, objectiveness and competence by reviewing the expert's qualification.
 - (2) Assessed whether the valuation method is widely adopted and appropriate based on our knowledge of the Group's businesses and industry.
 - (3) Confirmed whether the replacement cost, comparative objects and the assets' use indicated on the appraisal report are consistent with the actual operations.

- (4) Assessed whether the significant assumptions applied by the expert are relevant and reasonable and tested the mathematical accuracy.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CHC Healthcare Group as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,245,235	11	\$ 1,209,636	11
1110	Financial assets at fair value through profit or loss - current	6(2)(25)	71,369	1	53,482	1
1136	Current financial assets at amortised cost	6(4)(24)	298,003	3	-	-
1140	Contract assets - current	6(23) and 7	46,464	-	40,959	-
1150	Notes receivable, net	6(5) and 8	56,562	-	44,838	1
1170	Accounts receivable, net	6(5) (11)	507,614	5	501,782	5
1180	Accounts receivable - related parties	6(11) and 7	243,858	2	240,038	2
1200	Other receivables		1,148	-	205	-
1210	Other receivables due from related parties	7	178,869	2	153,369	1
1220	Current tax assets		2,493	-	3,671	-
130X	Inventories	6(6)(9)	439,674	4	489,977	5
1410	Prepayments	6(7)(9)	363,010	3	459,705	4
1470	Other current assets	8	55,229	-	6,923	-
11XX	Total current assets		3,509,528	31	3,204,585	30
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)(25)	-	-	492	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	38,681	-	47,231	-
1560	Non-current contract assets	6(23)	34,438	-	-	-
1550	Investments accounted for using equity method	6(8)(25)	8,963	-	18,484	-
1600	Property, plant and equipment	6(9), 7 and 8	4,691,417	42	4,752,936	44
1755	Right-of-use assets	6(10)	29,828	-	-	-
1760	Investment property, net	6(9)(12) and 8	1,210,388	11	1,194,580	11
1780	Intangible assets	6(31)	159,151	1	161,746	1
1840	Deferred tax assets	6(28)	84,751	1	68,298	1
1930	Long-term notes and accounts receivable	6(5)(11)	174,040	2	117,678	1
1940	Long-term notes and accounts receivable - related parties	6(11) and 7	49,364	1	68,822	1
1980	Other financial assets - non-current	6(13) and 8	525,026	5	533,968	5
1990	Other non-current assets	6(14)	689,750	6	678,915	6
15XX	Total non-current assets		7,695,797	69	7,643,150	70
1XXX	Total assets		\$ 11,205,325	100	\$ 10,847,735	100

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CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and equity			December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(15) and 8	\$ 471,591	4	\$ 686,932	6
2130	Contract liabilities - current	6(23)	78,966	1	30,047	-
2150	Notes payable		3,495	-	4,346	-
2170	Accounts payable		219,813	2	204,951	2
2180	Accounts payable - related parties	7	136	-	4,562	-
2200	Other payables	6(9)	168,774	1	149,934	2
2220	Other payable - related parties		7	-	-	-
2230	Current tax liabilities		67,742	1	64,063	1
2250	Provisions for liabilities - current		18,798	-	10,685	-
2280	Current lease liabilities		7,425	-	-	-
2300	Other current liabilities	6(16)(17),7 and 8	2,012,344	18	197,512	2
21XX	Total current liabilities		3,049,091	27	1,353,032	13
Non-current liabilities						
2527	Contract liabilities - non-current	6(23)	660,942	6	309,500	3
2530	Bonds payable	6(16) and 8	-	-	1,177,035	11
2540	Long-term borrowings	6(17) and 8	2,090,662	19	2,812,608	26
2550	Provisions for liabilities - non-current		400	-	400	-
2570	Deferred tax liabilities	6(28)	40,161	1	40,431	-
2580	Non-current lease liabilities		22,809	-	-	-
2600	Other non-current liabilities		23,921	-	21,210	-
25XX	Total non-current liabilities		2,838,895	26	4,361,184	40
2XXX	Total liabilities		5,887,986	53	5,714,216	53
Equity attributable to owners of the parent						
Share capital						
		6(16)(20)				
3110	Share capital - common stock		1,416,335	13	1,399,136	13
Capital surplus						
		6(16)(19)(21)				
3200	Capital surplus		2,981,939	26	2,930,253	27
Retained earnings						
		6(22)				
3310	Legal reserve		277,548	2	245,206	2
3320	Special reserve		363,621	3	33,211	-
3350	Unappropriated retained earnings		545,509	5	763,134	7
Other equity						
		6(3)				
3400	Other equity		(387,852)	(3)	(363,621)	(3)
3500	Treasury shares	6(20)	(34,956)	-	(34,956)	-
31XX	Total equity attributable to owners of the parent		5,162,144	46	4,972,363	46
36XX	Non-controlling interest		155,195	1	161,156	1
3XXX	Total equity		5,317,339	47	5,133,519	47
Significant contingent liabilities and unrecognised contract commitments						
		9				
3X2X	Total liabilities and equity		\$ 11,205,325	100	\$ 10,847,735	100

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6(5)(11)(12)(23)(30) and 7	\$ 2,950,052	100	\$ 2,507,466	100
5000 Operating costs	6(6)(10)(12)(18)(19)(27)(30) and 7	(2,144,050)	(73)	(1,776,680)	(71)
5950 Gross profit		<u>806,002</u>	<u>27</u>	<u>730,786</u>	<u>29</u>
Operating expenses	6(10)(18)(19)(27)(30)				
6100 Selling expenses		(124,041)	(4)	(124,613)	(5)
6200 General and administrative expenses		(166,584)	(6)	(192,217)	(7)
6300 Research and development expenses		(4,874)	-	(1,193)	-
6450 Gain on expected credit impairment loss		<u>19,068</u>	<u>1</u>	<u>47,218</u>	<u>2</u>
6000 Total operating expenses		(276,431)	(9)	(270,805)	(10)
6900 Operating profit		<u>529,571</u>	<u>18</u>	<u>459,981</u>	<u>19</u>
Non-operating income and expenses					
7010 Other income	6(4)(11)(24) and 7	32,232	1	15,621	-
7020 Other gains and losses	6(2)(8)(9)(25)(31) and 7	(5,233)	-	(20,840)	(1)
7050 Finance costs	6(26)	(78,344)	(3)	(82,066)	(3)
7060 Share of loss of associates and joint ventures accounted for using equity method	6(8)	(1,633)	-	(4,527)	-
7000 Total non-operating income and expenses		(52,978)	(2)	(91,812)	(4)
7900 Profit before income tax		<u>476,593</u>	<u>16</u>	<u>368,169</u>	<u>15</u>
7950 Income tax expense	6(28)	(86,162)	(3)	(50,340)	(2)
8200 Profit for the year		<u>\$ 390,431</u>	<u>13</u>	<u>\$ 317,829</u>	<u>13</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 8,550)	-	(\$ 42,606)	(2)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(15,713)	(1)	(8,676)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		40	-	347	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	(8)	-	(2,150)	-
8300 Other comprehensive loss for the year		(\$ 24,231)	(1)	(\$ 53,085)	(2)
8500 Total comprehensive income for the year		<u>\$ 366,200</u>	<u>12</u>	<u>\$ 264,744</u>	<u>11</u>
Profit attributable to:					
8610 Owners of the parent		<u>\$ 395,172</u>	<u>13</u>	<u>\$ 323,422</u>	<u>13</u>
8620 Non-controlling interest		(\$ 4,741)	-	(\$ 5,593)	-
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 370,941</u>	<u>12</u>	<u>\$ 270,337</u>	<u>11</u>
8720 Non-controlling interest		(\$ 4,741)	-	(\$ 5,593)	-
Earnings per share					
9750 Basic earnings per share	6(29)	<u>\$ 2.83</u>		<u>\$ 2.32</u>	
9850 Diluted earnings per share	6(29)	<u>\$ 2.46</u>		<u>\$ 2.02</u>	

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent														
		Capital Reserves					Retained Earnings			Other Equity Interest						
		Notes	Ordinary share	Share premium	Treasury share transactions	Employee share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (loss) on financial assets at fair value through other comprehensive income	Unrealised gains (loss) on available-for-sale financial assets	Treasury shares	Total	Non-controlling interest
2018																
		\$ 1,399,136	\$ 2,830,390	\$ 173	\$ 56,776	\$ 39,677	\$ 245,206	\$ 171,995	\$ 203,226	(\$ 18,758)	\$ -	(\$ 14,453)	\$ -	\$ 4,913,368	\$ 1,069	\$ 4,914,437
		-	-	-	-	-	-	-	251,607	-	(291,778)	14,453	-	(25,718)	-	(25,718)
		1,399,136	2,830,390	173	56,776	39,677	245,206	171,995	454,833	(18,758)	(291,778)	-	-	4,887,650	1,069	4,888,719
		-	-	-	-	-	-	-	323,422	-	-	-	-	323,422	(5,593)	317,829
	6(3)	-	-	-	-	-	-	-	-	(10,479)	(42,606)	-	-	(53,085)	-	(53,085)
		-	-	-	-	-	-	-	323,422	(10,479)	(42,606)	-	-	270,337	(5,593)	264,744
	6(22)															
		-	-	-	-	-	-	-	(153,905)	-	-	-	-	(153,905)	-	(153,905)
		-	-	-	-	-	-	(138,784)	138,784	-	-	-	-	-	-	-
	6(19)															
		-	-	-	1,207	-	-	-	-	-	-	-	-	1,207	-	1,207
	6(19)															
		-	-	-	2,030	-	-	-	-	-	-	-	-	2,030	-	2,030
		-	-	-	(7,372)	7,372	-	-	-	-	-	-	-	-	-	-
	6(20)												(34,956)	(34,956)	-	(34,956)
		-	-	-	-	-	-	-	-	-	-	-	-	-	165,680	165,680
		\$ 1,399,136	\$ 2,830,390	\$ 173	\$ 52,641	\$ 47,049	\$ 245,206	\$ 33,211	\$ 763,134	(\$ 29,237)	(\$ 334,384)	\$ -	(\$ 34,956)	\$ 4,972,363	\$ 161,156	\$ 5,133,519
2019																
		\$ 1,399,136	\$ 2,830,390	\$ 173	\$ 52,641	\$ 47,049	\$ 245,206	\$ 33,211	\$ 763,134	(\$ 29,237)	(\$ 334,384)	\$ -	(\$ 34,956)	\$ 4,972,363	\$ 161,156	\$ 5,133,519
		-	-	-	-	-	-	-	395,172	-	-	-	-	395,172	(4,741)	390,431
	6(3)	-	-	-	-	-	-	-	-	(15,681)	(8,550)	-	-	(24,231)	-	(24,231)
		-	-	-	-	-	-	-	395,172	(15,681)	(8,550)	-	-	370,941	(4,741)	366,200
	6(22)															
		-	-	-	-	-	32,342	-	(32,342)	-	-	-	-	-	-	-
		-	-	-	-	-	-	330,410	(330,410)	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	(250,045)	-	-	-	-	(250,045)	-	(250,045)
	6(16)(20)	7,809	22,883	-	-	(779)	-	-	-	-	-	-	-	29,913	-	29,913
	6(20)	9,390	71,363	-	(47,507)	-	-	-	-	-	-	-	-	33,246	-	33,246
	6(19)															
		-	-	-	2,134	-	-	-	-	-	-	-	-	2,134	-	2,134
	6(19)															
		-	-	-	3,592	-	-	-	-	-	-	-	-	3,592	-	3,592
		-	-	-	(1,897)	1,897	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,220)	(1,220)
		\$ 1,416,335	\$ 2,924,636	\$ 173	\$ 8,963	\$ 48,167	\$ 277,548	\$ 363,621	\$ 545,509	(\$ 44,918)	(\$ 342,934)	\$ -	(\$ 34,956)	\$ 5,162,144	\$ 155,195	\$ 5,317,339

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 476,593	\$ 368,169
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain		(19,068)	(47,218)
Depreciation charge	6(9)(10)(12)(27)	411,752	428,598
Loss (gain) on disposal of property, plant and equipment	6(25)	3,142	(279)
Interest expense		71,846	72,806
Interest income	6(24)	(11,696)	(8,250)
Dividend income		(967)	-
Share of loss of associates and joint ventures accounted for using equity method	6(8)	1,633	4,527
Net (gain) loss on disposal of investments accounted for using equity method	6(8)(25)	(143)	350
(Gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(25)	(17,403)	21,586
Amortisation of discount on bonds payable	6(26)	12,357	15,855
Compensation cost of employee stock options	6(19)(27)	5,726	3,237
Impairment loss on non-financial assets	6(9)(25)	12,595	1,350
Changes in operating assets and liabilities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss	6(2)	-	(74,900)
Contract assets - current		(5,508)	(7,029)
Contract assets - non-current		(34,438)	-
Notes and accounts receivable		(54,847)	(70,932)
Accounts receivable - related parties		8,937	16,350
Other receivables		(943)	1,732
Other receivables - related parties		(25,500)	(65,537)
Inventories		(26,113)	(182,455)
Prepayments		96,680	(111,055)
Other current assets		1,792	(6,615)
Changes in operating liabilities			
Contract liabilities - current		394,698	(10,274)
Notes and accounts payable		13,401	77,617
Accounts payable - related parties		(4,426)	(134)
Other payables		17,447	19,304
Provisions for liabilities - current		8,113	933
Refund liabilities		8,019	6,667
Other current liabilities		(1,861)	4,946
Provisions for liabilities - non-current		-	(345)
Cash inflow generated from operations		1,341,818	459,004
Dividends received during the year		967	-
Interest paid during the year		(66,855)	(67,535)
Interest received during the year		11,696	8,250
Income tax paid		(97,933)	(61,733)
Net cash flows from operating activities		1,189,693	337,986

(Continued)

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(4)	(\$ 298,003)	\$ -
(Increase) decrease in other current assets		(50,098)	58,008
Acquisition of investments accounted for using equity method		-	(8,949)
Proceeds from disposal of investments accounted for using equity method		7,770	-
Acquisition of property, plant and equipment	6(9)	(340,939)	(361,966)
Capitalised interest of property, plant and equipment	6(9)	(3,369)	(512)
Proceeds from disposal of property, plant and equipment		71,277	643
Acquisition of investment property	6(12)	(17,770)	(4,931)
Increase in refundable deposits		(325,393)	(230,277)
Decrease in refundable deposits		261,373	206,138
Decrease (increase) in other non-current financial assets		59,031	(16,259)
(Increase) decrease in other non-current assets		(3,511)	12,666
Capitalised interest from increase in other non-current assets	6(9)	(7,324)	(8,064)
Net cash flows used in investing activities		(646,956)	(353,503)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(33)	4,568,609	2,762,046
Decrease in short-term loans	6(33)	(4,784,005)	(2,706,955)
Payments of lease liabilities	6(33)	(6,799)	-
Proceeds from long-term debt	6(33)	196,500	2,274,803
Repayments of long-term debt	6(33)	(265,101)	(2,169,014)
Increase in guarantee deposits received	6(33)	16,401	6,206
Decrease in guarantee deposits received	6(33)	(12,258)	(13,449)
Increase in other non-current liabilities		-	1,675
Decrease in other non-current liabilities		(1,340)	-
Repayments of bonds		-	(320,100)
Payment of cash dividends		(250,045)	(153,905)
Exercise of employee stock options	6(19)	33,246	-
Payments to acquire treasury shares	6(20)	-	(34,956)
Change in non-controlling interest		(1,220)	165,680
Net cash flows used in financing activities		(506,012)	(187,969)
Effect of changes in foreign currency exchange rates on cash and cash equivalents		(1,126)	(31,241)
Increase (decrease) in cash and cash equivalents		35,599	(234,727)
Cash and cash equivalents at beginning of year		1,209,636	1,444,363
Cash and cash equivalents at end of year		<u>\$ 1,245,235</u>	<u>\$ 1,209,636</u>

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

CHC Healthcare Group (CHC or the “Company”) was incorporated in the Republic of China. The shares of the Company were listed on the Taiwan Stock Exchange on October 24, 2012. The Company and its subsidiaries (the “Group”) are primarily engaged in the trading of pharmaceutical products and the sale, leasing, installation, and repair of medical instruments.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 23, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	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
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, ‘Leases’

- A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for

those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$36,089 and increased ‘lease liability’ by \$36,089 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$6,379 was recognised in 2019.
 - (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.7724%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at		
December 31, 2018	\$	43,019
Less: Short-term leases	(	4,687)
Less: Low-value assets	(	321)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>38,011</u>
Incremental borrowing interest rate at the date of initial application		<u>1.7724%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>36,089</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets and liabilities at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CHC	Chiu Ho Medical System Co., Ltd. (Chiu Ho Medical)	Medical instrument sale, leasing and services	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CHC	Tomorrow Medical System Co., Ltd. (Tomorrow)	Medical instrument sale, leasing and services	100	100	
CHC	Chiu Ho Scientific Co., Ltd. (Chiu Ho Scientific)	Ophthalmic equipment sale, leasing and services	100	100	Note 4
CHC	Chiu Ho Biotech Co., Ltd. (Chiu Ho Biotech)	Medical instrument leasing	100	100	
CHC	Ho-Shin Instruments Co., Ltd. (Ho-Shin)	Medical instrument leasing	-	-	Note 4
CHC	Shin-Ho Instruments Co., Ltd. (Shin-Ho)	Medical instrument leasing	100	100	
CHC	Tong-Lin Instruments Co., Ltd. (Tong-Lin)	Medical instrument leasing	100	100	
CHC	Hua Lin Instruments Co., Ltd. (Hua Lin)	Medical instrument leasing	100	100	
CHC	Hsin Lin Biotech Co., Ltd. (Hsin Lin)	Medical instrument leasing	100	100	
CHC	E Century Healthcare Corporation (E Century)	Medical instrument leasing	100	100	
CHC	J. Ab Beauty Co., Ltd. (J. Ab Beauty)	Medical instrument sale, leasing and services	-	-	Note 1
CHC	CHC Healthcare (BVI) Limited (CHC (BVI))	Holdings and indirect investments	100	100	
Chiu Ho Medical	Medlink Healthcare Limited (Medlink)	Medical instrument sale	100	100	
Chiu Ho Medical	SenCare Healthcare Company (SenCare)	Consulting service and elderly residence	66	66	Note 3
Chiu Ho Medical	PT CHC Medika Indonesia (PT CHC)	Medical instrument leasing	100	-	Note 5
Medlink	Hsing-Yeh Biotechnology Co., Ltd. (Hsing-Yeh)	Medical instrument sale and leasing; drug sale	100	100	
SenCare	CHC Long-Term Care Corporation (CHC LTC)	Long-term care services	97	-	Note 6
CHC (BVI)	CHC Healthcare (HK) Limited (CHC (HK))	Medical instrument sale, leasing and services	100	100	
CHC (BVI)	Guangzhou Chiuho Medical System Co., Ltd. (Guangzhou Chiuho)	Medical instrument sale, leasing and services	100	100	
CHC (BVI)	Chiu Ho (CHINA) Medical Technology Co., Ltd. (Chiu Ho (CHINA))	Medical instrument sale, leasing and services	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Guangzhou Chiuho	Neusoft CHC Medical Service Co., Ltd. (Neusoft CHC)	Medical instrument leasing	51	51	Note 2

Note 1: The shareholders resolved to dissolve the Company's subsidiary, J. Ab Beauty Co., Ltd., during their meeting on April 20, 2018. Consequently, the Company no longer controls J. Ab Beauty Co., Ltd., and the liquidation was completed on July 23, 2019.

Note 2: On June 12, 2018, the Company's subsidiary, Guangzhou Chiuho, established Neusoft CHC which was included in the consolidated financial statements thereafter.

Note 3: On September 27, 2018, the Company's subsidiary, Chiu Ho Medical, established SenCare which was included in the consolidated financial statements thereafter.

Note 4: The Company's subsidiary, Ho-Shin Instruments Co., Ltd., was merged into Chiu Ho Scientific Co., Ltd. on December 12, 2018, with Chiu Ho Scientific Co., Ltd. as the surviving company. Under the merger, the Company held a 100% equity interest in Chiu Ho Scientific Co., Ltd. As the merger was made in line with the group restructuring, there is no significant impact to the parent company's shareholder's equity.

Note 5: On May 2, 2019, the Company's subsidiary, Chiu Ho Medical, invested in PT CHC which was included in the consolidated financial statements thereafter.

Note 6: On December 31, 2019, the Company's subsidiary, SenCare, established CHC LTC which was included in the consolidated financial statements thereafter.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains or losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A.** Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that are recognised in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognised the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognised as revenue when the right

to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, lease receivables, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor)-lease receivables/ operating leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.
- C. If the Group recognises rental revenue based on a certain percentage of lessees' operating revenue, then the rent is belong to a contingent rent, which should be treated as an operating lease. The revenue will be recognised based on the receivable rents during the contract period.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Some subsidiaries entered into an agency contract with the original equipment manufacturer for repair parts. Under a range of guarantee paid by subsidiaries, repair parts will be provided by the original equipment manufacturer without consideration. Subsidiaries return those repair parts, and the original equipment manufacturer returns the guarantee if the agency contract is terminated.

(15) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds the Group's interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this

associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	40 ~ 50 years
Transportation equipment	5 years
Machinery and equipment	5 ~ 12 years
Leased assets-Machinery and equipment	1.33 ~ 50 years
Leased assets-others	2 ~ 15 years
Other equipment	1 ~ 10 years

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(19) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10~55 years.

(20) Intangible assets

Goodwill arises in a business combination accounted for by applying the acquisition method.

(21) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of Goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss

shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

Borrowings comprise long-term and short-term bank borrowings.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(23) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(24) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus - share options'.

(25) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Provisions

Provisions (including warranties and decommissioning) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or

constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(29) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of the share-based payment arrangements is the date that subscription price and shares are determined.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will

not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(31) Treasury share

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(32) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(33) Revenue recognition

A. Sales of goods

- (a) The Group sells medicine and medical equipment. Sales are recognised when control of the products has transferred, 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, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) The Group's obligation to provide maintenance and repair services for faulty products under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that

the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Installment sales with periodic collections of consideration

Revenue attributable to the sales price (excluding interest) is recognised on the date of sale. The sales price is the present value of consideration to be collected, calculated by discounting future payments receivable. Interest income is recognised when earned using the effective interest method.

B. Maintenance, repair, and installation service

(a) The Group provides maintenance, repair, and installation services for medical equipment. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) Certain customer contracts include equipment sale and installation services. In such contracts, the Group provides a significant service of integrating goods and services into a combined item, therefore the equipment and the installation service cannot be separately identified. The timing of revenue recognition is the same as that of the sale of goods.

(c) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(d) Revenue from a service contract in which the Group bills a fixed amount based on the period of service provided is recognised at the amount to which the Group has the right to invoice.

C. For detailed information on rental revenue, please refer to Note 4(13).

D. Financing components

The Group adjusts the transaction prices for the time value of money if the contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

(34) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition

date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Except for the accounting estimates (detailed in (2) below), the management does not make any judgement that significantly affect the recognised amounts in consolidated financial statements when applying the Group's accounting policies.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the actual results. The estimates and assumptions that may significantly adjust the carrying amounts of assets and liabilities within the next financial

year are addressed below:

A. Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

B. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 1,317	\$ 1,299
Checking accounts and demand deposits	1,113,477	1,093,394
Time deposits	<u>130,441</u>	<u>114,943</u>
	<u>\$ 1,245,235</u>	<u>\$ 1,209,636</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group classified restricted cash and cash equivalents pledged to others as other current assets and other non-current financial assets. Please refer to Note 8 for details.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 74,900	\$ 74,900
Non-hedging derivatives (Redemption rights to the third domestic issuance of secured convertible corporate bonds)	284	-
Valuation adjustment	(3,815)	(21,418)
	<u>\$ 71,369</u>	<u>\$ 53,482</u>

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives		
(Redemption rights to the third domestic issuance of secured convertible corporate bonds)	\$ -	\$ 292
Valuation adjustment	-	200
	<u>\$ -</u>	<u>\$ 492</u>

For the years ended December 31, 2019 and 2018, net gain (loss) on financial assets at fair value through profit or loss was \$17,403 and (\$21,586), respectively, shown as ‘other gains and losses’.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Listed stocks		
Swissray Global Healthcare Holding Ltd.	\$ 340,215	\$ 340,215
Unlisted stocks		
AESolution Biomedical Co., Ltd.	39,000	39,000
Huede Healthtech Co., Ltd.	2,400	2,400
Valuation adjustment	(342,934)	(334,384)
	<u>\$ 38,681</u>	<u>\$ 47,231</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$38,681 and \$47,231 as at December 31, 2019 and 2018, respectively.
- B. The Group recognised (\$8,550) and (\$42,606) in other comprehensive loss for fair value change for the years ended December 31, 2019 and 2018, respectively.

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits	<u>\$ 298,003</u>	<u>\$ -</u>
A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:		
	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	<u>\$ 2,420</u>	<u>\$ -</u>

- B. The Group’s financial assets at amortised cost are time deposits in banks. Banks that the Group transacted with all have high credit quality.

C. As of December 31, 2019, no financial assets at amortised cost held by the Group were pledged to others.

(5) Notes and accounts receivable (including long-term notes and accounts receivable)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 24,711	\$ 19,059
Installment notes receivable	71,973	49,761
Less: Unrealised interest revenue-installment notes receivable	(4,147)	(2,085)
Accounts receivable	394,190	475,791
Installment accounts receivable	259,310	146,700
Less: Unrealised interest revenue-installment accounts receivable	(10,119)	(7,076)
Lease payments receivable	4,549	3,396
Less: Unearned finance income of finance lease	(150)	(41)
	740,317	685,505
Less: Allowance for doubtful accounts	(2,101)	(21,207)
	<u>\$ 738,216</u>	<u>\$ 664,298</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 711,744	\$ 648,194
Up to 1 month	10,780	6,303
Up to 2 months	935	6,081
Up to 3 months	120	4,548
Up to 4 months	210	1,000
Up to 5 months	1,992	-
Up to 6 months	-	-
Over 6 months	14,536	19,379
	<u>\$ 740,317</u>	<u>\$ 685,505</u>

The above ageing analysis was based on past due date.

B. The Group expected to recover installment notes and accounts receivable as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not later than one year	\$ 145,236	\$ 69,422
Over one year	171,781	117,878
	<u>\$ 317,017</u>	<u>\$ 187,300</u>

C. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables (including long-term receivables) from contracts with customers amounted to \$536,430, \$463,680, and \$393,268, respectively.

D. For the years ended December 31, 2019 and 2018, the interest income is recognised in profit or loss of \$10,379 and \$5,703, respectively.

E. Lease payments receivable

Prior to 2019

The Group leases certain machinery and other equipment through finance leases. Under the terms of the agreement, the lease term is for the major part of the economic life of the underlying asset, and the unguaranteed residual value is \$0. The Group expects all lease payments to be collected on time. The gross investments in those leases and present value of total minimum lease payments receivable as at December 31, 2018 were as follows:

	December 31, 2018		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
<u>Current</u>			
Not later than one year	\$ 3,396	(\$ 41)	\$ 3,355

F. For information on notes and accounts receivable pledged as collateral, please refer to Note 8.

G. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

H. Information about the long-term notes receivable that was pledged to others as collaterals is provided in Note 8.

(6) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 546,942	(\$ 67,792)	\$ 479,150
Inventory in transit	68,658	-	68,658
Less: Collateral pledged	(108,134)	-	(108,134)
	<u>\$ 507,466</u>	<u>(\$ 67,792)</u>	<u>\$ 439,674</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 575,527	(\$ 68,224)	\$ 507,303
Inventory in transit	77,006	-	77,006
Less: Collateral pledged	(94,332)	-	(94,332)
	<u>\$ 558,201</u>	<u>(\$ 68,224)</u>	<u>\$ 489,977</u>

A. The abovementioned inventories were not secured or pledged to others.

B. The cost of inventories recognised as expense and operating costs for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 1,315,856	\$ 900,700
Repair supplies	62,760	67,119
Loss on decline in market value and obsolescence	(61)	12,850
Others	-	23
Cost of inventories	1,378,555	980,692
Cost of rental	649,193	688,352
Cost of services	116,302	107,636
Total operating costs	<u>\$ 2,144,050</u>	<u>\$ 1,776,680</u>

The Group reversed a previous inventory write-down which was accounted for as deduction of cost of goods sold as certain inventories which were previously provided with allowance were subsequently sold in 2019.

(7) Prepayments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayments to suppliers	\$ 313,752	\$ 381,741
Excess business tax paid	10,149	35,049
Others	39,109	42,915
	<u>\$ 363,010</u>	<u>\$ 459,705</u>

(8) Investments accounted for using equity method

	December 31, 2019		December 31, 2018	
	Ownership %	Book value	Ownership %	Book value
<u>Associates</u>				
PT. NAVI Medical Indonesia	-	\$ -	-	\$ -
Neusoft-CHC office of Medical Intelligence & Services, Shenyang	-	-	40%	8,232
Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd.	40%	8,686	40%	8,943
CHENG-HSIN Biotechnology Co., Ltd	40%	277	40%	1,309
		<u>\$ 8,963</u>		<u>\$ 18,484</u>

A. The summarised financial information of the associates that are not material to the Group is as follows:

	Years ended December 31,	
	2019	2018
Loss for the year	(\$ 1,633)	(\$ 4,527)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the year	<u>(\$ 1,633)</u>	<u>(\$ 4,527)</u>

B. The shareholders resolved to dissolve PT. NAVI Medical Indonesia during their meeting on May 22, 2017. The liquidation of the company was completed on February 7, 2018.

- C. The Group sold all its equity interests in Neusoft-CHC office of Medical Intelligence & Services, Shenyang on May 1, 2019 and recognised gain on disposal of investments amounting to \$143.

(9) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Machinery and equipment	Leased assets- machinery and equipment	Leased assets- others	Leasehold improvements	Other equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2019</u>										
Cost	\$ 940,731	\$ 130,251	\$ 6,981	\$ 100,733	\$ 4,947,846	\$ 900,344	\$ 940	\$ 25,992	\$ 494,436	\$ 7,548,254
Accumulated depreciation and impairment	-	(17,474)	(4,784)	(92,872)	(2,154,983)	(508,667)	(940)	(15,598)	-	(2,795,318)
	<u>\$ 940,731</u>	<u>\$ 112,777</u>	<u>\$ 2,197</u>	<u>\$ 7,861</u>	<u>\$ 2,792,863</u>	<u>\$ 391,677</u>	<u>\$ -</u>	<u>\$ 10,394</u>	<u>\$ 494,436</u>	<u>\$ 4,752,936</u>
<u>2019</u>										
Opening net book amount										
as at January 1	\$ 940,731	\$ 112,777	\$ 2,197	\$ 7,861	\$ 2,792,863	\$ 391,677	\$ -	\$ 10,394	\$ 494,436	\$ 4,752,936
Additions (Note 1)	-	118,748	-	22,076	7,792	5,069	-	5,323	117,975	346,983
Disposals	-	-	-	-	(73,899)	(478)	-	(42)	-	(74,419)
Depreciation charge	-	(4,578)	(1,183)	(3,113)	(312,532)	(66,846)	-	(3,127)	-	(391,379)
Impairment loss	-	-	-	-	(10,000)	-	-	-	-	(10,000)
Reclassifications (Note 2)	-	264,717	-	1,384	167,765	10,662	-	1,581	(373,873)	72,236
Net exchange differences	-	(3,177)	(14)	(65)	(1,624)	(44)	-	(13)	(3)	(4,940)
Closing net book amount										
as at December 31	<u>\$ 940,731</u>	<u>\$ 558,487</u>	<u>\$ 1,000</u>	<u>\$ 28,143</u>	<u>\$ 2,570,365</u>	<u>\$ 340,040</u>	<u>\$ -</u>	<u>\$ 14,116</u>	<u>\$ 238,535</u>	<u>\$ 4,691,417</u>
<u>At December 31, 2019</u>										
Cost	\$ 940,731	\$ 580,096	\$ 6,949	\$ 127,469	\$ 4,992,431	\$ 903,669	\$ 904	\$ 32,269	\$ 238,535	\$ 7,823,053
Accumulated depreciation and impairment	-	(21,609)	(5,949)	(99,326)	(2,422,066)	(563,629)	(904)	(18,153)	-	(3,131,636)
	<u>\$ 940,731</u>	<u>\$ 558,487</u>	<u>\$ 1,000</u>	<u>\$ 28,143</u>	<u>\$ 2,570,365</u>	<u>\$ 340,040</u>	<u>\$ -</u>	<u>\$ 14,116</u>	<u>\$ 238,535</u>	<u>\$ 4,691,417</u>

Note 1: The acquisition of property, plant and equipment includes the beginning and end balances of payable on machinery and equipment in the amounts of \$72,340 and \$75,015, respectively, and the cash payment in the amount of \$344,308.

Note 2: Reclassifications with no cash flow effect are as follows:

- Inventories transferred to property, plant and equipment amounted to \$79,654.
- Property, plant and equipment transferred to prepayments amounted to \$907.
- Property, plant and equipment transferred to inventories amounted to \$2,021.
- Property, plant and equipment transferred to investment property amounted to \$2,623.
- Property, plant and equipment transferred to lease payments receivable amounted to \$1,867.

	Land	Buildings and structures	Transportation equipment	Machinery and equipment	Leased assets- machinery and equipment	Leased assets- others	Leasehold improvements	Other equipment	Constructions in progress and equipment under acceptance	Total
<u>At January 1, 2018</u>										
Cost	\$ 989,241	\$ 132,296	\$ 9,745	\$ 207,665	\$ 4,959,708	\$ 852,959	\$ 10,996	\$ 24,109	\$ 144,923	\$7,331,642
Accumulated depreciation and impairment	-	(14,678)	(5,855)	(169,489)	(2,069,977)	(439,053)	(10,783)	(12,545)	-	(2,722,380)
	<u>\$ 989,241</u>	<u>\$ 117,618</u>	<u>\$ 3,890</u>	<u>\$ 38,176</u>	<u>\$ 2,889,731</u>	<u>\$ 413,906</u>	<u>\$ 213</u>	<u>\$ 11,564</u>	<u>\$ 144,923</u>	<u>\$4,609,262</u>
<u>2018</u>										
Opening net book amount as at January 1	\$ 989,241	\$ 117,618	\$ 3,890	\$ 38,176	\$ 2,889,731	\$ 413,906	\$ 213	\$ 11,564	\$ 144,923	\$4,609,262
Additions (Note 1)	-	-	-	-	27,961	25,976	-	1,960	369,459	425,356
Disposals	-	-	(344)	-	-	-	-	(20)	-	(364)
Depreciation charge	-	(2,992)	(1,338)	(11,898)	(324,554)	(72,400)	(213)	(3,112)	-	(416,507)
Impairment loss	-	-	-	-	(1,196)	(154)	-	-	-	(1,350)
Reclassifications (Note 2)	(48,510)	-	-	(22,170)	201,853	24,399	-	13	(19,821)	135,764
Net exchange differences	-	(1,849)	(11)	3,753	(932)	(50)	-	(11)	(125)	775
Closing net book amount as at December 31	<u>\$ 940,731</u>	<u>\$ 112,777</u>	<u>\$ 2,197</u>	<u>\$ 7,861</u>	<u>\$ 2,792,863</u>	<u>\$ 391,677</u>	<u>\$ -</u>	<u>\$ 10,394</u>	<u>\$ 494,436</u>	<u>\$4,752,936</u>
<u>At December 31, 2018</u>										
Cost	\$ 940,731	\$ 130,251	\$ 6,981	\$ 100,733	\$ 4,947,846	\$ 900,344	\$ 940	\$ 25,992	\$ 494,436	\$7,548,254
Accumulated depreciation and impairment	-	(17,474)	(4,784)	(92,872)	(2,154,983)	(508,667)	(940)	(15,598)	-	(2,795,318)
	<u>\$ 940,731</u>	<u>\$ 112,777</u>	<u>\$ 2,197</u>	<u>\$ 7,861</u>	<u>\$ 2,792,863</u>	<u>\$ 391,677</u>	<u>\$ -</u>	<u>\$ 10,394</u>	<u>\$ 494,436</u>	<u>\$4,752,936</u>

Note 1: The acquisition of property, plant and equipment includes the beginning and end balances of payable on machinery and equipment in the amounts of \$9,462 and \$72,340, respectively, and the cash payment in the amount of \$362,478.

Note 2: Reclassifications with no cash flow effect are as follows:

- (a) Other non-current assets transferred to property, plant and equipment amounted to \$203,419.
- (b) Property, plant and equipment transferred to inventories amounted to \$22,170.
- (c) Inventories transferred to property, plant and equipment amounted to \$3,025.
- (d) Land transferred to investment property amounted to \$48,510.

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and prepayments for business facilities (shown as other non-current assets) and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2019	2018
Amount capitalised	\$ 10,693	\$ 8,576
Range of the interest rates for capitalisation	1.54%~1.87%	1.64%~2.06%

- B. The recoverable amount of the Group's certain leased assets, machinery and equipment was lower than the carrying amount, therefore, the Group recognised impairment loss amounting to \$10,000 and \$1,350 for the years ended December 31, 2019 and 2018, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Leasing arrangements-lessee

Effective 2019

- A. The Group leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 1 to 13 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise business vehicles, offices and dormitories. Low-value assets comprise copy machines.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Book value	Depreciation charge
Buildings	\$ 27,170	\$ 5,380
Transportation equipment (Business vehicles)	2,658	1,840
	<u>\$ 29,828</u>	<u>\$ 7,220</u>

- D. For the year ended December 31, 2019, the additions to right-of-use assets was \$959.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 593
Expense on short-term lease contracts	7,387
Expense on leases of low-value assets	190

- F. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$14,969.

(11) Leasing arrangements-lessor

Effective 2019

- A. The Group leases various assets including buildings, machinery and other equipment. Rental contracts are typically made for periods of 1 and 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- B. The Group leases machinery and equipment and other equipment under a finance lease. Based on the terms of the lease contract, the ownership of machinery and other equipment will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
Sales profit	\$ 4,289
Finance income from the net investment in the finance lease	2,095

- C. The maturity analysis of the undiscounted lease payments (including related parties) in the finance lease is as follows:

	<u>December 31, 2019</u>
2020	\$ 28,560
2021	19,738
2022	15,617
2023	11,670
2024	7,266
2025	-
2026 and onwards	-
	<u>\$ 82,851</u>

- D. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided in Note 6(5).
- E. Gain arising from operating lease agreements for the year ended December 31, 2019 is as follows:

	<u>Year ended December 31, 2019</u>
Rent income	<u>\$ 53,157</u>
Contingent rental revenue	<u>\$ 955,942</u>

F. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2019</u>
2020	\$ 51,428
2021	48,668
2022	48,291
2023	1,666
2024	1,655
2025	380
2026 and onwards	<u>-</u>
	<u>\$ 152,088</u>

(12) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 835,419	\$ 498,102	\$ 5,976	\$1,339,497
Accumulated depreciation and impairment	<u>-</u>	<u>(144,917)</u>	<u>-</u>	<u>(144,917)</u>
	<u>\$ 835,419</u>	<u>\$ 353,185</u>	<u>\$ 5,976</u>	<u>\$1,194,580</u>
<u>2019</u>				
Opening net book amount as at January 1	\$ 835,419	\$ 353,185	\$ 5,976	\$1,194,580
Additions from acquisitions (Note 1)	-	10,099	7,671	17,770
Reclassifications (Note 2)	-	17,167	(5,976)	11,191
Depreciation charge	<u>-</u>	<u>(13,153)</u>	<u>-</u>	<u>(13,153)</u>
Closing net book amount as at December 31	<u>\$ 835,419</u>	<u>\$ 367,298</u>	<u>\$ 7,671</u>	<u>\$1,210,388</u>
<u>At December 31, 2019</u>				
Cost	\$ 835,419	\$ 525,368	\$ 7,671	\$1,368,458
Accumulated depreciation and impairment	<u>-</u>	<u>(158,070)</u>	<u>-</u>	<u>(158,070)</u>
	<u>\$ 835,419</u>	<u>\$ 367,298</u>	<u>\$ 7,671</u>	<u>\$1,210,388</u>

Note 1: The acquisition of investment property with cash payment in the amount of \$17,770.

Note 2: Reclassifications with no cash flow effects are as follows:

- (1) Lease payments receivable transferred to investment property amounted to \$8,568.
- (2) Property, plant and equipment transferred to investment property amounted to \$2,623.

	<u>Land</u>	<u>Buildings and structures</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 786,909	\$ 498,102	\$ -	\$1,285,011
Accumulated depreciation and impairment	-	(132,826)	-	(132,826)
	<u>\$ 786,909</u>	<u>\$ 365,276</u>	<u>\$ -</u>	<u>\$1,152,185</u>
<u>2018</u>				
Opening net book amount as at January 1	\$ 786,909	\$ 365,276	\$ -	\$1,152,185
Additions from acquisitions (Note 1)	-	-	4,931	4,931
Reclassifications (Note 2)	48,510	-	1,045	49,555
Depreciation charge	-	(12,091)	-	(12,091)
Closing net book amount as at December 31	<u>\$ 835,419</u>	<u>\$ 353,185</u>	<u>\$ 5,976</u>	<u>\$1,194,580</u>
<u>At December 31, 2018</u>				
Cost	\$ 835,419	\$ 498,102	\$ 5,976	\$1,339,497
Accumulated depreciation and impairment	-	(144,917)	-	(144,917)
	<u>\$ 835,419</u>	<u>\$ 353,185</u>	<u>\$ 5,976</u>	<u>\$1,194,580</u>

Note 1: The acquisition of investment property-construction in progress with cash payment in the amount of \$4,931.

Note 2: Reclassifications with no cash flow effects are as follows:

Land and other non-current assets transferred to investment property amounted to \$48,510 and \$1,045, respectively.

A. Rental income from lease of the investment property and direct operating expenses arising from investment property are shown below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from the lease of the investment property	<u>\$ 51,364</u>	<u>\$ 51,717</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 15,805</u>	<u>\$ 14,914</u>

B. As of December 31, 2019 and 2018, the fair value of the investment property held by the Group amounted to \$1,233,008 and \$1,227,844, respectively. Independent appraisers adopted comparison approach and land development analysis approach to evaluate the land, assessed the building based on cost method, and considered weights on aforementioned costs to calculate the fair value.

C. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(13) Other financial assets-non-current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee deposits paid	\$ 502,524	\$ 452,435
Restricted assets	<u>22,502</u>	<u>81,533</u>
	<u>\$ 525,026</u>	<u>\$ 533,968</u>

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(14) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deferred expenses	\$ 904	\$ 1,283
Prepayments for equipment	<u>688,846</u>	<u>677,632</u>
	<u>\$ 689,750</u>	<u>\$ 678,915</u>

(15) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank borrowings		
Secured borrowings	\$ -	\$ 31,272
Credit borrowings	<u>471,591</u>	<u>655,660</u>
	<u>\$ 471,591</u>	<u>\$ 686,932</u>
Interest rate range	<u>1%~1.54%</u>	<u>1%~3.48%</u>

Information about the short-term borrowings that were pledged to others as collateral is provided in Note 8.

(16) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 1,169,700	\$ 1,200,000
Less: Discount on bonds payable	(<u>10,229</u>)	(<u>22,965</u>)
	1,159,471	1,177,035
Less: Current portion or exercise of put options (shown as 'other current liabilities')	(<u>1,159,471</u>)	-
	<u>\$ -</u>	<u>\$ 1,177,035</u>

A. The terms of the second domestic secured convertible bonds issued by the Company are as follows:

- (a) The Company issued the second domestic secured convertible bonds totalling \$1,000,000 with zero coupon rate as approved by the regulatory authority. The bonds mature three years from the issue date (November 10, 2015 ~ November 10, 2018) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 10, 2015.

- (b) The bondholders have the right to request Taiwan Depository & Clearing Corporation (“TDCC”) through the security dealers for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price on the issue date is NT\$58.8 (in dollars). On December 21, 2015, July 16, 2016, July 16, 2017 and July 15, 2018, the Company adjusted the conversion price per share to NT \$58.4, NT \$56.2, NT \$54.9 and NT \$53.1 (in dollars), respectively, according to the rules described above.
- (d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds’ face value plus 1% of the face value as interests upon two years from the issue date.
- (e) The Company may repurchase all the bonds outstanding in cash at the bonds’ face value at any time after the following events occur: (i) the closing price of the Company’s common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one months of the bonds issue to 40 days before the maturity date.
- (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (g) On November 10, 2015, the Company signed a corporate bond issuance guarantee agreement with Chinatrust Commercial Bank. Under the terms of the agreement, the Company will periodically submit a financial assurance letter to Chinatrust Commercial Bank, indicating whether the Company has achieved the required financial ratios based on the annual and semi-annual consolidated financial statements as follows:
 - a. Current ratio must be 120% or higher.
 - b. Debt ratio must equal to or less than 100%.

Further, on August 17, 2018, the Company negotiated with Chinatrust Commercial Bank for the amendment of the guarantee covenants. Under the agreement, the Company will periodically submit a financial assurance letter to the banks, indicating whether the Company has achieved the required financial ratios based on the annual and semi-annual consolidated financial statements as follows:

- a. Current ratio must be 100% or higher.

- b. Debt ratio must equal to or less than 150%.
- c. Interest coverage ratio must be 3 or higher.
- d. Tangible net assets must be \$4,000,000 or higher.

If the Company fails to meet any of the requirements stated above, Chinatrust Commercial Bank will determine whether there has been a breach of contract.

- (h) The convertible bonds matured on November 10, 2018, and were redeemed at \$320,100 by cash. The Company transferred the forfeited stock options of \$8,835 to capital surplus-forfeited stock options (shown as capital surplus-others).
- B. The terms of the third domestic secured convertible bonds issued by the Company are as follows:
- (a) The Company issued the third domestic secured convertible bonds totalling \$1,200,000 with zero coupon rate as approved by the regulatory authority. The bonds mature three years from the issue date (November 2, 2017 ~ November 2, 2020) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 2, 2017.
 - (b) The bondholders have the right to request TDCC through the security dealers for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price on the issue date is NT\$42 (in dollars). On July 15, 2018 and July 15, 2019, the Company adjusted the conversion price per share to NT\$40.6 and NT\$38.8 (in dollars), respectively, according to the rules described above.
 - (d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one months of the bonds issue to 40 days before the maturity date.
 - (e) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
 - (f) On August 17, 2018, the Company signed a corporate bond issuance guarantee

agreement with Chinatrust Commercial Bank. Under the terms of the agreement, the Company will periodically submit a financial assurance letter to Chinatrust Commercial Bank, indicating whether the Company has achieved the required financial ratios based on the annual and semi-annual consolidated financial statements as follows:

- a. Current ratio must be 100% or higher.
- b. Debt ratio must equal to or less than 150%.
- c. Interest coverage ratio must be 3 or higher.
- d. Tangible net assets must be \$4,000,000 or higher.

If the Company fails to meet any of the requirements stated above, Chinatrust Commercial Bank will determine whether there has been a breach of contract.

- (g) As of December 31, 2019, the convertible bonds totalling \$30,300 (face value) had been converted into 781 thousand shares of common stock.

C. Regarding the third issuance of secured convertible bonds, the equity conversion options amounting to \$30,063 were separated from the liability component and were recognised in 'capital surplus - others' in accordance with IAS 32 as of December 31, 2019. The call and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation ranged between 0.7362%~0.8489%.

D. Information on assets pledged as collateral for corporate bonds is provided in Note 8.

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank borrowings			
Secured borrowings	2006.4~2023.11	\$ 2,841,412	\$ 2,835,598
Credit borrowings	2006.4~2023.11	<u>81,957</u>	<u>159,606</u>
		2,923,369	2,995,204
Less: Current portion (shown as 'other current liabilities')		(<u>832,707</u>)	(<u>182,596</u>)
		<u>\$ 2,090,662</u>	<u>\$ 2,812,608</u>
Interest rate range		<u>1.09%~1.9%</u>	<u>1.52%~5.88%</u>

A. In July 2015, the Company, Chiu Ho Medical System Co., Ltd., and Medlink Healthcare Limited signed a syndicated loan agreement in the amount of \$3,300,000 with a group of lenders led by First Commercial Bank and agreed to the following terms:

- (a) Before each credit line expires, the borrower is required to draw down at least 80% of the available credit limit. If this required amount is not fully drawn down, the borrower must pay a fee, equal to 0.15% of the difference between the actual drawdown amount

and the required amount, to the agency bank after the expiration of all credit lines. The agency bank will then distribute this fee among the syndicate lenders according to the share of credit risk each lender bears.

- (b) Loan funds must be used for a specified purpose.
- (c) The Company will periodically submit a financial assurance letter to the banks, indicating whether the Company has achieved the required financial ratios based on the annual and semi-annual consolidated financial statements as follows:
 - i. Current ratio must be 100% or higher.
 - ii. Debt ratio must equal to or less than 150%.
 - iii. Interest coverage ratio must be 3 or higher.
 - iv. Tangible net assets must be \$3,800,000 or higher.

If the Company fails to meet any of the requirements stated above, remedial measures, such as capital increase, must be taken to address the issue before the financial reporting date of the next annual or half-year consolidated financial statements. If the issue is resolved with the remedial measures, it is not considered a breach of contract. However, the Company is required to pay a fee, equal to 0.1% of the unpaid principal balance on the audit date, to the agency bank, who will distribute this fee among the syndicate lenders.

The financial ratios derived from the aforementioned consolidated financial statements of the Company are in compliance with the requirements specified in the syndicated loan agreement.

- (d) The Company's direct and/or indirect ownership percentage of Chiu Ho Medical System Co., Ltd., Hua Lin Instruments Co., Ltd., Tong-Lin Instruments Co., Ltd., E Century Healthcare Corporation, Chiu Ho Biotech Co., Ltd. and Chiu Ho Scientific Co.,Ltd. must be at least 66.67%, and the Company must maintain control over the operations of these subsidiaries. The shares of the aforementioned subsidiaries necessary to maintain the required minimum ownership percentage cannot be pledged or transferred to a third party, nor can they be placed in a trust.
- (e) The Company's direct and/or indirect ownership percentage of its investment holding company in Myanmar and Medlink Healthcare Limited must be at least 70%, and the Company must maintain control over the operations of these subsidiaries. The shares of the aforementioned subsidiaries necessary to maintain the required minimum ownership percentage cannot be pledged or transferred to a third party, nor can they be placed in a trust.
- (f) The Company's direct and/or indirect ownership percentage of Hsing-Yeh Biotechnology Co., Ltd must be 100%, and the Company must maintain control over the operations of the subsidiary. The shares of the aforementioned subsidiary necessary to maintain the required ownership percentage cannot be pledged or transferred to a

third party, nor can they be placed in a trust. However, these restrictions do not apply if Hsing-Yeh Biotechnology Co., Ltd. merges with the Company and is dissolved.

If the Company fails to meet this requirement, First Commercial Bank will determine whether there has been a breach of contract and, if necessary, call a meeting with all the syndicate lenders to discuss the matter.

The financial ratios derived from the aforementioned consolidated financial statements of the Company meet the requirements specified in the syndicated loan agreement.

In July 2017, the Company cancelled an unused credit line of \$1,600,000, which was part of the syndicated loan agreement led by First Commercial Bank.

In November 2018, the Company fully paid in advance the outstanding principal.

B. In November 2018, the Company and Tomorrow Medical System Co., Ltd. signed a syndicated loan agreement in the amount of \$2,440,000 with a group of lenders led by First Commercial Bank and agreed to the following terms:

- (a) If the actual drawn amount is less than 80% of each available borrowing facility, the difference shall be imposed at a rate of 0.15% as a commitment fee at the end of the limit on borrowing facilities. The commitment fee shall be paid in full to the lead bank within 5 trading days after the end of the limit on borrowing facilities. Subsequently, the lead bank shall pay syndicated banks based on its committed ratio.
- (b) Loan funds must be used for a specified purpose.
- (c) The Company will periodically issue a financial assurance letter to the banks, indicating whether the Company has achieved the required financial ratios based on the annual and semi-annual consolidated financial statements as follows:
 - i. Current ratio must be 100% or higher.
 - ii. Debt ratio must equal to or less than 150%.
 - iii. Interest coverage ratio must be 3 or higher.
 - iv. Tangible net assets must be \$4,000,000 or higher.

If the Company fails to meet any of the requirements stated above, remedial measures, such as capital increase, must be taken to address the issue before the financial reporting date of the next annual or half-year consolidated financial statements. If the issue is resolved with the remedial measures, it is not considered a breach of contract. However, the Company is required to pay a fee, equal to 0.1% of the unpaid principal balance on the audit date, to the agency bank, who will distribute this fee among the syndicate lenders.

- (d) The Company shall directly/indirectly hold a 100% equity interest in Tomorrow Medical System Co., Ltd., Hsing-Yeh Biotechnology Co., Ltd., Medlink Healthcare Limited and Chiu Ho Medical System Co., Ltd., and directly/indirectly hold at least a 66.67% equity interest in Hua Lin Instruments Co., Ltd., Tong-Lin Instruments Co., Ltd., E Century Healthcare Corporation, Chiu Ho Biotech Co., Ltd. and Chiu Ho

Scientific Co., Ltd., and the Company has control over those companies' operations. Above equity interests can not be pledged or transferred to the third party in any assumption or method as well as trust.

If the Company fails to meet this requirement, First Commercial Bank will determine whether there has been a breach of contract and, if necessary, call a meeting with all the syndicate lenders to discuss the matter.

- C. In August 2018, Guangzhou Chiuho Medical System Co., Ltd. entered into a borrowing contract with Chinatrust Commercial Bank amounting to RMB 22 million. The Company is required to hold a 100% equity interest directly/indirectly in Guangzhou Chiuho Medical System Co., Ltd. until settlement of the borrowing, or the borrowing will be deemed as matured. In June 2019, Guangzhou Chiuho Medical System Co., Ltd. fully paid in advance the outstanding principal.
- D. Information on assets pledged as collateral for long-term borrowings is provided in Note 8.

(18) Pensions

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$6,664 and \$6,539, respectively.
- B. The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The pension plan is administered by the government. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$2,105 and \$2,440, respectively.

(19) Share-based payment

- A. As of December 31, 2019, the Company's share-based payment transactions are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity Granted (in thousands of shares)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options-101	2012.8.31	3,000	7 years	Note
Employee stock options-106	2018.4.13	2,000	7 years	Note

Note: After two years from the grant date, employees are allowed to exercise their stock options according to the vesting schedule specified in the plan.

B. Details of the share-based payment arrangements are as follows:

Stock options	2019		2018	
	No. of options (in thousands of shares)	Weighted-average exercise price (in dollars)	No. of options (in thousands of shares)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,957	\$ 34.33	985	\$ 37.40
Options granted	-	-	2,000	34.50
Options forfeited	(38)	34.81	(28)	34.45
Options exercised	(939)	35.41	-	-
Options outstanding at December 31	<u>1,980</u>	<u>31.90</u>	<u>2,957</u>	<u>34.33</u>
Options exercisable at December 31	<u>-</u>		<u>977</u>	

C. For the year ended December 31, 2019, the weighted-average stock price of stock options on exercise dates was NT\$43.52 (in dollars). For the year ended December 31, 2018, no stock options were exercised.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2019		December 31, 2018	
		No. of shares (in thousands of shares)	Exercise price (in dollars)	No. of shares (in thousands of shares)	Exercise price (in dollars)
2012.8.31	2019.8.30	\$ -	\$ -	977	\$ 36.2
2018.4.13	2025.4.12	1,980	31.9	1,980	33.4

E. The Black Scholes option-pricing model was used for valuation of fair value of the stock options granted. The related information is listed as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate fair value	Fair value per unit (in dollars)
Employee stock options-101	2012.8.31	\$ 85.06 (Note 1)	\$ 44.0	40.44% (Note 2)	5.25 years	0%	1.00%	\$48.23~ \$51.29
Employee stock options-106	2018.4.13	\$ 34.50	\$ 34.5	30.02%	5.25 years	0%	0.75%	\$8.46~ \$10.91

Note 1: Estimated using the market approach with necessary adjustments, the price of the common shares of the Company that have no controlling rights and cannot be traded in the open market was NT\$85.06 (in dollars) on the grant date.

Note 2: Expected price volatility is estimated based on the historical stock prices of comparable companies.

F. Expenses incurred on the Group's share-based payment transactions are shown below:

	Years ended December 31,	
	2019	2018
Equity-settled	\$ 5,726	\$ 3,237

G. On July 15, 2019 and July 15, 2018, the exercise prices of employee stock options-101 and employee stock options-106 were adjusted to NT\$34.6, NT\$31.9, NT\$36.2 and NT\$33.4 (in dollars), respectively, according to the rules of the employee stock option plan. The adjustment of exercise prices had no significant impact on the fair value of the aforementioned stock options.

(20) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$2,500,000, consisting of 250 million shares of ordinary stock, and the paid-in capital was \$1,416,335 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(In thousands of shares)	
	2019	2018
At January 1	138,914	139,914
Employee stock options exercised	939	-
Bonds payable converted	781	-
Shares retired	-	(1,000)
At December 31	140,634	138,914

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2019		December 31, 2018	
		Number of shares	Carrying Amount	Number of shares	Carrying Amount
The Company	To be reissued to employees	1,000,000	\$ 34,956	1,000,000	\$ 34,956

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's

credit rating and the stockholders' equity should be retired within six months of acquisition.

(21) Capital surplus

- A. Pursuant to Paragraph 4, Article 31 of the Business Mergers and Acquisitions Act, if a company becomes a wholly-owned subsidiary of another company through a share exchange, its undistributed earnings become part of the capital surplus of the acquiring company (parent company). Therefore, if the increase in the investment holding company's capital surplus is from the undistributed earnings of the subsidiary before the share exchange, this amount can be distributed as cash dividends or capitalised. Moreover, the proportion that can be capitalised is not subject to the restrictions set forth in Article 8 of the Securities and Exchange Act Enforcement Rules. In addition, according to Tai-Cai-Rong-Yi-Zi No. 0910016280, such increase in capital surplus was not generated by the holding company's business operations and thus will not affect the remuneration of directors and supervisors and bonuses of employees. As of December 31, 2019, capital surplus that is attributable to the undistributed earnings of Chiu Ho Medical System Co., Ltd. and other associates before share exchanges amounted to \$44,390.
- B. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- C. Please refer to Note 6(19) for information on capital surplus - employee stock options.

(22) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless legal reserve equals the authorised share capital. Special reserve is then appropriated or reversed in accordance with related regulations. At least 50% of the remainder, if any, and accumulated undistributed earnings from prior years is distributable under the stockholders' resolution at their meeting as proposed by the Board of Directors.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the

debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- D. The proposal on 2018 and 2017 earnings appropriation which were resolved at the shareholders' meeting on June 12, 2019 and June 11, 2018, respectively, are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 32,342		\$ -	
Special reserve	330,410		-	
Reversal of special reserve	-		(138,784)	
Cash dividends	250,045	\$ 1.8	153,905	\$ 1.1
	<u>\$ 612,797</u>		<u>\$ 15,121</u>	

The aforementioned earnings appropriations for the years ended December 31, 2018 and 2017 were in agreement with the amounts resolved by the Board of Directors during its meetings held on March 22, 2019 and March 21, 2018, respectively, and the ex-dividend dates resolved in the same meetings were July 15, 2019 and July 15, 2018, respectively. For more information on the aforementioned earnings appropriations proposed by the Board of Directors and resolved by the shareholders, please go to the Market Observation Post System website maintained by the Taiwan Stock Exchange.

- E. The appropriations for 2019 earnings as resolved by the Board of Directors on March 23, 2020 are as follows:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 39,517	
Special reserve	24,231	
Cash dividends	281,267	\$ 2
	<u>\$ 345,015</u>	

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(23) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 1,930,176	\$ 1,431,331
Rental revenue	1,007,306	1,068,772
Others	12,570	7,363
	<u>\$ 2,950,052</u>	<u>\$ 2,507,466</u>

A. Disaggregation of revenue from contracts with customers

The Group's revenue is derived from the transfer of goods and services over time and at a point in time in the following major product lines:

Year ended December 31, 2019	Sale of drugs	Sale of medical instruments	Repairs and maintenance and other services	Total
Revenue from external customer contracts	<u>\$ 171,662</u>	<u>\$ 1,466,330</u>	<u>\$ 292,184</u>	<u>\$1,930,176</u>
Timing of revenue recognition				
At a point in time	\$ 171,662	\$ 1,466,330	\$ -	\$1,637,992
Over time	-	-	292,184	292,184
	<u>\$ 171,662</u>	<u>\$ 1,466,330</u>	<u>\$ 292,184</u>	<u>\$1,930,176</u>

Year ended December 31, 2018	Sale of drugs	Sale of medical instruments	Repairs and maintenance and other services	Total
Revenue from external customer contracts	<u>\$ 171,500</u>	<u>\$ 1,000,906</u>	<u>\$ 258,925</u>	<u>\$1,431,331</u>
Timing of revenue recognition				
At a point in time	\$ 171,500	\$ 1,000,906	\$ -	\$1,172,406
Over time	-	-	258,925	258,925
	<u>\$ 171,500</u>	<u>\$ 1,000,906</u>	<u>\$ 258,925</u>	<u>\$1,431,331</u>

B. Contract assets and liabilities

- (a) The Group recognised contract assets and liabilities in relation to contract revenue arising from sales, maintenance and repair of medical instrument and other services as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets	<u>\$ 80,902</u>	<u>\$ 40,959</u>	<u>\$ 33,933</u>
Contract liabilities	<u>\$ 739,908</u>	<u>\$ 339,547</u>	<u>\$ 344,718</u>

- (b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>\$ 23,955</u>	<u>\$ 24,444</u>

C. Unfulfilled long-term repairs, maintenance and medical instrument contracts

Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at December 31, 2019, amounted to \$1,374,600. Management expects

that the transaction price allocated to the unsatisfied contracts as of December 31, 2019 will be recognised as revenue from 2020 to 2024.

Except for the abovementioned contracts, all other repair and maintenance contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(24) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 5,240	\$ 4,980
Interest income from financial assets measured at amortised cost	2,420	-
Other interest income	4,036	3,270
Rent income	1,793	1,617
Dividend income	967	-
Other income	17,776	5,754
	<u>\$ 32,232</u>	<u>\$ 15,621</u>

(25) Other gains and losses

	Years ended December 31,	
	2019	2018
(Losses) gains on disposal of property, plant and equipment	(\$ 3,142)	\$ 279
Gains (losses) on disposal of investment	143	(350)
Net currency exchange (losses) gains	(5,732)	6,147
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	17,403	(21,586)
Impairment loss on property, plant and equipment	(10,000)	(1,350)
Impairment loss of intangible assets	(2,595)	-
Other losses	(1,310)	(3,980)
	<u>(\$ 5,233)</u>	<u>(\$ 20,840)</u>

(26) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 50,340	\$ 49,213
Convertible bonds	12,357	15,855
Long-term contract liabilities	5,663	5,103
Lease liability	47	-
Financial expense, others	9,937	11,895
	<u>\$ 78,344</u>	<u>\$ 82,066</u>

(27) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense		
Wages and salaries	\$ 218,900	\$ 216,389
Employee stock options	5,726	3,237
Labor and health insurance fees	15,557	16,011
Pension costs	8,769	8,979
Other personnel expenses	7,841	7,141
Depreciation charge	411,752	428,598
	<u>\$ 668,545</u>	<u>\$ 680,355</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (i.e. profit before tax less profit margin before the appropriation of employees' compensation and directors' and supervisors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 0.05% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

The aforementioned employees' compensation and directors' and supervisors' remuneration requires the approval from the majority of the directors attending a board meeting, with more than two thirds of all directors in attendance, and must be reported to the shareholders.

Employees' compensation is distributed in the form of shares or cash, and the recipients may include employees of affiliates who meet certain conditions. The distribution plan is set by the Chairman.

- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$195 and \$140, respectively; directors' and supervisors' remuneration was both accrued at \$5,600. The aforementioned amounts were recognised in salary expenses.

Employees' compensation of \$140 and directors' and supervisors' remuneration of \$5,600 for 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors and approved by shareholders at their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the year	\$ 103,716	\$ 72,996
Tax on undistributed surplus earnings	-	25,316
Prior year income tax overestimation	(823)	(367)
Total current tax	<u>102,893</u>	<u>97,945</u>
Deferred tax		
Origination and reversal of temporary differences	(16,731)	(44,136)
Impact of change in tax rate	-	(3,469)
Income tax expense	<u>\$ 86,162</u>	<u>\$ 50,340</u>

(b) Reconciliation between income tax expense and accounting profit:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Income tax calculated based on profit before tax and statutory tax rate	\$ 193,929	\$ 149,994
Expenses disallowed by tax regulation	7,437	1,559
Tax exempt income by tax regulation	(96,210)	(67,345)
Temporary differences not recognised as deferred tax assets	2,000	-
Taxable loss not recognised as deferred tax assets	277	1,725
Change in assessment of realisation of deferred tax assets	(20,448)	(57,073)
Prior year income tax overestimation	(823)	(367)
Tax on undistributed surplus earnings	-	25,316
Impact of change in the tax rate on temporary differences between current year and the year realised	-	(3,469)
Income tax expense	<u>\$ 86,162</u>	<u>\$ 50,340</u>

(c) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences	<u>(\$ 8)</u>	<u>(\$ 2,150)</u>

B. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences				
Unrealised allowance for inventory obsolescence	\$ 10,327	\$ 1,364	\$ -	\$ 11,691
Unrealised exchange loss	47	2,356	-	2,403
Warranty obligations	2,137	1,623	-	3,760
Long-term contract liabilities				
interest expense	2,639	1,133	-	3,772
Others	2,835	(1,668)	-	1,167
Income tax losses	<u>50,313</u>	<u>11,645</u>	<u>-</u>	<u>61,958</u>
	<u>68,298</u>	<u>16,453</u>	<u>-</u>	<u>84,751</u>
- Deferred tax liabilities:				
Temporary differences				
Land revaluation increment tax (	39,395)	-	-	(39,395)
Others	(<u>1,036</u>)	<u>278</u>	(<u>8</u>)	(<u>766</u>)
	(<u>40,431</u>)	<u>278</u>	(<u>8</u>)	(<u>40,161</u>)
	<u>\$ 27,867</u>	<u>\$ 16,731</u>	(<u>\$ 8</u>)	<u>\$ 44,590</u>
2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences				
Unrealised allowance for inventory obsolescence	\$ 9,525	\$ 802	\$ -	\$ 10,327
Unrealised exchange loss	4,351	(4,304)	-	47
Warranty obligations	1,657	480	-	2,137
Long-term contract liabilities				
interest expense	-	2,639	-	2,639
Currency translation				
differences	2,150	-	(2,150)	-
Others	1,201	1,634	-	2,835
Income tax losses	<u>3,659</u>	<u>46,654</u>	<u>-</u>	<u>50,313</u>
	<u>22,543</u>	<u>47,905</u>	(<u>2,150</u>)	<u>68,298</u>
- Deferred tax liabilities:				
Temporary differences				
Land revaluation increment tax (	39,395)	-	-	(39,395)
Others	(<u>736</u>)	(<u>300</u>)	-	(<u>1,036</u>)
	(<u>40,131</u>)	(<u>300</u>)	-	(<u>40,431</u>)
	<u>(\$ 17,588)</u>	<u>\$ 47,605</u>	(<u>\$ 2,150</u>)	<u>\$ 27,867</u>

- C. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019					
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>	
2012	\$ 5,451	\$ -	\$ -	2022	
2013	17,125	-	-	2023	
2014	4,626	347	347	2024	
2015	9,659	2,798	2,798	2025	
2016	10,904	3,359	3,359	2026	
2017	15,829	888	888	2027	
2018	311,803	310,087	296	2028	
2019	1,385	1,385	1,385	2029	
	<u>\$ 376,782</u>	<u>\$ 318,864</u>	<u>\$ 9,073</u>		

December 31, 2018					
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>	
2012	\$ 5,451	\$ -	\$ -	2022	
2013	17,125	-	-	2023	
2014	4,626	347	347	2024	
2015	9,659	2,798	2,798	2025	
2016	10,904	6,139	3,359	2026	
2017	15,829	888	888	2027	
2018	252,083	252,083	3,296	2028	
	<u>\$ 315,677</u>	<u>\$ 262,255</u>	<u>\$ 10,688</u>		

- D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>\$ 92,286</u>	<u>\$ 83,505</u>

- E. Income tax assessment of the Company and its domestic subsidiaries is as follows:

	<u>Recent assessment</u>
Tong-Lin Instruments Co., Ltd., Hua Lin Instruments Co., Ltd., E Century Healthcare Corporation, Hsing-Yeh Biotechnology Co., Ltd. and SenCare Healthcare Company	Through 2018
The Company, Chiu Ho Medical System Co., Ltd., Chiu Ho Scientific Co., Ltd., Tomorrow Medical System Co., Ltd., Shin- Ho Instruments Co., Ltd., Hsin Lin Biotech Co., Ltd., Chiu Ho Biotech Co., Ltd. and Medlink Healthcare Limited	Through 2017

- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 395,172</u>	<u>139,707</u>	<u>\$ 2.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 395,172	139,707	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	401	
Employees' compensation	-	6	
Convertible bonds	<u>22,728</u>	<u>29,769</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 417,900</u>	<u>169,883</u>	<u>\$ 2.46</u>

Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 323,422	139,651	\$ 2.32
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 323,422	139,651	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options (Note)	-	-	
Employees' compensation	-	5	
Convertible bonds	27,919	34,679	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 351,341	174,335	\$ 2.02

Note: Not included due to antidilutive effect.

Because employees' compensation may be distributed in the form of shares, the calculation of diluted earnings per share assumes that employees' compensation would be distributed entirely in shares. These dilutive potential common shares are included in the weighted average number of outstanding shares when calculating diluted earnings per share. When calculating basic earnings per share, shares issued as part of employees' compensation are included in the weighted average number of outstanding shares only if the number of such shares have been confirmed and resolved by the shareholders. Shares issued as part of employees' compensation are not considered bonus shares, therefore no retrospective adjustment is applied when calculating basic and diluted earnings per share.

(30) Operating leases

Prior to 2019

- A. The Group leases property and machinery to others under operating lease agreements. Rents of \$1,068,772 were recognised for these leases in profit or loss for the year ended December 31, 2018.
- B. The Group leases assets such as real estate and warehouses under operating lease agreements. The lease terms are from 2011 to 2027. For the year ended December 31, 2018, the Group

recognised rental expense of \$19,561. The future aggregate minimum lease payments under operating leases are as follows:

	<u>December 31, 2018</u>
No later than one year	\$ 12,025
Later than one year but not later than five years	24,811
Later than five years	<u>6,183</u>
	<u>\$ 43,019</u>

(31) Goodwill

A. Goodwill is allocated as follows to the Group's cash-generating units:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Hsing-Yeh Biotechnology Co., Ltd.	\$ 150,617	\$ 150,617
Others	8,534	11,129
	<u>\$ 159,151</u>	<u>\$ 161,746</u>

- B. Goodwill is allocated to the Group's cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations and fair value, net of disposed cost. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period, and the details of evaluation on fair value are provided in Note 6(12).
- C. As the profit arising from certain cash-generating units was lower than management's forecast, management has assessed that the recoverable amount of cash-generating units was lower than the carrying amount. Accordingly, the Group recognised impairment loss on goodwill amounting to \$2,595 in 2019.
- D. Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. As of December 31, 2019 and 2018, the pre-tax discount rate applied on the Group's major assessments is 5.48%~8.47% and 5.46%~9.07%, respectively.

(32) Supplemental cash flow information

- A. Information on investing activities with partial cash payments is provided in Notes 6(9) and (12).
- B. Information on financing activities with no cash flow effects is provided in Note 6(16).

(33) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liability	Guarantee deposits received	Total liabilities from financing activities
January 1, 2019	\$ 686,932	\$ 2,995,204	\$ 36,089	\$ 19,535	\$ 3,737,760
Changes in cash flow from financing activities	(215,396)	(68,601)	(6,799)	4,143	(286,653)
Impact of changes in foreign exchange rate	55	(3,234)	-	(93)	(3,272)
Changes in other non-cash items	-	-	944	-	944
December 31, 2019	<u>\$ 471,591</u>	<u>\$ 2,923,369</u>	<u>\$ 30,234</u>	<u>\$ 23,585</u>	<u>\$ 3,448,779</u>

	Short-term borrowings	Long-term borrowings	Lease liability	Guarantee deposits received	Total liabilities from financing activities
January 1, 2018	\$ 641,535	\$ 2,889,415	\$ -	\$ 26,831	\$ 3,557,781
Changes in cash flow from financing activities	55,091	105,789	-	(7,243)	153,637
Impact of changes in foreign exchange rate	(9,694)	-	-	(53)	(9,747)
December 31, 2018	<u>\$ 686,932</u>	<u>\$ 2,995,204</u>	<u>\$ -</u>	<u>\$ 19,535</u>	<u>\$ 3,701,671</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's stocks are held by the public, so it has neither an ultimate parent company nor ultimate controlling party.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Yeezen General Hospital	Substantive related party
High-END VISION EYE CENTER	Substantive related party
Swissray Medical AG	Substantive related party
White Essence	Substantive related party
AESolution Biomedical Co., Ltd.	Substantive related party
J. Ab Beauty Co., Ltd.	Substantive related party
PT. NAVI Medical Indonesia	Associate
CHENG-HSIN Biotechnology Co., Ltd.	Associate
Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd.	Associate

(3) Significant transactions and balances with related parties

A. Operating revenue

(a) Sales revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Yeezen General Hospital	\$ 179,727	\$ 177,209
Others	<u>1,932</u>	<u>2,654</u>
	<u>\$ 181,659</u>	<u>\$ 179,863</u>

In terms of the transactions between the subsidiary, Chiu Ho Scientific Co., Ltd., and the abovementioned related parties, goods are sold based on the price lists in force and terms that would be available to third parties. Hsing-Yeh Biotechnology Co., Ltd. and the abovementioned related parties have no other similar transactions that can be used for comparison. The collection period is approximately six months.

(b) Rental revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Rental revenue:		
Others	<u>\$ 85,398</u>	<u>\$ 76,927</u>

- i. The subsidiary, Hsing-Yeh Biotechnology Co., Ltd. leases medical equipment and property to the abovementioned related parties. The lease terms are from 2019 to 2022. Lease payments are determined by negotiations between the two parties and are made monthly.
- ii. The subsidiaries, Chiu Ho Scientific Co., Ltd. and E Century Healthcare Corporation, lease medical equipment to the abovementioned related parties. The lease terms are from 2016 to 2031. The monthly lease payment is set as a predetermined percentage of the monthly revenue of the related party. The collection period is between 2 and 6 months.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
Others	<u>\$ 1,065</u>	<u>\$ 706</u>

The subsidiaries, Chiu Ho Medical System Co., Ltd., Chiu Ho Scientific Co., Ltd., and Chiu Ho (CHINA) Medical Technology Co., Ltd., and the abovementioned related parties have no other similar transactions that can be used for comparison. The collection period is approximately three months.

C. Notes and accounts receivable

(a) Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Yeezen General Hospital	\$ 212,608	\$ 205,356
Others	<u>6,563</u>	<u>7,299</u>
	219,171	212,655
Less: Allowance for doubtful accounts (	<u>17)</u>	<u>(15)</u>
	<u>\$ 219,154</u>	<u>\$ 212,640</u>

(b) The ageing analysis of accounts receivable due from related parties is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 123,932	\$ 134,669
Past due		
Up to 1 month	16,823	16,894
Up to 2 months	21,235	16,234
Up to 3 months	22,927	16,591
Up to 4 months	7,557	13,569
Up to 5 months	26,697	14,698
Up to 6 months	-	-
Over 6 months	-	-
	<u>\$ 219,171</u>	<u>\$ 212,655</u>

(c) As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables due from related parties from contracts with customers amounted to \$197,777, \$196,375, and \$186,237, respectively.

(d) Lease payments receivable (shown as ‘accounts receivable - related parties’ and long-term notes and accounts receivable - related parties)

The subsidiaries, Hsing-Yeh Biotechnology Co., Ltd., Chiu Ho Scientific Co., Ltd., and E Century Healthcare Corporation, lease machinery and other equipment to Yeezen General Hospital under a finance lease. The lease terms are from 2015 to 2024. Based on the terms of the lease contract, the ownership of the equipment shall be transferred to the lessee when the lease expires. In addition, Hsing-Yeh Biotechnology Co., Ltd. leases renovation project assets to CHENG-HSIN Biotechnology Co., Ltd under a finance lease. The lease term is from 2017 to 2024 which is for the major part of economic life of the underlying asset. The lease payments from the aforementioned agreements are expected to be collected on schedule.

Effective 2019

As of December 31, 2019, reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:

	December 31, 2019		
	Undiscounted lease payments	Unearned finance income	Net investment in the lease
<u>Current</u>			
Yeezen General Hospital CHENG-HSIN Biotechnology Co., Ltd.	\$ 17,536	(\$ 856)	\$ 16,680
Loss allowance	(8,939)	(914)	(8,025)
	(1)	-	(1)
	<u>\$ 26,474</u>	<u>(\$ 1,770)</u>	<u>\$ 24,704</u>
<u>Non-current</u>			
Yeezen General Hospital CHENG-HSIN Biotechnology Co., Ltd.	\$ 18,304	(\$ 893)	\$ 17,411
Loss allowance	(33,523)	(1,568)	(31,955)
	(2)	-	(2)
	<u>\$ 51,825</u>	<u>(\$ 2,461)</u>	<u>\$ 49,364</u>

Prior to 2019

The gross investments in those leases and present value of total minimum lease payments receivable as at December 31, 2018 were as follows:

	December 31, 2018		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
<u>Current</u>			
Yeezen General Hospital CHENG-HSIN Biotechnology Co., Ltd.	\$ 19,452	(\$ 1,038)	\$ 18,414
Loss allowance	(10,332)	(1,347)	(8,985)
	(1)	-	(1)
	<u>\$ 29,783</u>	<u>(\$ 2,385)</u>	<u>\$ 27,398</u>
<u>Non-current</u>			
Yeezen General Hospital CHENG-HSIN Biotechnology Co., Ltd.	\$ 23,447	(\$ 689)	\$ 22,758
Loss allowance	(49,077)	(3,010)	(46,067)
	(3)	-	(3)
	<u>\$ 72,521</u>	<u>(\$ 3,699)</u>	<u>\$ 68,822</u>

(e) Information relating to credit risk is provided in Note 12(2).

D. Other receivables due from related parties

Loans to related parties

	December 31, 2019	December 31, 2018
Yeezen General Hospital	\$ 174,000	\$ 148,000
High-END VISION EYE CENTER	4,500	5,000
	<u>\$ 178,500</u>	<u>\$ 153,000</u>

Interest income

	Years ended December 31,	
	2019	2018
Yeezen General Hospital	\$ 3,920	\$ 3,139
High-END VISION EYE CENTER	115	125
Others	-	5
	<u>\$ 4,035</u>	<u>\$ 3,269</u>

For the years ended December 31, 2019 and 2018, the loans carried an interest rate of 2.5% per annum.

E. Accounts payable - related parties

	December 31, 2019	December 31, 2018
SRM	<u>\$ 136</u>	<u>\$ 4,562</u>

The payables to related parties arise mainly from purchases which are due within three months. The payables bear no interest.

F. Refund liabilities (shown as 'other current liabilities')

	December 31, 2019	December 31, 2018
Yeezen General Hospital	<u>\$ 14,686</u>	<u>\$ 6,667</u>

Sales discounts are granted based on mutual agreement, and no other similar transaction can be compared with.

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 32,001	\$ 31,696
Post-employment benefits	216	279
Share-based payments	607	343
	<u>\$ 32,824</u>	<u>\$ 32,318</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Notes receivable	\$ -	\$ 4,290	Collateral for long-term borrowings
Long-term notes receivable	-	7,590	Collateral for long-term borrowings
Time deposits (shown as 'other current assets')	50,098	-	Performance guarantee
Reserve account (shown as 'other financial assets - non-current')	21,916	21,480	Collateral for long-term borrowings
Time deposits (shown as 'other financial assets - non-current')	-	55,053	Performance guarantee
Property, plant and equipment (including investment property)			
Land	1,664,226	1,664,226	Collateral for short-term and long-term borrowings
Buildings and structures	373,906	370,089	Collateral for short-term and long-term borrowings
Leased assets - machinery and equipment	469,970	416,323	Collateral for long-term borrowings
	2,508,102	2,450,638	
	<u>\$ 2,580,116</u>	<u>\$ 2,539,051</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

- A. Please refer to Notes 6(16) and 6(17) for commitments related to the second and the third domestic issuances of secured convertible corporate bonds and the syndicated bank loan.
- B. As of December 31, 2019 and 2018, capital expenditures on property, plant and equipment contracted for but not yet incurred was \$1,197,559 and \$1,586,518, respectively.
- C. As of December 31, 2019 and 2018, amounts available under unused letters of credit were \$178,794 and \$235,414, respectively.
- D. Operating lease agreements:
Please refer to Note 6(30) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 71,369</u>	<u>\$ 53,974</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 38,681</u>	<u>\$ 47,231</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,245,235	\$ 1,209,636
Financial assets at amortised cost	71,369	-
Notes receivable (including related parties)	56,562	44,838
Accounts receivable (including related parties)	751,472	741,820
Other receivables (including related parties)	180,017	153,574
Other financial assets	525,026	533,968
Long-term notes and accounts receivable (including related parties)	223,404	186,500
	<u>\$ 3,053,085</u>	<u>\$ 2,870,336</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 471,591	\$ 686,932
Notes payable	3,495	4,346
Accounts payable (including related parties)	219,949	209,513
Other payables (including related parties)	168,781	149,934
Bonds payable (including current portion)	1,159,471	1,177,035
Long-term borrowings (including current portion)	2,923,369	2,995,204
Other financial liabilities	23,920	21,210
	<u>\$ 4,970,576</u>	<u>\$ 5,244,174</u>
Lease liability	<u>\$ 30,234</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Group's operating activities expose it to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as credit risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group conducts business worldwide and imports state-of-the-art medical equipment and supplies from various countries and is therefore exposed to foreign exchange rate risk from multiple foreign currencies, primarily the US dollar. Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Under the Group's financial risk management policy, foreign exchange risk is managed using debt denominated in the relevant foreign currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB, HKD or IDR). The information on assets

and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019			Year ended December 31, 2019	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 8,902	29.98	\$ 266,882	1%	\$ 2,669
EUR:NTD	22	33.59	739	1%	7
SGD:NTD	8	22.28	178	1%	2
USD:RMB	148	6.96	4,437	1%	44
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,790	29.98	83,644	1%	836
EUR:NTD	879	33.59	29,526	1%	295
SGD:NTD	351	22.28	7,820	1%	78

	December 31, 2018			Year ended December 31, 2018	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 8,856	30.72	\$ 272,056	1%	\$ 2,721
EUR:NTD	22	35.20	774	1%	8
USD:RMB	1,327	6.87	40,765	1%	408
USD:HKD	1,302	7.83	39,997	1%	400
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	5,068	30.72	155,689	1%	1,557
EUR:NTD	263	35.20	9,258	1%	93
SGD:NTD	765	22.48	17,197	1%	172

- iv. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to (\$5,732) and \$6,147, respectively

Price risk

- i. The Group is exposed to equity price risk from its investments classified on the consolidated balance sheet either as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other

comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set stop-loss points and therefore does not expect to incur significant losses from equity price risk.

- ii. The Group's investments in equity securities comprise domestic and foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$7,137 and \$5,348, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$3,868 and \$4,723, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings at variable rates are primarily denominated in NTD and USD.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$29,234 and \$29,952, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is the counterparties could not repay in full the accounts receivable based on the agreed terms. According to the Group's credit policy, each local entity in the Group is responsible for managing and assessing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the credit control supervisor. The utilization of credit limits is regularly monitored.
- ii. If the contract payments were past due over one month based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; the default occurs when the contract payments are past due over three

months and up to six months.

- iii. The Group classifies customer's accounts receivable and contract assets in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- iv. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- v. The Group took into consideration the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. On December 31, 2019 and 2018, the provision matrix is as follows:

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.00%~0.26%	\$ 990,551	\$ 509
Up to 1 month	0.00%~3.70%	27,629	114
Up to 2 months	0.00%~6.72%	22,196	1
Up to 3 months	0.00%~12.22%	23,073	-
Up to 4 months	0.00%~100%	7,793	2
Up to 5 months	0.00%~100%	28,714	763
Up to 6 months	0.00%~100%	-	-
Over 6 months (Note)	100%	14,536	763
		<u>\$ 1,114,492</u>	<u>\$ 2,152</u>

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.00%~0.26%	\$ 920,074	\$ 359
Up to 1 month	0.00%~3.70%	23,197	149
Up to 2 months	0.00%~6.72%	22,315	271
Up to 3 months	0.00%~12.22%	21,139	492
Up to 4 months	0.00%~100%	14,569	604
Up to 5 months	0.00%~100%	14,698	-
Up to 6 months	0.00%~100%	-	-
Over 6 months	100%	19,379	19,379
		<u>\$ 1,035,371</u>	<u>\$ 21,254</u>

Note: As of December 31, 2019, accounts past due over 6 months amounting to \$13,773 were collected after the balance sheet date, therefore, the Group reversed the written-off accounts and loss allowance.

- vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable, contract assets, long-term and short-term lease payments receivable are as follows:

	2019			
	Accounts receivable (including related parties)	Contract assets (including related parties)	Notes receivable (including related parties)	Lease payments receivable (including related parties)
At January 1	\$ 21,222	\$ 28	\$ -	\$ 4
Provision for impairment	72	3	7	-
Reversal of impairment	(19,149)	-	-	(1)
Write-offs	-	-	-	-
Effect of foreign exchange	(34)	-	-	-
At December 31	<u>\$ 2,111</u>	<u>\$ 31</u>	<u>\$ 7</u>	<u>\$ 3</u>

	2018			
	Accounts receivable (including related parties)	Contract assets (including related parties)	Notes receivable (including related parties)	Lease payments receivable (including related parties)
At January 1_IAS 39	\$ 58,059	\$ -	\$ 7	\$ -
Adjustments under new standards	<u>17,564</u>	<u>25</u>	<u>31</u>	<u>5</u>
At January 1_IFRS 9	75,623	25	38	5
Provision for impairment	13,483	3	-	-
Reversal of impairment	(61,365)	-	(38)	(1)
Write-offs	(6,281)	-	-	-
Effect of foreign exchange	(238)	-	-	-
At December 31	<u>\$ 21,222</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 4</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected or contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2019				
Short-term borrowings	\$ 474,369	\$ -	\$ -	\$ -
Notes payable and long-term notes payable (shown as 'other non-current liabilities')	3,495	335	-	-
Accounts payable (including related parties)	219,949	-	-	-
Other payables (including related parties)	167,030	-	-	-
Lease liability	8,829	6,275	16,499	1,364
Bonds payable and embedded derivative instruments	1,159,471	-	-	-
Long-term borrowings (including current portion)	874,656	312,632	1,868,345	-
December 31, 2018				
Short-term borrowings	\$ 693,648	\$ -	\$ -	\$ -
Notes payable and long-term notes payable (shown as 'other non-current liabilities')	4,346	1,340	335	-
Accounts payable (including related parties)	209,513	-	-	-
Other payables	147,760	-	-	-
Bonds payable and embedded derivative instruments	-	1,177,035	-	-
Long-term borrowings (including current portion)	238,617	827,246	2,106,231	14,019

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(12).
- C. The carrying amount of a financial instrument not measured at fair value is a reasonable approximation of its fair value. Such financial instruments include cash and cash equivalents, financial assets at amortised cost, contract assets (including those from related parties), notes receivable, accounts receivable (including those from related parties), other receivables (including those from related parties), guarantee deposits paid, long-term notes and accounts receivable (including those from related parties), other financial assets, short-term borrowings, contract liabilities, notes payable, accounts payable (including those to related parties), other payables, long-term notes payable, long-term borrowings (including the portion due within one year or one business cycle) and bonds payable.
- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

- (a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 71,299	\$ -	\$ -	\$ 71,299
Derivative instruments	-	-	70	70
Financial assets at fair value through other comprehensive income				
Equity securities	<u>7,356</u>	<u>-</u>	<u>31,325</u>	<u>38,681</u>
	<u>\$ 78,655</u>	<u>\$ -</u>	<u>\$ 31,395</u>	<u>\$110,050</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 53,482	\$ -	\$ -	\$ 53,482
Derivative instruments	-	-	492	492
Financial assets at fair value through other comprehensive income				
Equity securities	14,394	-	32,837	47,231
	<u>\$ 67,876</u>	<u>\$ -</u>	<u>\$ 33,329</u>	<u>\$101,205</u>

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- Listed stocks are instruments whose fair values are measured using quoted market prices (that is, Level 1). The quoted market prices used for these stocks are the closing prices on the balance sheet date.
 - Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018.

	<u>2019</u>		
	<u>Equity securities</u>	<u>Derivative financial instruments</u>	<u>Total</u>
At January 1	\$ 32,837	\$ 492	\$ 33,329
Gains and losses recognised in profit or loss	-	(422)	(422)
Gains and losses recognised in other comprehensive income	(1,512)	-	(1,512)
At December 31	<u>\$ 31,325</u>	<u>\$ 70</u>	<u>\$ 31,395</u>

	2018		
	Equity securities	Derivative financial instruments	Total
At January 1	\$ 26,947	\$ 660	\$ 27,607
Gains and losses recognised in profit or loss	-	(168)	(168)
Gains and losses recognised in other comprehensive income	5,890	-	5,890
At December 31	<u>\$ 32,837</u>	<u>\$ 492</u>	<u>\$ 33,329</u>

- G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.
- H. Financial accounting department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and performing reviews regularly.
- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
AESolution Biomedical Co., Ltd.	\$ 31,325	Market comparable companies	Price to book ratio multiple	4.82	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30.55%	The higher the discount for lack of marketability, the lower the fair value
Huede Healthtech Co., Ltd.	-	Net asset value	Not applicable		Not applicable
Hybrid instrument:					
Convertible bond	70	Binomial Model	Volatility	25.71%	The higher the volatility, the higher the fair value; The higher the discount rate, the lower the fair value
			Discount rate	0.7383%	

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
AESolution Biomedical Co., Ltd.	\$ 32,163	Market comparable companies	Price to book ratio multiple Discount for lack of marketability	5.55 30%	The higher the multiple, the higher the fair value The higher the discount for lack of marketability, the lower the fair value
Huede Healthtech Co., Ltd.	674	Net asset value	Not applicable		Not applicable
Hybrid instrument:					
Convertible bond	492	Binomial Model	Volatility Discount rate	23.27% 0.7839%	The higher the volatility, the higher the fair value; The higher the discount rate, the lower the fair value

- J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and financial liabilities classified as Level 3, an increase or decrease in their valuation parameter by 1% would have no material impact on gain or loss and other comprehensive income as at December 31, 2019 and 2018.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The following intercompany transactions between the Company and its subsidiaries or between two subsidiaries were eliminated when preparing the consolidated financial statements.)

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) (16) and 12(3).

J. Significant inter-company transactions during the reporting periods: None exceeds 100 million.

(2) Information on investees

(The following intercompany transactions between the Company and its subsidiaries or between two subsidiaries were eliminated when preparing the consolidated financial statements.)

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

(The following intercompany transactions between the Company and its subsidiaries or between two subsidiaries were eliminated when preparing the consolidated financial statements.)

A. Basic information: Please refer to table 7.

B. Limits on investments in Mainland China: Please refer to table 7.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None exceeds 100 million.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment. The chief operating decision-maker assesses performance based on net profits, and the amounts of assets, liabilities, profits and losses provided to the decision-maker are consistent with those presented in the financial statements. Under one reportable segment, information on profits, losses, assets and liabilities of individual departments are not disclosed.

(2) Measurement of segment information

The chief operating decision-maker assesses performance based on net profits, and the amounts of assets, liabilities, profits and losses provided to the decision-maker are consistent with those presented in the financial statements. Under one reportable segment, information on profits, losses, assets and liabilities of individual departments are not disclosed.

(3) Information on products and services

Because the Company and its subsidiaries are all engaged in sales of drugs and sales, rent and installment and maintenance of medical devices, information on products and services is the same with the financial information provided in Note 6 (23).

(4) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	<u>Revenue (Note)</u>	<u>Non-current assets</u>	<u>Revenue (Note)</u>	<u>Non-current assets</u>
Taiwan	\$ 2,742,853	\$ 6,912,999	\$ 2,319,272	\$ 6,835,852
China	196,993	125,378	181,575	138,825
Others	10,206	-	6,619	-
	<u>\$ 2,950,052</u>	<u>\$ 7,038,377</u>	<u>\$ 2,507,466</u>	<u>\$ 6,974,677</u>

Note: Revenue was reclassified based on the country where the customers are located.

(5) Major customer information

	Years ended December 31,	
	2019	2018
	<u>Revenue</u>	<u>Revenue</u>
Yeezen General Hospital	<u>\$ 260,547</u>	<u>\$ 250,512</u>

CHC Healthcare Group and Subsidiaries

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					year ended December 31, 2019	December 31, 2019							Item	Value			
0	The Company	Chiu Ho Medical System Co., Ltd.	Other receivables	Y	\$ 480,000	\$ 130,000	\$ -	2%	Short-term financing	\$ -	Operation	\$ -	None	\$ -	\$ 516,214	\$ 2,064,857	
0	The Company	Chiu Ho Scientific Co., Ltd.	Other receivables	Y	100,000	80,000	30,000	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Tong-Lin Instruments Co., Ltd.	Other receivables	Y	60,000	-	-	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Hua Lin Instruments Co., Ltd.	Other receivables	Y	15,000	-	-	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	E Century Healthcare Corporation	Other receivables	Y	20,000	-	-	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Tomorrow Medical System Co., Ltd.	Other receivables	Y	490,000	390,000	190,000	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Chiu Ho Biotech Co., Ltd.	Other receivables	Y	10,000	-	-	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Medlink Healthcare Limited	Other receivables	Y	100,000	50,000	31,000	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Hsing-Yeh Biotechnology Co., Ltd.	Other receivables	Y	80,000	50,000	35,000	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
0	The Company	Chiu Ho (CHINA) Medical Technology Co., Ltd.	Other receivables	Y	31,600	-	-	2%	Short-term financing	-	Operation	-	None	-	516,214	2,064,857	
1	Chiu Ho Scientific Co., Ltd.	High-End Vision Eye Center	Other receivables	Y	5,000	4,500	4,500	2.5%	Business transaction	5,760	-	-	None	-	5,760	57,181	
2	Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Other receivables	Y	177,000	174,000	174,000	2.5%	Business transaction	225,403	-	-	None	-	200,533	401,067	
4	CHC Healthcare (HK) Limited	Chiu Ho (CHINA) Medical Technology Co., Ltd.	Other receivables	Y	7,900	-	-	2%	Short-term financing	-	Operation	-	None	-	7,944	15,889	
						<u>\$ 878,500</u>	<u>\$ 464,500</u>										

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: (1) In accordance with the Company’s lending policies and procedures, the credit limit for each type of borrower is set as follows:

- A. For borrowers with which the Company has a business relationship, the individual loan amount cannot exceed the total transaction amount with the Company in the most recent year.
- B. For borrowers with short-term financing needs, the individual loan amount cannot exceed 10% of the Company's net assets according to the most recent financial statements.
- (2) In accordance with the lending policies and procedures of the Company's subsidiary, the credit limit for each type of borrower is set as follows:
 - A. For borrowers with which the subsidiary has a business relationship, the individual loan amount cannot exceed the total transaction amount with the subsidiary in the most recent year.
 - B. The total loan amount granted to a single party cannot exceed 20% of the subsidiary's net assets according to the most recent financial statements.

Note 3: (1) Limit on total loans granted by the Company: Total loan amount cannot exceed 40% of the Company's net assets according to the most recent financial statements.

(2) Limit on total loans granted by the Company's subsidiary: Total loan amount cannot exceed 40% of the subsidiary's net assets according to the most recent financial statements.

CHC Healthcare Group and Subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
0	The Company	Chiu Ho Medical System Co., Ltd.	2	\$ 10,324,288	\$ 1,922,000	\$ 1,792,000	\$ 434,950	\$ -	34.71%	\$ 15,486,432	Y	N	N	
0	The Company	Tomorrow Medical System Co., Ltd.	2	10,324,288	1,520,000	1,520,000	682,550	-	29.45%	15,486,432	Y	N	N	
0	The Company	Chiu Ho Scientific Co., Ltd.	2	10,324,288	335,905	294,980	31,051	-	5.71%	15,486,432	Y	N	N	
0	The Company	E Century Healthcare Corporation	2	10,324,288	57,000	57,000	28,037	-	1.10%	15,486,432	Y	N	N	
0	The Company	Guangzhou Chiuho Medical System Co., Ltd.	2	10,324,288	101,354	-	-	-	0.00%	15,486,432	Y	N	Y	
0	The Company	Medlink Healthcare Limited	2	10,324,288	50,000	-	-	-	0.00%	15,486,432	Y	N	N	
1	Hsing-Yeh Biotechnology Co., Ltd.	The Company	3	2,005,335	828,236	828,236	828,236	828,236	82.60%	3,008,002	N	Y	N	
1	Hsing-Yeh Biotechnology Co., Ltd.	Tomorrow Medical System Co., Ltd.	4	2,005,335	575,164	575,164	299,085	575,164	57.36%	3,008,002	N	N	N	
2	Chiu Ho (CHINA) Medical Technology Co., Ltd.	Guangzhou Chiuho Medical System Co., Ltd.	4	250,319	43,500	43,050	-	-	34.40%	\$ 375,478	N	N	Y	
						<u>\$ 5,110,430</u>	<u>\$ 2,303,909</u>	<u>\$ 1,403,400</u>						

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: (1) In accordance with the Company's policies and procedures on endorsements and guarantees, the endorsement or guarantee amount for a single party cannot exceed 200% of the Company's net assets according to the most recent financial statements.

(2) In accordance with the policies and procedures on endorsements and guarantees provided by the Company's subsidiary, the endorsement or guarantee amount for a single party cannot exceed 200% of the subsidiary's net assets according to the most recent financial statements.

(3) In accordance with the Company's policies and procedures on endorsements and guarantees, the total endorsement or guarantee amount for a single party provided by the Company and its subsidiaries cannot exceed 200% of the Company's net assets according to the most recent financial statements.

Note 4: (1) In accordance with the Company's policies and procedures on endorsements and guarantees, the total endorsement and guarantee amount provided to external parties cannot exceed 300% of the Company's net assets according to the most recent financial statements.

(2) In accordance with policies and procedures on endorsements and guarantees provided by Company's subsidiary, the total endorsement and guarantee amount provided to external parties cannot exceed 300% of the subsidiary's net assets according to the most recent financial statements.

(3) In accordance with the Company's policies and procedures on endorsements and guarantees, the total endorsement and guarantee amount provided to external parties by the Company and its subsidiaries cannot exceed 300% of the net assets of the Company according to the most recent financial statements.

Note 5: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

CHC Healthcare Group and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks—China Isotope & Radiation Corporation	-	Financial asset at fair value through profit or loss-current	880,000	\$ 71,299	1.10%	\$ 71,299	
The Company	Stocks—Swissray Global Healthcare Holding Ltd.	The Company's chairman and the investee's chairman are the same person	Financial assets at fair value through other comprehensive income - non-current	1,988,100	7,356	4.67%	7,356	
Chiu Ho Medical System Co., Ltd.	Stocks—Huede Healthtech Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	200,000	-	6.50%	-	
Chiu Ho Medical System Co., Ltd.	Stocks—AESolution Biomedical Co., Ltd.	The Company's chairman and the investee's chairman are the same person	Financial assets at fair value through other comprehensive income - non-current	855,400	31,325	6.69%	31,325	

CHC Healthcare Group and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Substantive related party	Sale of goods	\$ 225,404	97%	6 months	-	-	\$ 229,726	85%	Note

Note 1: Sales amount includes rental revenue.

Note 2: Notes and accounts receivable include lease payments receivable.

CHC Healthcare Group and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Substantive related party	Notes and accounts receivable (including lease payments receivable): \$229,726	0.96	\$ 95,238	In collection	\$ 41,931	\$ -

CHC Healthcare Group and Subsidiaries
Information on investees
For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019		Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value				
The Company	Chiu Ho Medical System Co., Ltd.	Taiwan	Medical instrument sale, leasing and services	\$ 2,380,988	\$ 2,380,988	308,000,000	100.00%	\$ 3,568,853	\$ 181,786	\$ 183,011		Subsidiary
The Company	Tomorrow Medical System Co., Ltd.	Taiwan	Medical instrument sale, leasing and services	163,484	163,484	45,800,000	100.00%	570,480	48,184	48,184		Subsidiary
The Company	Chiu Ho Scientific Co., Ltd.	Taiwan	Ophthalmic equipment sale, leasing and services	151,422	151,422	9,853,841	100.00%	142,954	20,699	20,699		Subsidiary
The Company	Chiu Ho Biotech Co., Ltd.	Taiwan	Medical instrument leasing	317,182	357,182	33,000,000	100.00%	349,687	11,669	11,678		Subsidiary
The Company	Shin-Ho Instruments Co., Ltd.	Taiwan	Medical instrument leasing	9,171	9,171	300,000	100.00%	7,931 (	612) (	612)		Subsidiary
The Company	Tong-Lin Instruments Co., Ltd.	Taiwan	Medical instrument leasing	371,183	371,183	40,000,000	100.00%	486,998	39,392	39,435		Subsidiary
The Company	Hua Lin Instruments Co., Ltd.	Taiwan	Medical instrument leasing	521,815	521,815	55,600,000	100.00%	634,486	19,561	19,561		Subsidiary
The Company	Hsin Lin Biotech Co., Ltd.	Taiwan	Medical instrument leasing	85,929	105,929	8,000,000	100.00%	76,750 (	10,754) (	10,754)		Subsidiary
The Company	E Century Healthcare Corporation	Taiwan	Medical instrument leasing	556,151	556,151	60,000,000	100.00%	814,635	61,594	61,594		Subsidiary
The Company	CHC Healthcare (BVI) Limited	British Virgin Islands	Holdings and indirect investments	522,432	522,432	940	100.00%	423,736	16,829	16,829		Subsidiary (Note 1)
CHC Healthcare (BVI) Limited	CHC Healthcare (HK) Limited	Hong Kong	Medical instrument sale, leasing and services	3,891	3,987	100,000	100.00%	39,653 (	184) (	141)		Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	recognised by the Company for the year ended December 31, 2019		Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value				
Chiu Ho Medical System Co., Ltd.	Medlink Healthcare Limited	Taiwan	Medical instrument sale	\$ 1,545,300	\$ 1,545,300	154,125,000	100.00%	\$ 1,595,689	\$ 41,335	\$ 41,335		Subsidiary
Chiu Ho Medical System Co., Ltd.	SenCare Healthcare Company	Taiwan	Consulting service and elderly residence	194,000	194,000	19,400,000	65.99%	191,792 (	50) (	33)		Subsidiary
Chiu Ho Medical System Co., Ltd.	PT CHC Medika Indonesia	Indonesia	Medical instrument leasing	2,768	-	1,275	100.00%	670 (	2,138) (	2,138)		Subsidiary (Note 1)
Medlink Healthcare Limited	Hsing-Yeh Biotechnology Co., Ltd.	Taiwan	Medical instrument sale and leasing ; drug sale	1,513,464	1,513,464	93,600,000	100.00%	1,626,203	46,870	42,327		Subsidiary
Hsing-Yeh Biotechnology Co., Ltd.	CHENG-HSIN Biotechnology Co., Ltd.	Taiwan	Management consulting services and retail sales of food products and drugs	12,000	12,000	1,200,000	40.00%	277 (	2,582) (	1,033)		Associate
SenCare Healthcare Company	CHC Long-term Care Corporation	Taiwan	Long-term care services	31,040	-	-	97.00%	31,001 (	40) (	39)		Subsidiary (Note 2)

Note 1: Indirect investment company is organised as a limited liability company.

Note 2: Investee was organised as an associate.

CHC Healthcare Group and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
Guangzhou Chiuho Medical System Co., Ltd.	Medical instrument sale, leasing and services	\$ 284,893	(2) Indirect investment through CHC(BVI), a wholly- owned subsidiary of the Company	\$ 284,893	\$ -	\$ -	\$ 284,893	\$ 22,363	100%	\$ 22,243	\$ 250,235	\$ -	
Chiu Ho (CHINA) Medical Technology Co., Ltd.	Medical instrument sale, leasing and services	226,182	(2) Indirect investment through CHC(BVI), a wholly- owned subsidiary of the Company	226,182	-	-	226,182	(5,211)	100%	(5,211)	125,160	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019			Investment amount approved by the Investment Commission of the Ministry of Economic affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)							
CHC Healthcare (BVI) Limited	\$ 511,075			\$ 659,577		\$ 3,190,403							

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Income (loss) recognised based on financial statements audited by independent auditors

Note 3: Disclosed in accordance with the investment limits set forth in Jin-Shen-Zi No. 09704604680, issued by the Investment Commission of MOEA on August 29, 2008

Note 4: The Company invested in the investees in Mainland China, including Neusoft CHC Medical Service Co., Ltd. and Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd. through an existing company in Mainland China. Due to the existing company in Mainland China is a holding company, therefore it shall first submit an application for approval from Investment Commission of the Ministry of Economic Affairs (MOEA) for its reinvestments, but the approval from MOEA are not required for other investments.