Stock Code:4138

DYNAMIC MEDICAL TECHNOLOGIES INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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

Address: **4F-1，No.872, Zhong Zeng Rd., Zonghe Dist., New Taipei City, Taiwan**
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Dynamic Medical Technologies Inc. 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 International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dynamic Medical Technologies Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Dynamic Medical Technologies Inc.
Chairman: Tony Fu
Date: March 12, 2020

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Independent Auditors' Report

To the Board of Directors of Dynamic Medical Technologies Inc.:

Opinion

We have audited the consolidated financial statements of Dynamic Medical Technologies Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statement of comprehensive income, changes in equity and 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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, and we do not provide a separate opinion on these matters.

Impairment Assessment on Receivables

Please refer to Note (4)(f), Note (5) and Note (6)(e) for the "Impairment Assessment on Receivables" section of the consolidated financial statements .

Description of the key audit matter:

The allowance for doubtful debts in the consolidated financial statements is based on the default risk of accounts receivable and the rate of expected loss. Because the evaluation of loss allowance of receivables involves critical accounting estimates, which are subject to the judgment of the management, the evaluation of loss allowance of receivables has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures, in a response to the evaluation of loss allowance of receivables were assessing the reasonableness of the methodology and assumptions used by the management for the impairment assessment of receivables, and whether the methodology was adopted consistently testing the reasonableness of the documentation adopted by the management for assessing the impairment of receivables, reviewing the accuracy of the calculation of the allowance for receivables, and evaluating the adequacy of the Group's disclosure for impairment of receivables.

Other Matter

Dynamic Medical Technologies Inc. has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

6. Obtain sufficient 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 Groupaudit.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		2019.12.31		2018.12.31	
	ASSETS	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Notes (6)(a))	$ 681,226	31	868,885	43
1110	Current financial assets at fair value through profit or loss (Notes (6)(b))	-	-	20	-
1136	Current financial assets at amortized cost (Notes (6)(d))	468,649	21	180,000	9
1151	Notes receivable (Notes (6)(e) and (t))	103,673	5	115,895	6
1170	Accounts receivable, net (Notes (6)(e), (t) and (7))	62,328	3	82,639	4
1210	Other receivables due from related parties (Notes (7))	648	-	191	-
1300	Inventories (Note (6)(f))	229,816	10	320,097	16
1470	Other current assets	19,111	-	27,660	1
		1,565,451	70	1,595,387	79
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Notes (6)(c))	137,297	6	146,050	7
1550	Investments accounted for using equity method (Note (6)(g))	13,152	1	23,916	1
1600	Property, plant and equipment (Note (6)(j))	134,894	6	75,707	4
1755	Right-of-use assets (Note (6)(k))	171,216	8	-	-
1780	Intangible assets (Note (6)(l))	3,266	-	680	-
1840	Deferred tax assets (Note (6)(q))	80,936	4	70,500	3
1920	Guarantee deposits paid	62,363	3	57,380	3
1930	Long-term notes and accounts receivable (Notes (6)(e))	18,378	1	27,591	1
1975	Net defined benefit asset, non-current (Note (6)(p))	2,848	-	2,592	-
1980	Other non-current financial assets (Notes (8))	31,000	1	17,000	1
1900	Other non-current assets	3,562	-	2,366	1
		658,912	30	423,782	21
	TOTAL ASSETS	**$ 2,224,363**	**100**	**2,019,169**	**100**

		2019.12.31		2018.12.31	
	LIABILITIES AND EQUITY	Amount	%	Amount	%
	Current liabilities:				
2130	Current contract liabilities(Notes (6)(t))	$ 295,460	13	306,655	15
2150	Notes payable	1,387	-	2	-
2170	Accounts payable (Notes (7))	57,431	3	69,395	4
2200	Other payables (Notes (7))	185,019	8	168,846	8
2230	Current tax liabilities (Note (6)(q))	25,320	1	19,082	1
2250	Current provisions (Note (6)(n))	9,891	-	11,473	1
2280	Current lease liabilities (Notes (6)(m))	42,020	3	-	-
2365	Current refund liabilities	-	-	860	-
2300	Other current liabilities	3,977	-	1,103	-
		620,505	28	577,416	29
	Non-Current liabilities:				
2550	Non-current provisions (Note (6)(n))	3,343	-	3,562	-
2570	Deferred tax liabilities (Note (6)(q))	951	-	5,092	-
2580	Non-current lease liabilities (Notes (6)(m))	131,353	6	-	-
		135,647	6	8,654	-
	Total liabilities	756,152	34	586,070	29
	Equity attributable to owners of parent (Notes (6)(r)):				
3110	Ordinary share	300,000	13	300,000	15
3200	Capital surplus	627,726	28	625,942	31
	Retained earnings:				
3310	Legal reserve	145,369	7	134,871	7
3350	Unappropriated retained earnings	158,602	7	150,924	7
3400	Other equity	50,013	3	59,506	3
	Total equity attributable to owners of parent	1,281,710	58	1,271,243	63
36XX	**Non-controlling interests (Note (6)(r))**	186,501	8	161,856	8
	Total equity	1,468,211	66	1,433,099	71
	TOTAL LIABILITIES AND EQUITY	**$ 2,224,363**	**100**	**2,019,169**	**100**

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (Note (6)(t))**	$ 1,178,195	100	1,164,815	100
5000	**Operating costs (Note (6)(f))**	844,027	72	828,557	71
	Gross profit from operations	334,168	28	336,258	29
	Operating expenses:				
6100	Selling expenses	107,606	9	138,151	12
6200	Administrative expenses	65,521	6	59,304	5
6450	Impairment loss determined in accordance with IFRS 9 (Note (6)(e))	3,218	-	5,798	-
		176,345	15	203,253	17
	Net operating income	157,823	13	133,005	12
	Non-operating income and expenses:				
7010	Other income (Note (6)(v))	10,499	1	9,218	1
7020	Other gains and losses, net (Note (6)(v))	3,614	-	4,789	-
7050	Finance costs (Note (6)(v))	(1,215)	-	(394)	-
7060	Share of loss of associates and joint ventures accounted for using equity method (Note (6)(g))	(10,746)	(1)	(4,195)	-
		2,152	-	9,418	1
7900	**Profit before tax**	159,975	13	142,423	13
7950	**Less: Income tax expenses (Note (6)(q))**	33,903	2	20,141	2
	Profit	126,072	11	122,282	11
	Other comprehensive income (loss):				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	194	-	317	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(8,753)	(1)	16,304	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(3,243)	-	(2,045)	-
	Items that may not be reclassified subsequently to profit or loss	(5,316)	(1)	18,666	2
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation	(4,728)	-	8,261	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(946)	-	1,607	-
	Items that may be reclassified subsequently to profit or loss	(3,782)	-	6,654	-
	Other comprehensive income (loss), net of tax	(9,098)	(1)	25,320	2
8500	**Total comprehensive income**	**$ 116,974**	**10**	**147,602**	**13**
	Profit attributable to:				
8610	Owners of the parent	$ 112,521	10	104,975	10
8620	Non-controlling interests	13,551	1	17,307	1
		$ 126,072	**11**	**122,282**	**11**
	Comprehensive income attributable to:				
8710	Owners of the parent	$ 103,183	9	131,176	11
8720	Non-controlling interests	13,791	1	16,426	2
		$ 116,974	**10**	**147,602**	**13**
	Earnings per share (Note (6)(s))				
9750	**Basic earnings per share (NT dollars)**	**$**	**3.75**		**3.50**
9850	**Diluted earnings per share (NT dollars)**	**$**	**3.73**		**3.48**

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Share capital		Retained earnings		Other equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total equity Attributable to Owners of Parent	Non-controlling Interests	Total equity
Balance at January 1, 2018	$ 300,000	625,942	123,563	158,907	(1,245)	-	32,639	1,239,806	169,429	1,409,235
Effects of retrospective application	-	-	-	118	-	34,782	(32,639)	2,261	1,934	4,195
Equity at beginning of period after adjustments	300,000	625,942	123,563	159,025	(1,245)	34,782	-	1,242,067	171,363	1,413,430
Profit for the year ended December 31, 2018	-	-	-	104,975	-	-	-	104,975	17,307	122,282
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	232	6,654	19,315	-	26,201	(881)	25,320
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	105,207	6,654	19,315	-	131,176	16,426	147,602
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	11,308	(11,308)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(102,000)	-	-	-	(102,000)	-	(102,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(25,933)	(25,933)
Balance at December 31, 2018	300,000	625,942	134,871	150,924	5,409	54,097	-	1,271,243	161,856	1,433,099
Profit for the year ended December 31, 2019	-	-	-	112,521	-	-	-	112,521	13,551	126,072
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	155	(3,782)	(5,711)	-	(9,338)	240	(9,098)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	112,676	(3,782)	(5,711)	-	103,183	13,791	116,974
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	10,498	(10,498)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(94,500)	-	-	-	(94,500)	-	(94,500)
Other changes in capital surplus:										
Changes in capital surplus from investment in associates accounted for using equity-method	-	83	-	-	-	-	-	83	-	83
Compensation recognized for share-based payments	-	1,701	-	-	-	-	-	1,701	-	1,701
Acquisition of equity of subsidiaries	-	-	-	-	-	-	-	-	23,732	23,732
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(12,878)	(12,878)
Balance at December 31, 2019	**$ 300,000**	**627,726**	**145,369**	**158,602**	**1,627**	**48,386**	**-**	**1,281,710**	**186,501**	**1,468,211**

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	159,975	142,423
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		64,586	35,098
Amortization expense		427	585
Expected credit loss		3,218	5,798
Net loss on financial assets or liabilities at fair value through profit or loss		20	687
Interest expense		1,215	394
Interest income		(8,361)	(7,167)
Dividend income		(1,859)	(1,679)
Share of loss of associates and joint ventures accounted for using equity method		10,746	4,195
Loss (gain) on disposal of property, plan and equipment		285	(67)
Loss on disposal of investments accounted for using equity method		-	3,153
Impairment loss (impairment gain and reversal of impairment loss) on non-financial assets		576	(7,328)
Compensation recognized for share-based payments		1,701	-
Total adjustments to reconcile profit		72,554	33,669
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		12,309	(26,161)
Accounts receivable, net		22,471	(15,824)
Other receivable		(457)	(64)
Inventories		78,140	43,969
Other current assets		18,333	(1,056)
Net defined benefits assets		(62)	(237)
Long-term notes and accounts receivable		9,213	15,007
Total changes in operating assets		139,947	15,634
Changes in operating liabilities:			
Contract liabilities		(54,985)	31,891
Notes payable		(6,875)	2
Accounts payable		(14,161)	(35,065)
Other payable		(4,669)	(14,374)
Provisions		(1,799)	847
Refund liabilities		(860)	860
Other current liabilities		290	(794)
Total changes in operating liabilities		(83,059)	(16,633)
Total changes in operating assets and liabilities		56,888	(999)
Total adjustments		129,442	32,670
Cash inflow generated from operations		289,417	175,093
Interest received		8,350	7,228
Income taxes paid		(30,810)	(36,534)
Net cash flows from operating activities		266,957	145,787

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		2019	2018
Cash flows from (used in) investing activities:			
Acquisition of financial assets at amortised cost	$	(348,649)	(130,000)
Proceeds from disposal of financial assets at amortised cost		60,000	279,900
Proceeds from capital reduction of amortised cost		-	84,953
Acquisition of property, plant and equipment		(31,587)	(14,256)
Proceeds from disposal of property, plant and equipment		323	506
Decrease in refundable deposits		(3,139)	(793)
Acquisition of intangible assets		(20)	(409)
Increase in other financial assets		(7,000)	(1,000)
Increase in other non-current assets		(1,196)	(1,291)
Dividends received		1,859	1,679
Cash inflow generated from business combination		17,356	-
Net cash flows (used in) from investing activities		(312,053)	219,289
Cash flows from (used in) financing activities:			
Repayments of bonds		-	(300,000)
Payment of lease liabilities		(29,324)	-
Increase in other non-current liabilities		-	(119)
Cash dividends paid		(94,500)	(102,000)
Interest paid		(1,215)	-
Change in non-controlling interests		(12,878)	(25,933)
Net cash flows used in financing activities		(137,917)	(428,052)
Effect of exchange rate changes on cash and cash equivalents		(4,646)	6,397
Net decrease in cash and cash equivalents		(187,659)	(56,579)
Cash and cash equivalents at beginning of period		868,885	925,464
Cash and cash equivalents at end of period	**$**	**681,226**	**868,885**

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

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

(1) Company history

Dynamic Medical Technologies Inc. (the Company) was incorporated on October 9, 2003 as a company limited by shares and registered. The address of the Company's registered office is 4F-1, No. 872. Zhong Zheng Rd., Zhonghe Dist., New Taipei City, Taiwan. The Company and its subsidiaries (the Group) engage mainly sells and leases medical equipment for beauty treatment and renders related workshop services, and sells the consumables of beauty treatment and cosmetic products.

(2) Approval date and procedures of the consolidated financial statements

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(i) IFRS 16“Leases”

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

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of park space.

- Leases classified as operating leases under IAS 17

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

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

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

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

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

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- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $146,502 thousands of right-of-use assets and $147,109 thousands of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 0.81%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 144,183
Recognition exemption for:	
short-term leases	(1,079)
Extension and termination options reasonably certain to be exercised	8,075
	151,179
Discounted using the incremental borrowing rate at January 1, 2019	147,109
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 147,109**

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

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

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

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

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

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

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

The abovementioned standards or interpretations may not be relevant to the Group.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements:

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (hereinafter referred to as the “Regulations”) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commissions R.O.C..

(b) Basis of preparation

1. Basis of measurement

Expect for the following significant accounts, the consolidated financial statments have been prepared on a historical cost basis:

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

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

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

2. Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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2.List of subsidiaries in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding 2019.12.31	Shareholding 2018.12.31	Note
The Company	Dynamic Medical Technologies (Hong Kong) Limited	Sale and maintenance of medical equipment	100.00 %	100.00 %	
〃	Excelsior Beauty Co., Ltd.	Sale of aesthetic medical and cosmetic healthcare products	53.89 %	53.89 %	
Dynamic Medical Technologies (Hong Kong) Limited	Guangzhou Dynamic Inc.	Sale and maintenance of medical equipment	100.00 %	100.00 %	
〃	Excelsior Beauty Limited	Sale of professional weight loss and cosmetic healthcare products	100.00 %	100.00 %	Note 1
〃	Beijing Excelsior Beauty Ltd.	Sale and maintenance of medical equipment	- %	- %	Note 2
Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	Sales of hair treatments, hair regrowth and haircare products	80.00 %	- %	Note 3

Note 1: The liquidation process was completed in January 2020.

Note 2: The liquidation process was completed in November 2018.

Note 3: On October 1, 2019, Excelsior Beauty Co., Ltd. acquired 80% shares of CYJ International Taiwan Inc., which has been included in the consolidated financial statements since then.

3. Subsidiaries excluded from the interim consolidated financial statements: None.

(d) Foreign Currencies

1.Foreign currency transactions

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

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

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

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

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

2.Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of each and are subject to an insignificant risk of changes in their fair value, are able to transfer to certain amounts of cash at any time, and are highly liquid. Time deposits which meet the above detinition and are heid for the puroose of meeting short-term cash commitment ratner tnar investment or other purposes shouilbe recognized as cash equivalents.

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

(g) Financial Instruments

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

1.Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

·significant financial difficulty of the borrower or issuer;

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Gruop has no reasonable expectations of recovering a financial asset in its entirety or a portion there of. For corporate customers, the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

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

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

2.Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Investment in Associates

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

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

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

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

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

(j) Property, Plant, and Equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

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

2.Subsequent expenditure

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

3.Depreciation

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

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

1) Medical equipment	3~ 8 years
2) Other equipment	2~ 5 years
3) Leasehold improvement	2~10 years
4) Exhibition equimpent	2~ 3 years
5) Lease equipment	2~ 5 years

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

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

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

(ii) As a leasee

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

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

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

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assesment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and park space that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

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

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

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

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

Applicable before January 1, 2019

1.Lessor

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

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

2.Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's balance sheets.

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

Contingent rent is recognized as expense in the period in which it is incurred.

(l) Intangible Assets

1.Recognition and measurement

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

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

2.Subsequent expenditure

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

3.Amortization

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

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

Computer software	2~3 years

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

(m) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(n) Provisions

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

Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue

Revenue from contracts with customers

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

1) Sale of goods

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

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty.

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

2) Rending of services

The Group provides business maintenace warranty services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the surveys of work performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

3) Financing components

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

(p) Employee Benefits

1.Defined contribution plans

Obligations for contributions to defined contribution plans as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

2.Defined benefit plans

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

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

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

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

3.Short-term employee benefits

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

(q) Income Taxes

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

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

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

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

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

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

1) the same taxable entity; or

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

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

(r) Business Combination

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

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

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

(s) Earnings per Share

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

(t) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group' s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant Accounting Assumptions and Judgments, and major sources Estimation Uncertainty

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial year is as follows:

Impairment of trade receivable

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand, current deposits and checking accounts	$ 681,226	745,715
Time deposits	-	123,170
Cash and cash equivalents in consolidated statement of cash flows	**$ 681,226**	**868,885**

The Group's interest risk and sensibility analysis of financial assets and liabilities was disclosed in Note (6)(w).

(b) Current financial assets at fair value through profit or loss

	2019.12.31	2018.12.31
Mandatorily measured at fair value through profit or loss:		
Stock warrants	**$ -**	**20**

The Group acquired the stock warrants issued by Viveve Medical, Inc. in April 2016. The stock warrants will expire in April 2026.

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

	2019.12.31	2018.12.31
Equity investments at fair value through other comprehensive income:		
Domestic listed shares	$ 81,342	74,205
Foreign listed shares	51,468	67,878
Domestic unlisted common shares	4,487	3,967
Total	**$ 137,297**	**146,050**

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

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

During the years ended December 31, 2019 and 2018, the dividends of $1,859 and $1,679, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

No strategic investments were disposed as of December 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

(d) Financial assets measured at amortized cost

	2019.12.31	2018.12.31
Domestic and foreign time deposits	$ 468,649	180,000

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Group held domestic or foreign time deposits, with the market interests rate of 0.66%~2.23% and 0.66%~1.03% during the years ended December 31, 2019 and 2018; and they mature in December 2020 and October 2019, respectively.

(e) Notes receivable, accounts receivable, long-term notes and accounts receivable

1.Notes receivable and accounts receivable

	2019.12.31	2018.12.31
Current		
Notes receivable and accounts receivable	$ 184,108	213,648
Less: Unrealized interest income	(364)	(551)
Loss allowance	(23,285)	(20,386)
	160,459	192,711
Non-current		
Notes receivable and accounts receivable	9,431	14,179
Less: Loss allowance	(1)	(40)
	9,430	14,139
Notes receivable and accounts receivable, net	**$ 169,889**	**206,850**

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

The Group's installment accounts receivalbe were as follows:

	2019.12.31	2018.12.31
Current		
Installment accounts receivable-measured as amortized cost	$ -	53
Installment accounts receivable-at fair value through other comprehensive income	13,430	20,005
Less: Unrealized interest income	(364)	(551)
	13,066	19,507
Non-current		
Installment accounts receivable-measured as amortized cost	273	2,654
Less: Unrealized interest income	(1)	(40)
	272	2,614
Notes receivable and accounts receivable, net	**$ 13,338**	**22,121**

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

The Group applies the simplified approach to provide its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2019 and 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroecomic and relevant industry information, including macroecomic and relevant industry information. The loss allowance provision was determined as follows:

	2019.12.31		
	Accounts receivable carrying amount	**Weighted-average expected credit loss rate**	**Loss allowance provision**
Current	$ 190,170	3.94%	(7,501)
1 to 90 days past due	2,946	43.20%	(1,273)
91 to 180 days past due	369	96.19%	(355)
More than 181 days past due	14,179	99.83%	(14,156)
Total	**$ 207,664**		**(23,285)**

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

	2018.12.31		
	Accounts receivable carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	$ 231,326	3.92%	(9,029)
1 to 90 days past due	5,417	31.41%	(1,702)
91 to 180 days past due	3	97.00%	(3)
More than 181 days past due	9,765	98.85%	(9,652)
Total	**$ 246,511**		**(20,386)**

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

	For the Years Ended December 31,	
	2019	2018
Balance at January 1, 2019 and 2018	$ 20,386	14,806
Impairment losses recognized	3,218	6,346
Impairment losses reversed	-	(808)
Amounts written off	(216)	-
Foreign exchange gains (losses)	(103)	42
Balance at December 31, 2019 and 2018	**$ 23,285**	**20,386**

The Group entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred trade receivables. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those trade receivables.

As of December 31, 2019 and 2018, the Group sold its trade receivable without recourse as follows:

2019.12.31						
The Purchaser	Amount derecognized	Amount advanced unpaid	Amount advanced paid	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Hotai Finance Co., Ltd.	$ 2,495	-	2,495	2,495	3.89%~6.01%	None
Chailease Finance Co., Ltd.	$ 13,613	-	13,613	13,613	1.70%~2.37%	None

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

2018.12.31							
The Purchaser		Amount derecognized	Amount advanced unpaid	Amount advanced paid	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Hotai Finance Co., Ltd.	$	10,935	-	10,935	10,935	3.89%~6.01%	None
Chailease Finance Co., Ltd.	$	17,354	-	17,354	17,354	1.70%~2.26%	None

2.Finance lease assets receivable are as follows:

		Gross investment in the leases	Unearned interest	Present value of minimum leases receivable
December 31, 2019				
Less than one year	$	6,257	(715)	5,542
Between one and five years		9,501	(553)	8,948
	$	**15,758**	**(1,268)**	**14,490**
December 31, 2018				
Less than one year	$	6,819	(996)	5,823
Between one and five years		14,585	(1,133)	13,452
	$	**21,404**	**(2,129)**	**19,275**

The Group entered into finance lease arrangements for certain storage equipment. All leases were denominated in New Taiwan dollors. The average term of finance leases entered into was 2-5 years.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average interest rate inherent in the finance lease was approximately 6.00%~ 7.00% per annum as of December 31, 2019 and 2018.

The finance lease receivables as of December 31, 2019 and 2018 were neither past due nor impaired.

(f) Inventories

		2019.12.31	2018.12.31
Medical equipment for beauty treatment	$	40,775	66,936
Medical materials and parts for beauty treatment		134,316	233,643
Other		54,725	19,518
Total	**$**	**229,816**	**320,097**

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

For the years ended December 31, 2019 and 2018, the details of cost of goods sold were as follows :

	For the Years Ended December 31, 2019	2018
Cost of goods sold	$ 664,465	709,153
Other operating costs	154,388	73,128
Write-down of inventories	25,174	46,276
Total	$ 844,027	828,557

(g) Investments accounted for under equity method

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

	2019.12.31	2018.12.31
Associates	$ 13,152	23,916

Affiliates which are material to the Group consisted of the follows:

Name of Affiliates	Nature of the relationship with the Group	Main operating location/Registered Country of the Company	Proportion of shareholding and voting rights 2019.12.31	2018.12.31
CYJ INTERNATIONAL COMPANY LIMITED	Sales of hair treatments, hair regrowth and haircare products	Hong Kong	50 %	50 %

CYJ INTERNATIONAL COMPANY LIMITED

	2019.12.31	2018.12.31
Current assets	$ 2,539	3,646
Non-current assets	21,915	38,714
Current liabilities	(745)	(495)
Non-current liabilities	-	-
Net assets	$ 23,709	41,865

	2019.12.31	2018.12.31
Proportion of the Group's ownership	50 %	50 %
Equity attributable to the Group	$ 11,854	20,933
Unrealized gain or loss with associates	(459)	(534)
Carrying amount	$ 11,395	20,399

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

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Operating revenue	$ 27	152
Losses	$ (17,972)	(10,631)
Other comprehensive income	(1,126)	1,702
Total comprehensive income	$ (19,098)	(8,929)

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

	2019.12.31	2018.12.31
Carrying amount of individually insignificant associates equity	$ 1,757	3,517

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Attributable to the Group:		
Losses	$ (1,760)	(1,383)
Other comprehensive income	-	-
Total comprehensive income	$ (1,760)	(1,383)

(h) Business combination

On October 1, 2019, the Group obtained control over CYJ International Taiwan Inc. by acquiring 80% of its shares, which has been included in the financial statements since then. The amounts of assets acquired, liabilities assumed and goodwill recognized at the acquisition date were as follows:

1.Acquisition of indentifiable assets and liabilities assumed

The acquisition date fair value of identifiable assets and liabilities assumed are as follows:

Cash and cash equivalents	$ 115,276
Account receivable, net	5,364
Inventories	15,442
Other current assets	17,111
Property, plant and equipment	35,794
Right-of-use asset	60,266
Guarantee deposits paid	1,844
Other non-current financial assets	7,000
Current contract liabilities	(43,790)
Notes payable	(8,260)
Accounts payable	(2,197)
Other payables	(21,448)
Lease liabilities	(61,184)
Other current liabilities	(2,559)
The total fair value of indentifiable net assets acquired	$ 118,659

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

If there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting will be revised.

2.Goodwill

Goodwill arising from the acquisition has been recongnized as follows:

Consideration transferred	$	97,920
Non-controlling interest in the acquire, if any (propotionate share of the fair value of the identifiable net assets)		23,732
Less: Fair value of identifiable net assets		(118,659)
Goodwill	**$**	**2,993**

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operating location/ Registered Country of the Company	Percentage of non-controlling interests 2019.12.31	Percentage of non-controlling interests 2018.12.31
Excelsior Beauty Co., Ltd.	Taiwan	46.11 %	46.11 %

The summarized financial information below represents amounts before intragroup eliminations were as follows:

Collective financial information of Excelsior Beauty Co., Ltd.

		2019.12.31	2018.12.31
Current assets	$	249,388	321,400
Non-current assets		307,089	111,522
Current liabilities		(112,211)	(81,255)
Non-Current liabilities		(86,828)	(85)
Net assets	**$**	**357,438**	**351,582**
Non-controlling interests	**$**	**164,592**	**161,856**

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

	For the Years Ended December 31, 2019	2018
Operating revenue	$ **144,130**	**131,105**
Net income	$ 33,331	37,273
Other comprehensive income	520	(1,910)
Total comprehensive income	$ **33,851**	**35,363**
Profit, attributable to non-controlling interests	$ **15,404**	**17,307**
Comprehensive income, attributable to non-controlling interests	$ **15,644**	**16,426**
Net cash flows from operating activities	$ 80,063	33,512
Net cash flows from investing activities	(49,081)	3,982
Net cash flows from financing activities	(144,186)	(56,242)
Net decrease in cash and cash equivalents	$ **(113,204)**	**(18,748)**

(j) Property, plant and equipment

	Medical equipment	Other equipment	Leasehold improvements	Exhibition equipment	Lease equipment	Equipment to be inspected and construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2019	$ 25,892	5,988	25,193	114,486	74,797	7,524	253,880
Acquisition through business combination	-	7,286	38,082	4,044	-	2,476	51,888
Additions	8,987	15,714	1,708	860	4,318	-	31,587
Disposal	(562)	(2,195)	(1,694)	(27,159)	(3,268)	-	(34,878)
Reclassification and others	-	4,044	-	(10,917)	25,919	(10,000)	9,046
Effect of movements in exchange rate	-	(19)	(73)	73	14	-	(5)
Balance at December 31, 2019	$ **34,317**	**30,818**	**63,216**	**81,387**	**101,780**	**-**	**311,518**
Balance at January 1, 2018	$ 20,244	5,526	24,870	121,335	65,225	-	237,200
Additions	3,572	598	252	767	1,543	7,524	14,256
Disposal	(2,610)	(163)	-	-	(63)	-	(2,836)
Reclassification and others	4,686	-	-	(7,532)	8,049	-	5,203
Effect of movements in exchange rate	-	27	71	(84)	43	-	57
Balance at December 31, 2018	$ **25,892**	**5,988**	**25,193**	**114,486**	**74,797**	**7,524**	**253,880**

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

		Medical equipment	Other equipment	Leasehold improvements	Exhibition equipment	Lease equipment	Equipment to be inspected and construction in progress	Total
Depreciation and impairment losses:								
Balance at January 1, 2019	$	14,205	5,225	23,230	83,107	52,406	-	178,173
Acquisition through business combination		-	3,727	11,790	577	-	-	16,094
Depreciation		3,601	1,759	2,496	14,655	12,092	-	34,603
Impairment loss reversed		-	-	-	714	(138)	-	576
Disposal		(561)	(2,152)	(1,694)	(26,595)	(3,268)	-	(34,270)
Reclassification and others		-	830	-	(17,134)	(2,233)	-	(18,537)
Effect of movements in exchange rate		-	(19)	(70)	60	14	-	(15)
Balance at December 31, 2019	$	17,245	9,370	35,752	55,384	58,873	-	176,624
Balance at January 1, 2018	$	12,486	5,214	20,528	79,287	51,611	-	169,126
Depreciation		3,890	149	2,635	20,435	7,989	-	35,098
Impairment loss reversed		-	-	-	(4,819)	(2,509)	-	(7,328)
Disposal		(2,171)	(163)	-	-	(63)	-	(2,397)
Reclassification and others		-	-	-	(11,776)	(4,664)	-	(16,440)
Effect of movements in exchange rate		-	25	67	(20)	42	-	114
Balance at December 31, 2018	$	14,205	5,225	23,230	83,107	52,406	-	178,173
Book values:								
Balance at December 31, 2019	$	17,072	21,448	27,464	26,003	42,907	-	134,894
Balance at December 31, 2018	$	11,687	763	1,963	31,379	22,391	7,524	75,707

As of December 31, 2019 and 2018, the aforesaid property, plant and equipment were not pledged as collateral.

(k) Right-of-use assets

The Group leases many assets including buildings, vehicles and machinery. Information about leases for which the Group as a lessee is presented below:

		Building and construction	Machinery and equipment	Total
Cost:				
Balance at January 1, 2019	$	146,227	275	146,502
Acquisition through business combination		71,130	-	71,130
Additions		4,235	-	4,235
Disposal		(449)	-	(449)
Effect of changes in foreign exchange rates and others		(10,789)	-	(10,789)
Balance at December 31, 2019	$	210,354	275	210,629

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

	Building and construction	Machinery and equipment	Total
Accumulated depreciation:			
Balance at January 1, 2019	-	-	-
Acquisition through business combination	10,864	-	10,864
Depreciation for the year	29,818	165	29,983
Effect of changes in foreign exchange rates and others	(1,434)	-	(1,434)
Balance at December 31, 2019	**39,248**	**165**	**39,413**
Carrying amount:			
Balance at December 31, 2019	**$ 171,106**	**110**	**171,216**

The Group leases offices and warehouses under an operating lease, please refer to Note 6(o).

(l) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Goodwill	Computer software	Total
Cost:			
Balance at January 1, 2019	$ -	1,643	1,643
Acquisition through business combinations	2,993	-	2,993
Additions	-	20	20
Balance at December 31, 2019	**$ 2,993**	**1,663**	**4,656**
Balance at January 1, 2018	$ -	772	772
Additions	-	409	409
Reclassification from property, plant and equipment	-	462	462
Balance at December 31, 2018	**$ -**	**1,643**	**1,643**
Amortization and impairment loss:			
Balance at January 1, 2019	$ -	963	963
Amortization for the year	-	427	427
Balance at December 31, 2019	**$ -**	**1,390**	**1,390**

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

	Goodwill	Computer software	Total
Balance at January 1, 2018	$ -	366	366
Amortization	-	585	585
Reclassification	-	12	12
Balance at December 31, 2018	**$ -**	**963**	**963**
Carrging value:			
Balance at December 31, 2019	**$ 2,993**	**273**	**3,266**
Balance at January 1, 2018	**$ -**	**680**	**680**
Balance at December 31, 2018	**$ -**	**406**	**406**

Goodwill amounted to $2,993 thousand arising from the acquisition of CYJ International Taiwan Inc. on October 1, 2019, please refer to note 6(h). For the twelve months ended December 31, 2018, there were no significant additions, disposal or recognition and reversal of impairment losses of intangible assts.

Amortization and impairment recognized

The amortization of intangible assets are included in the statement of comprehensive income:

	For the Years Ended December 31,	
	2019	2018
Operating expenses	**$ 427**	**585**

(m) Lease liabilities

Lease liabilities of the Group carring amounts were as follows:

	2019.12.31
Current	**$ 42,020**
Non-current	**$ 131,353**

Maturity analysis please refer to Note 6(w).

The Group recognized its lease liability amounting to $4,235 thousand, with an interest rate of 2.53%. The lease liabilities are due in March 2022.

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

The amounts recognized in profit or loss were as follows:

	For the Years Ended December 31, 2019
Interest on lease liabilities	$ 1,215
Expenses relating to short-term leases	$ 5,960

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the Years Ended December 31, 2019
Total cash outflow for leases	$ 36,499

1. Real estate leases

As of December 31, 2019, the Group leases buildings for its office space. The leases of office space typically run for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Group sub-leases some of its right-of-use assets under operating and finance leases; please refer to Note 6(o).

2. Other leases

The Group leases equipment, with lease terms of 3 years. In some cases, the Group guarantees the residual value of the leased assets at the end of the contract term.

(n) Provisions

	2019.12.31	2018.12.31
Warranties	$ 13,234	15,035

	Warranties
Balance at January 1, 2019	$ 15,035
Additions	13,160
Provisions reversed or used	(14,959)
Effect of movements in exchange rate	(2)
Balance at December 31, 2019	$ 13,234
Balance at January 1, 2018	$ 14,167
Additions	14,916
Provisions reversed or used	(14,069)
Effect of movements in exchange rate	21
Balance at December 31, 2018	$ 15,035

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

Warranties

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

(o) Operating leases

1.Leases as lessee

Operating leases relate to leases and subleases of building with lease terms between 1 to 10 years.

Non-cancellable operating lease rentals payable were as follows:

	2018.12.31
Less than one year	$ 25,402
Between one and five years	82,703
Over five years	36,078
	$ 144,183

The total of future minimum sublease payments expected to be received under non-cancellable subleases at December 31, 2018 were $84,510. The Group applied IFRS16, with a date of initial application on January 1, 2019 that reclassified under right-of-use asset.

2.Leases as lessor

Operating leases relate to leasing of medical equipment for beauty treatment and subleasing building with lease terms between 1 to 10 years.

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

	2019.12.31
Less than one year	$ 22,033
One to five years	46,702
More than five years	4,440
Total undiscounted lease payments	**$ 73,175**

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

	2018.12.31
Less than one year	$ 23,129
One to five years	52,601
More than five years	13,003
	$ 88,733

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

In addition to the minimum lease payments receivable, the above building sublease contract also include contingent rental clauses that the lessee should pay contingent rentals based on a specific percentage of monthly operating revenue.

(p) Employee benefits

1.Defined benefit plans

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

	2019.12.31	2018.12.31
Present value of benefit obligations	$ 2,451	2,449
Fair value of plan assets	(5,299)	(5,041)
Net defined benefit assets	**$ (2,848)**	**(2,592)**

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $5,299 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	For the Years Ended December 31,	
	2019	2018
Defined benefit obligation at January 1	$ 2,449	2,609
Current service costs and interest	29	33
Remeasurement on the net defined benefit liabilities		
－Actuarial gains and losses arising from experience adjustments	(62)	(152)
－Actuarial gains and losses arising from changes in population assumption	6	(7)
－Actuarial gains and losses arising from changes in financial assumption	29	(34)
Defined benefit obligation at December 31	**$ 2,451**	**2,449**

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

3) Movements of defined benefit plan assets

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

	For the Years Ended December 31,	
	2019	**2018**
Fair value of plan assets at January 1	$ 5,041	4,647
Interest income	58	60
Remeasurement on the net defined benefit liabilities		
－Return on plan assets (excluding current interest)	167	124
Contribution made	33	210
Fair value of plan assets at December 31	**$ 5,299**	**5,041**

4) Expenses recognized in profit or loss

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

	For the Years Ended December 31,	
	2019	**2018**
Current service costs	$ 29	33
Net interest of net defined benefit liabilities	(58)	(60)
	$ (29)	**(27)**
Operating expenses	**$ (29)**	**(27)**

5) Actuarial assumptions

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

	For the Years Ended December 31,	
	2019	**2018**
Discount rate	0.800 %	1.125 %
Future salary increases rate	3.750 %	4.000 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $32.

The weighted average lifetime of the defined benefit plans is 14 years.

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

6) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2019		
Discount rate	(78)	82
Future salary increasing rate	78	(75)
December 31, 2018		
Discount rate	(81)	85
Future salary increasing rate	81	(78)

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

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

2.Defined contribution plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $4,611 and $3,832 for the years ended December 31, 2019 and 2018, respectively.

3.The pension costs of the Group's foreign subsidiaries under the local laws were $2,128 and $2,922 for the years ended December 31, 2019 and 2018, respectively.

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

(q) Income taxes

1.Income tax expense

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

	For the Years Ended December 31, 2019	2018
Current tax expense		
Current period	$ 44,128	38,033
Adjustment for prior period	(40)	(23)
Income tax on unapproiate earnings	299	34
	44,387	38,044
Deferred tax expense		
Current period	(10,484)	(9,609)
Adjustment in tax rate	-	(8,294)
	(10,484)	(17,903)
Income tax expense from continuing operations	**$ 33,903**	**20,141**

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

	For the Years Ended December 31, 2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ (39)	(85)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	3,282	2,130
	$ 3,243	**2,045**

	For the Years Ended December 31, 2019	2018
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	**$ 946**	**(1,607)**

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

Reconciliations of income tax and profit before tax for 2019 and 2018 were as follows：

	For the Years Ended December 31,	
	2019	2018
Profit before tax	$ 159,975	142,423
Income tax using the Company's domestic tax rate	$ 27,274	26,503
Adjustment in tax rate	(589)	(8,294)
Permanent differences	(2,264)	(3,973)
Unrecognized loss carryforwards	12,030	809
Adjustments for prior periods-deferred tax expense	56	2,590
Change in unrecognized temporary differences	(2,863)	2,495
Change in provision in prior periods	(40)	(23)
Undistributed earnings additional tax at 10%	299	34
Total	$ 33,903	20,141

2.Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	2019.12.31	2018.12.31
Tax effect of deductible temporary differences	$ (2,528)	1,866
The carryforward of unused tax losses	29,204	11,350
	$ 26,676	13,216

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Payable for bonus	Unrealized losses on investment	Inventory write-downs	Others	Total
Deferred tax liabilities：					
Balance as of January 1, 2019	$ -	-	-	5,092	5,092
Recognized in profit or loss	-	-	-	48	48
Recognized in other comprehensive income	-	-	-	(4,189)	(4,189)
Balance as of December 31, 2019	$ -	-	-	951	951

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

	Payable for bonus	Unrealized losses on investment	Inventory write-downs	Others	Total
Balance as of January 1, 2018	$ -	-	-	5,387	5,387
Recognized in profit or loss	-	-	-	143	143
Recognized in other comprehensive income	-	-	-	(438)	(438)
Balance as of December 31, 2018	**$ -**	**-**	**-**	**5,092**	**5,092**
Deferred tax assets：					
Balance as of January 1, 2019	$ 18,055	21,638	15,332	15,475	70,500
Recognized in profit or loss	(1,211)	3,730	5,499	2,514	10,532
Recognized in other comprehensive income	-	-	(52)	(44)	(96)
Balance as of December 31, 2019	**$ 16,844**	**25,368**	**20,779**	**17,945**	**80,936**
Balance as of January 1, 2018	$ 16,375	13,556	9,271	13,101	52,303
Recognized in profit or loss	1,680	8,082	5,978	2,306	18,046
Recognized in other comprehensive income	-	-	83	68	151
Balance as of December 31, 2018	**$ 18,055**	**21,638**	**15,332**	**15,475**	**70,500**

3.As of December 31, 2019, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused amount	Year of expiry
2014	$ 9,043	2024
2015	28,127	2025
2016	9,449	2026
2017	14,161	2027
2018	22,154	2028
2019	56,207	2029
	19,912	No expiration date
	$ 159,053	

4.Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the Taipei National Tax Authority.

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

(r) Capital and other equity

1.Share capital

As of December 31, 2019 and 2018, the Company’s authorized capital consisted of $500,000 and issued shares amounted to 30,000 thousand shares, with par value of $10 (NT dollars) per share.

Reconciliations of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	Common Stock For the Years Ended December 31,	
	2019 (in thousand)	2018 (in thousand)
Balance at December 31 (Balance as of January 1)	**30,000**	**30,000**

2.Capital surplus

The balances of capital surplus were as follows:

	2019.12.31	2018.12.31
Arising from issuance of ordinary share	$ 575,878	575,878
Arising from changes in percentage of ownership interest in subsidiaries	8,477	8,477
Arising from changes in equity of associates accounted for using equity method	83	-
Employee share options	1,701	-
Others	41,587	41,587
	$ 627,726	**625,942**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

3.Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

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

The Company's Articles of Incorporation also stipulate a dividend policy as follows: According to the development plan for the present and the future, the investment environment, the capital requirement, the domestic and overseas competition, and the benefit of shareholders, the Company should distribute dividends and bonus to shareholders not less than 20% of remaining earnings (which is the current net profit less losses of previous years, less the adjustment to retained earnings, and less the appropriation of earnings to the legal reserve). Dividends could be distributed in cash or stock, where cash dividends should not be less than 20% of total dividends distributed; or dividends could be totally distributed in stock upon shareholders' resolution in their meeting to support future capital expenditure plan.

The Company shall authorize the distributable dividends and bonuses in whole or in part,which may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors, attended by two-thirds of the total number of directors, reported to the shareholder's meeting thereafter.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided via the general meeting of shareholders held on June 12, 2019 and June 14, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Dividend per share (TWD)	**Amount**	**Dividend per share (TWD)**	**Amount**
Dividends distributed to common shareholders				
Cash	$ 3.15	**94,500**	3.40	**102,000**

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

4.Other equity interest after tax

	Exchange differences on translation of foreign financial statement	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial asset	Total
Balance at January 1, 2019	$ 5,409	54,097	-	59,506
Exchange differences on foreign operations	(3,782)	-	-	(3,782)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(5,991)	-	(5,991)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	280	-	280
Balance at December 31, 2019	**$ 1,627**	**48,386**	**-**	**50,013**
Balance at January 1, 2019	$ (1,245)	-	32,639	31,394
Effects of retrospective application	-	34,782	(32,639)	2,143
Balance at January 1, 2018 after adjustments	(1,245)	34,782	-	33,537
Exchange differences on foreign operations	6,654	-	-	6,654
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	20,344	-	20,344
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(1,029)	-	(1,029)
Balance at December 31, 2019	**$ 5,409**	**54,097**	**-**	**59,506**

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

5.Non-controlling interests after tax

	For the Years Ended December 31,	
	2019	**2018**
Balance, beginning of year	$ 161,856	169,429
Effects of retrospective application	-	1,934
Balance at Janury 1, 2018 after adjusements	161,856	171,363
The share attributed to non-controlling interests		
Net income	13,551	17,307
Unrenlized gains (losses) from financial assets mensured at fair value through other comprehensive income, associates and joint venures accounted for using equity method	240	(881)
Increased non-controlling interests by acquisition of subsidiaries	23,732	-
Arising from changes in equity of subsidiaries accounted for using equity method	88	-
Cash dividends of subsidiaries distributed to non-controlling interests	(12,966)	(25,933)
Balance, end of year	**$ 186,501**	**161,856**

(s) Earnings per share

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

1.Basic earnings per share

	For the Years Ended December 31,	
	2019	**2018**
Profit attributable to ordinary shareholders of the Company	**$ 112,521**	**104,975**
		(in Thousand shares)
Weighted average number of ordinary shares (basic)	**30,000**	**30,000**

2.Diluted earnings per share

	For the Years Ended December 31,	
	2019	**2018**
Profit attributable to ordinary shareholders of the Company	**$ 112,521**	**104,975**

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

(in Thousand shares)

	For the Years Ended December 31, 2019	2018
Weighted average number of ordinary shares (basic)	30,000	30,000
Effect of employee stock compensation	146	135
Weighted average number of ordinary shares (diluted)	**30,146**	**30,135**

(t) Revenue from contracts with customers

1.Disaggregation of revenue

	For the Years Ended December 31, 2019	2018
Primary geographical markets:		
Taiwan	$ 1,059,484	927,127
Hong Kong	73,017	184,812
China	45,694	52,876
	$ 1,178,195	**1,164,815**
Major products/services lines		
Equipment sales revenue	$ 435,102	383,224
Parts sales revenue	557,842	627,437
Repair and maintenance revenue	72,845	57,230
Other operating revenue	112,406	96,924
	$ 1,178,195	**1,164,815**

2.Contract balances

	2019.12.31	2018.12.31	2018.1.1
Notes and accounts receivable	$ 193,174	227,236	193,107
Less: allowance for impairment	(23,285)	(20,386)	(14,806)
	$ 169,889	**206,850**	**178,301**
Contract liabilites - sales	$ 156,748	233,675	208,145
Contract liabilites - services	138,712	72,980	66,619
	$ 295,460	**306,655**	**274,764**

For details on trade receivables and allowance for impairment, please refer to Note 6(e).

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

(u) Employee compensation and directors' remuneration

In accordance with the Articles of incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 5% as directors' remuneration when there is profit (before income tax, employees' compensation, and directors' remuneration) for the year. However, if the Company has accumulated deficits (including adjustment for unappropriated retained earnings), the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. The directors' remuneration are only paid in cash.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $6,116 and $5,222, and directors' remuneration amounting to $5,099 and $4,354, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(v) Non-operating income and expenses

1.Other income

The details of other income for the years ended December 31, 2019 and 2018 were as follows:

	For the Years Ended December 31, 2019	2018
Interest income		
Bank deposits	$ 6,369	3,888
Receivables	1,992	3,279
Dividend income	1,859	1,679
Rental income	279	372
	$ 10,499	**9,218**

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

2.Other gains and losses

The details of other gains and losses were as follows:

	For the Years Ended December 31, 2019	2018
Gains (losses) on disposal of property, plant, and equipment	$ (285)	67
Foreign exchange gains (losses)	(156)	5,430
Net (losses) gains on financial assets (liabilities) measured at fair value through profit or loss	(20)	(687)
(Losses) gains on disposal of investment	-	(3,153)
Others	4,075	3,132
	$ 3,614	4,789

3.Financial costs

The details of financial costs were as follows:

	For the Years Ended December 31, 2019	2018
Interest on convertible bonds	$ -	(394)
Other finance costs	(1,215)	-
	$ (1,215)	(394)

(w) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum exposure to credit risks amounted to $1,565,562 and $1,495,651, respectively.

2.Liquidity risks

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

	Carrying amount	Contractual cash flow	On demand or less than 1 month	1-3 months	3-6 months	6 months -1 years	1-2 years	Over 2 years
2019.12.31								
Non-derivative financial liabilities								
Payables	$ 58,818	58,818	45,092	13,612	114	-	-	-
Lease liabilities	173,373	173,373	3,509	7,007	10,538	20,966	29,891	101,462
Total	$ 232,191	232,191	48,601	20,619	10,652	20,966	29,891	101,462

	Carrying amount	Contractual cash flow	On demand or less than 1 month	1-3 months	3-6 months	6 months -1 years	1-2 years	Over 2 years
2018.12.31								
Non-derivative financial liabilities								
Payables	$ 69,395	69,395	30,636	37,318	1,088	353	-	-

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3.Currency risks

1) Exposure to foreign currency risks

The Group's significant exposure to foreign currency risks were as follows:

			2019.12.31	
Functional currency	**Exchange rate**	**Currency**	**Foreign currency (in thousands)**	**Carrying amount (TWD)**
Financial assets				
Monetary items				
TWD	29.98	USD	$ 2,307	69,168
HKD	7.79	USD	7,795	233,705
HKD	1.12	CNY	2,946	12,682
TWD	33.59	EUR	225	7,570
Non-monetary items				
TWD	0.026	KRW	1,966,707	51,469
Financial liabilities				
Monetary items				
TWD	29.98	USD	309	9,257

			2018.12.31	
Functional currency	**Exchange rate**	**Currency**	**Foreign currency (in thousands)**	**Carrying amount (TWD)**
Financial assets				
Monetary items				
TWD	30.72	USD	$ 2,719	83,501
HKD	7.83	USD	6,556	201,365
HKD	1.14	CNY	6,395	28,598
TWD	35.20	EUR	415	14,623
Non-monetary items				
TWD	0.028	KRW	2,446,050	67,878
Financial liabilities				
Monetary items				
TWD	30.72	USD	833	25,572
TWD	35.20	EUR	34	1,197

2) Sensitivity analysis

The Group’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, other receivables, financial assets at fair value through other comprehensive income, accounts payables and other payables that are denominated in foreign currency. Assuming other variables remain the same, a 1% depreciation or appreciation of the TWD against foreign currency for the years ended December 31, 2019 and 2018 would have increased or decreased the net profit after tax by $2,477 and $2,588, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(156) and $5,430, respectively.

4.Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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

If the interest rate had increased or decreased by 0.25%, the Group’s net income would have decreased or increased by $18 and $8 for the years ended December 31, 2019 and 2018, respectively, due to the floating rate borrowings of the Group. This analysis assumes that all other factors remain constant.

5.Fair value of financial instruments

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

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

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

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

1) The categories and fair values of financial instruments

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

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

	2019.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive incomes					
Domestic listed shares	81,342	81,342	-	-	81,342
Foreign listed shares	51,468	-	-	51,468	51,468
Domestic non-listed shares	4,487	-	-	4,487	4,487
Sub-total	137,297	81,342	-	55,955	137,297
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 681,226	-	-	-	-
Financial assets measured at amortized cost	468,649	-	-	-	-
Notes receivable, accounts receivable and other receivables	185,027	-	-	-	-
Guarantee deposits paid	62,363	-	-	-	-
Other financial assets	31,000	-	-	-	-
Sub-total	1,428,265	-	-	-	-
Total	**$ 1,565,562**	**81,342**	**-**	**55,955**	**137,297**
Financial liabilities at amortized cost					
Notes payables, accounts payable and other payables	$ 243,837	-	-	-	-
Lease liabilities	173,373	-	-	-	-
Total	**$ 417,210**	**-**	**-**	**-**	**-**

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

	2019.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 20	-	-	20	20
Financial assets measured at amortized cost					
Domestic listed shares	74,205	74,205	-	-	74,205
Foreign listed shares	67,878	67,878	-	-	67,878
Domestic non-listed shares	3,967	-	-	3,967	3,967
Sub-total	146,050	142,083	-	3,967	146,050
Financial assets measured at amortized cost					
Cash and cash equivalents	868,885	-	-	-	-
Financial assets measured at amortized cost	180,000	-	-	-	-
Notes receivable, accounts receivable and other receivables	226,316	-	-	-	-
Guarantee deposits paid	57,380	-	-	-	-
Other financial assets	17,000	-	-	-	-
Sub-total	1,349,581	-	-	-	-
Total	**$ 1,495,651**	**142,083**	**-**	**3,987**	**146,070**
Financial liabilities at amortized cost					
Notes payables, accounts payable and other payables	**$ 238,243**	-	-	-	-

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

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

Financial assets and financial liabilities measured at amortized cost

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

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

3) Valuation techniques for financial instruments measured at fair value

A.Non-derivative financial instruments

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

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

Debt instrument that has no quoted prices: The discounted cash flow model is used to estimate the fair values. The main assumption for the model is to discount the expected future cash flows by using a discount rate that reflects the time value of money and risks.

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

B.Derivative financial instruments

Measurement of the fair value of derivate instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models.

4) Changes in level 3 of the fair value

	Financial assets at fair value through profit or loss	Fair value through other comprehensive income	
	Derivative financial assets	**Unquoted equity instruments**	**Total**
Balance at January 1, 2019	$ 20	3,967	3,987
Total gains and losses recognized			
In profit or loss	(20)	-	(20)
In other comprehensive income	-	(20,196)	(20,196)
Reclassification	-	72,184	72,184
Balance at December 31, 2019	**$ -**	**55,955**	**55,955**
Balance at January 1, 2018	$ 700	5,877	6,577
Total gains and losses recognized			
In profit or loss	(687)	-	(687)
In other comprehensive income	-	(1,910)	(1,910)
Effect of movements in exchange rate	7	-	7
Balance at December 31, 2018	**$ 20**	**3,967**	**3,987**

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

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

	For the Years Ended December 31,	
	2019	2018
Total gains and losses recognized		
In profit or loss and including "other gains and losses"	$ (20)	(687)
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	(20,196)	(1,910)

5) Quantified information on significant unobservable inputs (level 3) used in fair value measurement

The Group's financial instruments that use level 3 inputs to measure the fair value include "financial assets measured at fair value through profit or loss-debt investments" and "fair value through other comprehensive income-equity investments".

Quantified information of significant unobservable inputs is as follows:

Item	Valuation techniques	Significant non-observable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - Derivatives, Stock warrants	Option pricing models	· Historical volatility (35.32% on December 31, 2018)	· The higher the historical volatility, the higher the fair value.
Financial assets at fair value through other comprehensive income - equity instrument without an active market	Comparable Listed Companies Method	· Price - Book Rito (2.21 and 2.14 on December 31, 2019 and 2018, respectively) · P/E Value Multiple (28.36% on December 31, 2019) · EV/EBITDA(14.95 on December 31, 2019) · Discount due to Lack of Market liquidity (6.45%~28.22% and 35.22% on December 31, 2019 and 2018, respectively)	· The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher).

(x) Financial risk management

1.Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

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

2.Structure of risk management

The Group' s Finance division provides services to the business, monitors and manages the financial risks relating to the operations of the Group through the analysis of exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

3.Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Management.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group' s finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group provides financial guarantees to subsidiaries. As of December 31, 2019, the information of guarantees and endorsements for subsidiaries, please refer to Note 13(a).

4.Liquidity risk

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

5.Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group’s entities, primarily the NTD, HKD, and CNY. The currencies used in these transactions are the NTD, USD, and EUR.

2) Interest rate risk

The Group maintains an appropriate proportion of the fixed and variable interest rate instruments and using interest rate swap contracts to mitigate the floating interest rate risk. The Group will assess the hedging activities for consistent interest rates within its risk preferences and use the most cost-effective hedging strategy on a regular basis.

(y) Capital Management

The key management personnel of the Group regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each category of capital. In order to balance the overall capital structure and ensure that financial resources are available for working capital and capital expenditures, the Group may adjust the amount of dividends paid to shareholders, the amount of new shares issued, and the amount of new debt issued or existing debt redeemed.

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

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

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

Acquisition of right-of use assets from leasing, please refer to Note 6(j).

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes				
	January 1, 2019	Cash flows	Acquisition from business combination	Acquisition	Foreign exchange movement	Other	December 31, 2019
Lease liabilities	$ 147,109	(29,349)	61,184	4,235	(116)	(9,690)	173,373

(7) Related Party Transactions

(a) Parent company and the ultimate controlling party.

Excelsior Medical Co., Ltd. is both the parent company and the ultimate controlling party of the Group. It owns 38.50% of all shares outstanding of the Company, and has issued the Consolidated Financial Statements Available for Public Use.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Excelsior Medical Co., Ltd.	The parent company
CYJ INTERNATIONAL COMPANY LIMITED	An associate
Medytox Taiwan Inc.	〃
CYJ International Taiwan Inc. (CYJ Taiwan)	An associate〃 (Note1)
Bestchain Healthtaiwan Co., Ltd.	Other related parties
Shanghai Wanli Medical Cosmetology Clinic Co., Ltd.	Other related parties (Note 2)
Arich Enterprise Co., Ltd.	Other related parties
SciVision Biotech Inc.	〃

Name of related party	Relationship with the Group
SinoExcelsior Management Consulting (Shanghai) Co., Ltd.	Other related parties
Asia Best Healthcare Co., Limited (ABH)	〃
Arcos Bio-Tech Corporation	Other related parties (Note 3)
Shinkong Excelsior Medical Asset Management Co., Ltd.	Other related parties (Note 4)
Medifly Co., Ltd.	Other related parties
Caregen Co., Ltd.	〃

Note 1: An associate who became a subsidiary of the Group beginning October 1, 2019, thus, was included in the consolidated financial statements since then.

Note 2: On October 31 2019, SinoExcelsior disposed its entire shares in Beijing Sinoexcelsior Investment Management Co., Ltd. and Shanghai Wanli Medical Cosmetology Clinic Co., Ltd., a 100% owned subsidiary of Beijing Sinoexcelsior, thus, these companies were not other related parties of the Group since then.

Note 3: The ultimate parent was its director before January 18, 2019.

Note 4: In August 2019, the board of directors passed a resolution to change the name of Shinkong Excelsior Medical Asset Management Co., Ltd. to Excelsior Asset Management Co., Ltd.

(c) Significant transactions with related parties

1.Operating revenue

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

	For the Years Ended December 31,	
	2019	2018
Parent company	$ 186	667
Associates	18,562	8,415
Other related parties	1,791	352
	$ 20,539	9,434

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

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

2.Purchases

The amounts of significant purchase by the Group to related parties were as follows:

	For the Years Ended December 31, 2019	2018
Parent company	$ 2,577	146
Associates	8,655	575
Other related parties	84,353	65,139
	$ 95,585	65,860

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

3.Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	2019.12.31	2018.12.31
Accounts receivable	Parent company	$ 3	1,224
Accounts receivable	Associates	48	674
Accounts receivable	Other related parties	1,851	583
Other receivables	Associates	648	191
		$ 2,550	2,672

4.Payables to related parties

The payables to related parties were as follows:

Account	Relationship	2019.12.31	2018.12.31
Accounts payable	Parent company	$ 434	24
Accounts payable	Associates	1,540	232
Accounts payable	Other related parties - SciVision Biotech Inc.	13,503	21,672
Accounts payable	Other related parties - other	19	24
Other payables	Parent company	50	130
Other payables	Associates	819	1,350
Other payables	Other related parties	397	33
		$ 16,762	23,465

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

5.Disposals of property, plant and equipment

	For the Years Ended December 31, 2018	
Relationship	**Disposal price**	**Gain (loss) from disposal**
Associates	**$ 35**	**9**

6.Others

	For the Years Ended December 31,	
	2019	**2018**
Parent company		
Rent expense	$ (434)	(1,275)
Other expenses	(3,230)	(3,436)
	$ (3,664)	**(4,711)**
Associates		
Rent revenue	$ 279	372
Other expenses	(14)	(506)
	$ 265	**(134)**
Other related parties		
Rent expenses	$ (2,750)	(2,918)
Other expenses	(611)	(346)
Other income	4	3
	$ (3,357)	**(3,261)**

The aforementioned transactions were conducted on normal commercial terms.

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

The outstanding payables to related parties are unsecured.

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

7.Lease liabilities

The Group entered into a 15-year lease agreement with Excelsior Asset Management Co., Ltd for its business office in Taichung based on the office rentals within the vicinity, wherein its rental expense for 2018 amounted to $2,404 thousand. Upon its initial application of IFRS 16 on January 1, 2019, the Group's lease transaction had recognized the amounts of $28,200 thousand of right-of-use assets and $28,418 thousand of lease liabilities, which included the reduction of right-of-use assets amounting to $218 thousand, recognized as rent payable, and the interest expenditure amounting to $230 thousand, on December 31, 2019, resulting in the balance of lease liabilities to be $26,248 thousand on December 31, 2019.

The Group entered into lease agreements with its parent company and other related parties for its business office in Kaohsiung and Zhonghe, New Taipei City based on the office rentals within the vicinity, wherein the rental expense for 2018 amounted to $758 thousand. This lease transaction had recognized each with the amount of $1,596 thousand of right-of-use assets and lease liabilities, resulting in the amount of $6 thousand to be recognized as rent expenditure for years ended December 31, 2019 and 2018; and the balance of lease liabilities of $845 thousand on December 31, 2019.

(d) Key management personnel compensation

	For the Years Ended December 31, 2019	2018
Short-term employee benefits	$ 6,810	13,578
Post-employment benefits	52	185
	$ 6,862	**13,763**

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2019.12.31	2018.12.31
Pledged time deposits (included in other financial assets - non-current)	Bank guarantee and credit card document receiving service guarantee	**$ 31,000**	**17,000**

(9) Significant Commitments and Contingencies

Unrecognized contractual commitments

As of December 31, 2019 and 2018, the unused letters of credit were $24,494 and $22,035, respectively.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

(12) Others

(a) A summary of current-period employee benefits, depreciation, depletion and amortization, by function, is as follows:

By function / By item	For the Years Ended December 31, 2019			For the Years Ended December 31, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	40,262	93,048	133,310	27,542	85,768	113,310
Labor and health insurance	4,201	6,307	10,508	2,406	5,058	7,464
Pension	1,577	5,133	6,710	1,312	5,415	6,727
Others	3,546	3,473	7,019	1,173	2,995	4,168
Depreciation	46,333	18,253	64,586	19,542	15,556	35,098
Amortization	-	427	427	26	559	585

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

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

(Expressed in thousands of New Taiwan dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	DYNAMIC MEDICAL TECHNOLOGIES INC.	Dynamic Medical Technologies (Hong Kong) Limited.	2	256,342	122,354	59,970	-	-	4.68 %	640,855	Y		
1	Excelsior Beauty Co., Ltd.	DYNAMIC MEDICAL TECHNOLOGIES INC.	3	71,487	530	-	-	-	- %	178,719		Y	

Note 1: The numbers denote the following:
1. 0 is issuer.
2. Investees are listed by manes and numbered starting with 1.

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

Note 3: The total amount of guarantees and endorsements of the Company cannot exceed 50% of the Company's net asset value for the current year. The amount of guarantees and endorsements of the Company for each company cannot exceed 20% of the Company's net asset value for the current year.
Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

3. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(Expressed in thousands of New Taiwan dollars, Except for Share Data)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Peak holding Percentage	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
	Common Stock								
DYNAMIC MEDICAL TECHNOLOGIES INC.	SciVision Biotech Inc.	Other related parties	Non-current financial assets at fair value through other comprehensive income	1,132,895	81,342	1.95 %	81,342	2.13 %	
〃	Caregen Co., Ltd.	〃	〃	34,500	51,468	0.32 %	51,468	0.32 %	
	Stock Warrant								
Dynamic Medical Technologies (Hong Kong) Limited.	Viveve Medical Inc.	-	Current financial assets at fair value through profit or loss	250	-	- %	-	- %	
	Common Stock								
Excelsior Beauty Co., Ltd.	Join Fun Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	263,340	4,487	19.00 %	4,487	19.00 %	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of $ 300 million or 20% of the capital stock : None.

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock : None.

6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.

8. Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of capital stock : None.

9. Trading in derivative instruments:

   Please refer to notes 6(b) and 6(w).

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

10. Business relationships and significant intercompany transactions:

				Intercompany transactions 2019			
No	Name of company	Name of counter-party	Nature of relationship	Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	DYNAMIC MEDICAL TECHNOLOGIES INC.	Dynamic Medical Technologies (Hong Kong) Limited	1	Accounts receivable	7,693	Usual terms and conditions	0.35 %
〃	〃	〃	1	Accounts payable	48	Usual terms and conditions	0.00 %
〃	〃	〃	1	Sales revenue	58,386	Base on cost-plus pricing	4.96 %
〃	〃	〃	1	Purchase	14,499	Base on cost-plus pricing	1.23 %
〃	〃	Excelsior Beauty Co., Ltd.	1	Accounts receivable	10,606	Usual terms and conditions	0.48 %
〃	〃	〃	1	Accounts payable	600	Usual terms and conditions	0.03 %
〃	〃	〃	1	Sales revenue	(17)	Usual terms and conditions	(0.00)%
〃	〃	〃	1	Contract liability	714	Usual terms and conditions	0.03 %
〃	〃	〃	1	Sales revenue	31,451	Base on cost-plus pricing	2.67 %
〃	〃	〃	1	Repair and maintance revenue	24	Base on cost-plus pricing	0.00 %
〃	〃	〃	1	Other operating revenue	105	Base on cost-plus pricing	0.01 %
〃	〃	〃	1	Purchase	571	Base on cost-plus pricing	0.05 %
〃	〃	Guangzhou Dynamic Inc.	1	Accounts receivable	3,296	Usual terms and conditions	0.15 %
〃	〃	〃	1	Sales revenue	5,552	Base on cost-plus pricing	0.47 %
〃	〃	〃	1	Purchase	1,687	Base on cost-plus pricing	0.14 %
〃	〃	CYJ International Taiwan Inc.	1	Accounts receivable	9,152	Usual terms and conditions	0.41 %
〃	〃	〃	1	Other payable	4	Usual terms and conditions	0.00 %
〃	〃	〃	1	Notes receivable	385	Usual terms and conditions	0.02 %
〃	〃	〃	1	Contract liability	60	Usual terms and conditions	0.00 %
〃	〃	〃	1	Other expense	4	Base on cost-plus pricing	0.00 %
〃	〃	〃	1	Other revenue	424	Base on cost-plus pricing	0.04 %
〃	〃	〃	1	Sales revenue	5,199	Base on cost-plus pricing	0.44 %
〃	〃	〃	1	Non-operating revenue	93	Base on cost-plus pricing	0.01 %
1	Dynamic Medical Technologies (Hong Kong) Limited.	Guangzhou Dynamic Inc.	1	Accounts payable	3,291	Usual terms and conditions	0.15 %
〃	〃	〃	1	Other receivable	4	Usual terms and conditions	0.00 %
〃	〃	〃	1	Purchase	3,315	Base on cost-plus pricing	0.28 %
〃	〃	〃	1	Sales revenue	20,618	Base on cost-plus pricing	1.75 %

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions 2019			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	Excelsior Beauty Co., Ltd	CYJ International Taiwan Inc.	3	Accounts receivable	489	Usual terms and conditions	0.02 %
〃	〃	〃	3	Accounts payable	113	Usual terms and conditions	0.01 %
〃	〃	〃	3	Other payable	10	Usual terms and conditions	0.00 %
〃	〃	〃	3	Purchase	107	Base on cost-plus pricing	0.04 %
〃	〃	〃	3	Sales revenue	384	Base on cost-plus pricing	0.01 %
〃	〃	〃	3	Other operating revenue	1,283	Base on cost-plus pricing	0.11 %

Note 1: For the inter-company business relationship and transaction condition in the "No." column, the labeling method is as follows:
1. Parent company labeled 0.
2. Subsidiaries labeled in number sequence from 1.

Note 2: Relationship is classified into three types:
1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated assets; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Peak holding Percentage	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value				
DYNAMIC MEDICAL TECHNOLOGIES INC.	Dynamic Medical Technologies (Hong Kong) Limited.	Hong Kong	Sale and maintenance of medical equipment	382,278	382,278	98,777,228	100.00 %	257,040	100.00 %	(18,651)	(18,651)	Subsidiary
〃	Excelsior Beauty Co., Ltd.	New Taipei City	Sale of aesthetic medical and cosmetic healthcare products	138,745	138,745	15,154,496	53.89 %	187,259	53.89 %	33,331	18,000	Subsidiary
〃	Medytox Taiwan Inc.	New Taipei City	Sale of aesthetic medical products	18,000	18,000	1,800,000	40.00 %	1,757	40.00 %	(4,401)	(1,761)	Affiliated company
Dynamic Medical Technologies (Hong Kong) Limited.	Excelsior Beauty Limited	Hong Kong	Sale of professional weight loss and cosmetic healthcare products	25,198	25,198	6,500,000	100.00 %	1,651	100.00 %	(90)	(90)	Sub-subsidiary
〃	CYJ INTERNATIO NAL COMPANY LIMITED	Hong Kong	Sales of hair treatments, hair regrowth and haircare products	66,547	66,547	2,150,000	50.00 %	11,854	50.00 %	(17,972)	(8,986)	Affiliated company
Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	New Taipei City	〃	97,920	-	9,792,000	80.00 %	90,631	80.00 %	(27,193)	(7,415)	Sub-subsidiary

Note 1:Including unrealized sales gross profit of transaction between two subsidiaries.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee (Note 2)	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows Out-flow	Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Peak holding Percentage	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
Guangzhou Dynamic Inc.((2) 2))	Sale and maintenance of medical equipment	119,598	(2)	119,598	-	-	119,598	(14,135)	100.00 %	100.00 %	(14,135)	11,158	-
Beijing Dynamic Inc. ((2) 2))(Note 5)	Sale and maintenance of medical equipment	-	(2)	34,424	-	-	34,424	-	- %	- %	-	-	-

2. Limitation on investment in Mainland China:

Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
The Company	154,022	154,022	769,026

Note 1: Investments in Mainland China are differentiated by the following three methods:
(1) Direct investment in Mainland China.
(2) Incorporation of an investee company in a third region and indirect re-investment in Mainland China.
(3) Other methods
Note 2: Recognition of investment gain or loss during current period is pursuant to the following:
(1) If the corporation is in the set-up phase, notes are required.
(2) Recognition basis of investment gains or losses is determined by the following three types, and related notes are required.
1) Financial statements of the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.
2) Financial statements of the investee company were audited and certified by the external accountant of the parent company.
3) Others
Note 3:The maximum limitation is sixty percent of these companies' net asset value.
Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.
Note 5: The Beijing Dynamic Inc. is liquidated on November, 2018 and the investment funds, which haven't transferred back to DMT, have transferred to the subsidiary located at the Hong Kong.

3. Significant transactions：

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

(14) Segment Information

(a) General information:

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on results by company. The reportable segments were as follows:

1.Dynamic segment－The Company.

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

2.Hong Kong Dynamic segment－ Dynamic Medical Technologies (Hong Kong) Limited, Guangzhou Dynamic Inc., Excelsior Beauty Limited and Beijing Excelsior Beauty Ltd..

3.Excelsior Beauty segment－Excelsior Beauty Co., Ltd. and CYJ International Taiwan Inc..

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note (4) “significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group’s operating segment financial information and reconciliation were as follows:

For the Year Ended December 31, 2019	Dynamic segment	Excelsior Beauty segment	Hong Kong Dynamic segment	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	$ 792,196	267,194	142,355	-	1,201,745
Inter-segment revenue	188,062	-	15,970	(227,582)	(23,550)
Total revenue	**$ 980,258**	**267,194**	**158,325**	**(227,582)**	**1,178,195**
Interest revenue	$ 2,375	2,887	3,099	-	8,361
Interest expense	135	901	179	-	1,215
Depreciation and amortization	24,457	34,381	6,495	(320)	65,013
Reportable segment profit (loss)	**$ 136,159**	**43,596**	**(36,252)**	**14,472**	**157,975**

For the Year Ended December 31, 2018	Dynamic segment	Excelsior Beauty segment	Hong Kong Dynamic segment	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	$ 796,021	131,106	237,688	-	1,164,815
Inter-segment revenue	209,061	-	49,344	(258,405)	-
Total revenue	**$ 1,005,082**	**131,106**	**287,032**	**(258,405)**	**1,164,815**
Interest revenue	$ 2,988	2,504	1,675	-	7,167
Interest expense	394	-	-	-	394
Depreciation and amortization	20,703	8,580	7,113	(713)	35,683
Reportable segment profit (loss)	**$ 116,251**	**46,138**	**(52,221)**	**32,255**	**142,423**

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

(c) Product and service information

The Group mainly sells and leases laser medical equipment for beauty treatment and renders related workshop services, and has no other industrial segment.

(d) Geographical information

Geographical information		For the Years Ended December 31, 2019	2018
Revenue from external customers：			
Taiwan	$	1,059,484	927,127
Hong Kong		73,017	184,812
China		45,694	52,876
Total	$	**1,178,195**	**1,164,815**

Geographical information		2019.12.31	2018.12.31
Non-current assets：			
Taiwan	$	308,152	69,653
Hong Kong		3,324	2,343
China		1,462	6,757
Total	$	**312,938**	**78,753**

Non-current assets include property, plant and equipment, right-of-use asset, investment properties, intangible assets, and other assets, but do not include financial instruments, deferred tax assets, pension assets, and rights from insurance contracts.

(e) Revenue from main customers：

		For the Years Ended December 31, 2019	2018
A customer	$	**151,061**	**136,738**