

**DYNAMIC MEDICAL TECHNOLOGIES INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~27
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	27
(6) Explanation to significant accounts	27~62
(7) Related party transactions	62~65
(8) Pledged assets	66
(9) Significant commitments and contingencies	66
(10) Losses due to major disasters	66
(11) Subsequent events	66
(12) Others	66
(13) Other disclosures	
a) Information on significant transactions	66~69
b) Information on investees	69
c) Information on investment in mainland China	70
d) Major shareholders	70
(14) Segment information	71~72

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, 2020 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, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. 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: Fu, Hui-Tung

Date: March 12, 2021



安侯建業聯合會計師事務所

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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, 2020 and 2019, 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 of December 31, 2020 and 2019, 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 Attestation 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment Assessment on Receivables

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

Description of the key audit matter:

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



How the matter was addressed in our audit:

Our main audit procedures in response to the assessment of the impairment of receivables were assessing the reasonableness of the methodology and assumptions used by the management for the impairment assessment of receivables, and whether the methodology was adopted consistently testing the reasonableness of the information used by the management for assessing the impairment of receivables, reviewing the accuracy of the calculation of the allowance for receivables, and evaluating the adequacy of the 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, 2020 and 2019, 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.



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 Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

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, 2020 AND 2019
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		2020.12.31		2019.12.31				2020.12.31		2019.12.31	
ASSETS		Amount	%	Amount	%	LIABILITIES AND EQUITY		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Notes (6)(a))	\$ 784,901	37	681,226	31	2130	Current contract liabilities(Notes (6)(s))	\$ 306,505	15	295,460	13
1136	Current financial assets at amortized cost (Notes (6)(c))	447,351	21	468,649	21	2150	Notes payable	2	-	1,387	-
1151	Notes receivable (Notes (6)(d) and (s))	68,489	3	103,673	5	2170	Accounts payable (Notes (7))	27,099	1	57,431	3
1170	Accounts receivable, net (Notes (6)(d), (s) and (7))	66,348	3	62,328	3	2200	Other payables (Notes (7))	152,170	7	185,019	8
1210	Other receivables due from related parties (Note (7))	2	-	648	-	2230	Current tax liabilities (Note (6)(p))	20,291	1	25,320	1
1300	Inventories (Note (6)(e))	147,124	7	229,816	10	2250	Current provisions (Note (6)(m))	8,393	-	9,891	-
1470	Other current assets	<u>22,957</u>	<u>1</u>	<u>19,111</u>	<u>-</u>	2280	Current lease liabilities (Notes (6)(l) and (7))	38,350	2	42,020	3
		<u>1,537,172</u>	<u>72</u>	<u>1,565,451</u>	<u>70</u>	2300	Other current liabilities	<u>2,860</u>	<u>-</u>	<u>3,977</u>	<u>-</u>
								<u>555,670</u>	<u>26</u>	<u>620,505</u>	<u>28</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (Notes (6)(b))	141,665	7	137,297	6	2550	Non-current provisions (Note (6)(m))	2,490	-	3,343	-
1550	Investments accounted for using equity method (Note (6)(f))	11,056	1	13,152	1	2570	Deferred tax liabilities (Note (6)(p))	3,330	-	951	-
1600	Property, plant and equipment (Note (6)(i))	114,499	5	134,894	6	2580	Non-current lease liabilities (Notes (6)(l) and (7))	<u>118,148</u>	<u>6</u>	<u>131,353</u>	<u>6</u>
1755	Right-of-use assets (Note (6)(j))	153,364	7	171,216	8			<u>123,968</u>	<u>6</u>	<u>135,647</u>	<u>6</u>
1780	Intangible assets (Note (6)(k))	3,516	-	3,266	-		Total liabilities	<u>679,638</u>	<u>32</u>	<u>756,152</u>	<u>34</u>
1840	Deferred tax assets (Note (6)(p))	70,917	3	80,936	4						
1920	Guarantee deposits paid	64,253	3	62,363	3		Equity attributable to owners of parent (Notes (6)(q)):				
1930	Long-term notes and accounts receivable (Notes (6)(d))	10,633	1	18,378	1	3110	Ordinary share	300,000	14	300,000	13
1975	Net defined benefit asset, non-current (Note (6)(o))	3,014	-	2,848	-	3200	Capital surplus	627,726	29	627,726	28
1980	Other non-current financial assets (Notes (8))	31,000	1	31,000	1		Retained earnings:				
1900	Other non-current assets	<u>1,746</u>	<u>-</u>	<u>3,562</u>	<u>-</u>	3310	Legal reserve	156,621	7	145,369	7
		605,663	28	658,912	30	3350	Unappropriated retained earnings	162,959	8	158,602	7
						3400	Other equity	<u>43,624</u>	<u>2</u>	<u>50,013</u>	<u>3</u>
							Total equity attributable to owners of parent	1,290,930	60	1,281,710	58
						36XX	Non-controlling interests (Note (6)(q))	<u>172,267</u>	<u>8</u>	<u>186,501</u>	<u>8</u>
							Total equity	<u>1,463,197</u>	<u>68</u>	<u>1,468,211</u>	<u>66</u>
TOTAL ASSETS		<u>\$ 2,142,835</u>	<u>100</u>	<u>2,224,363</u>	<u>100</u>		TOTAL LIABILITIES AND EQUITY	<u>\$ 2,142,835</u>	<u>100</u>	<u>2,224,363</u>	<u>100</u>

See accompanying notes to 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, 2020 AND 2019
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note (6)(s) and (7))	\$ 1,009,308	100	1,178,195	100
5000	Operating costs (Note (6)(c))	691,266	68	844,027	72
	Gross profit from operations	<u>318,042</u>	<u>32</u>	<u>334,168</u>	<u>28</u>
	Operating expenses (Note (7)):				
6100	Selling expenses	139,264	14	107,606	9
6200	Administrative expenses	34,325	4	65,521	6
6450	Impairment loss determined in accordance with IFRS 9 (Note (6)(d))	3,605	-	3,218	-
		<u>177,194</u>	<u>18</u>	<u>176,345</u>	<u>15</u>
	Net operating income	<u>140,848</u>	<u>14</u>	<u>157,823</u>	<u>13</u>
	Non-operating income and expenses:				
7100	Interest income (Note (6)(u))	6,439	1	8,361	1
7010	Other income (Note (6)(u))	4,784	-	2,138	-
7020	Other gains and losses, net (Note (6)(u))	(309)	-	3,614	-
7050	Finance costs (Note (6)(u))	(1,010)	-	(1,215)	-
7060	Share of loss of associates and joint ventures accounted for using equity method (Note (6)(f))	(2,062)	-	(10,746)	(1)
	Total non-operating income and expenses	<u>7,842</u>	<u>1</u>	<u>2,152</u>	<u>-</u>
7900	Profit before tax	148,690	15	159,975	13
7950	Less: Income tax expenses (Note (6)(p))	<u>32,048</u>	<u>3</u>	<u>33,903</u>	<u>2</u>
	Profit	<u>116,642</u>	<u>12</u>	<u>126,072</u>	<u>11</u>
	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains on remeasurements of defined benefit plans	143	-	194	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,368	-	(8,753)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	2,816	-	(3,243)	-
	Items that may not be reclassified subsequently to profit or loss	<u>1,695</u>	<u>-</u>	<u>(5,316)</u>	<u>(1)</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation	(10,897)	(1)	(4,728)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(2,179)	-	(946)	-
	Items that may be reclassified subsequently to profit or loss	<u>(8,718)</u>	<u>(1)</u>	<u>(3,782)</u>	<u>-</u>
	Other comprehensive income (loss), net of tax	<u>(7,023)</u>	<u>(1)</u>	<u>(9,098)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 109,619</u>	<u>11</u>	<u>116,974</u>	<u>10</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 115,995	12	112,521	10
8620	Non-controlling interests	647	-	13,551	1
		<u>\$ 116,642</u>	<u>12</u>	<u>126,072</u>	<u>11</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ 109,720	11	103,183	9
8720	Non-controlling interests	(101)	-	13,791	1
		<u>\$ 109,619</u>	<u>11</u>	<u>116,974</u>	<u>10</u>
	Earnings per share (Note (6)(r))				
9750	Basic earnings per share (NT dollars)	<u>\$ 3.87</u>		<u>3.75</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 3.85</u>		<u>3.73</u>	

See accompanying notes to 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, 2020 AND 2019
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Share Capital		Retained Earnings		Other Equity		Total equity Attributable to Owners of Parent	Non-controlling Interests	Total 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			
Balance at January 1, 2019	\$ 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 on ordinary shares	-	-	-	(94,500)	-	-	(94,500)	-	(94,500)
Other changes in capital surplus:									
Changes in equity of associates for using equity method	-	83	-	-	-	-	83	-	83
Compensation recognized for share-based payments	-	1,701	-	-	-	-	1,701	-	1,701
Changes in ownership interests in 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
Profit for the year ended December 31, 2020	-	-	-	115,995	-	-	115,995	647	116,642
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	114	(8,718)	2,329	(6,275)	(748)	(7,023)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	116,109	(8,718)	2,329	109,720	(101)	109,619
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	11,252	(11,252)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(100,500)	-	-	(100,500)	-	(100,500)
Changes in non-controlling interests	-	-	-	-	-	-	-	(14,133)	(14,133)
Balance at December 31, 2020	<u>\$ 300,000</u>	<u>627,726</u>	<u>156,621</u>	<u>162,959</u>	<u>(7,091)</u>	<u>50,715</u>	<u>1,290,930</u>	<u>172,267</u>	<u>1,463,197</u>

See accompanying notes to 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, 2020 AND 2019
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 148,690	159,975
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	80,181	64,586
Amortization expense	293	427
Expected credit loss	3,605	3,218
Net loss on financial assets or liabilities at fair value through profit or loss	-	20
Interest expense	1,010	1,215
Interest income	(6,439)	(8,361)
Dividend income	(4,784)	(1,859)
Share of loss of associates and joint ventures accounted for using equity method	2,062	10,746
Loss on disposal of property, plant and equipment	58	285
Impairment loss on non-financial assets	4,282	576
Share-based payments	-	1,701
Other adjustments to reconcile profit	(4)	-
Total adjustments to reconcile profit	80,264	72,554
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	35,588	12,309
Accounts receivable, net	(7,947)	22,471
Other receivable	646	(457)
Inventories	63,893	78,140
Other current assets	(4,239)	18,333
Net defined benefits assets	(23)	(62)
Long-term notes and accounts receivable	7,745	9,213
Total changes in operating assets	95,663	139,947
Changes in operating liabilities:		
Contract liabilities	11,045	(54,985)
Notes payable	(1,385)	(6,875)
Accounts payable	(30,332)	(14,161)
Other payable	(32,849)	(4,669)
Provisions	(2,333)	(1,799)
Refund liabilities	524	(860)
Other current liabilities	(1,641)	290
Total changes in operating liabilities	(56,971)	(83,059)
Total changes in operating assets and liabilities	38,692	56,888
Total adjustments	118,956	129,442
Cash inflow generated from operations	267,646	289,417
Interest received	6,452	8,350
Income taxes paid	(25,547)	(30,810)
Net cash flows from operating activities	248,551	266,957

See accompanying notes to 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, 2020 AND 2019
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	\$ (246,501)	(348,649)
Proceeds from disposal of financial assets at amortized cost	267,799	60,000
Acquisition of property, plant and equipment	(8,177)	(31,587)
Proceeds from disposal of property, plant and equipment	-	323
Increase in refundable deposits	(1,890)	(3,139)
Acquisition of intangible assets	(543)	(20)
Increase in other financial assets	-	(7,000)
Decrease (increase) in other non-current assets	1,816	(1,196)
Dividends received	4,784	1,859
Net cash inflows from business combination	-	17,356
Net cash flows from (used in) investing activities	<u>17,288</u>	<u>(312,053)</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(35,800)	(29,324)
Cash dividends paid	(100,500)	(94,500)
Interest paid	(1,010)	(1,215)
Change in non-controlling interests	(14,133)	(12,878)
Net cash flows used in financing activities	<u>(151,443)</u>	<u>(137,917)</u>
Effect of exchange rate changes on cash and cash equivalents	(10,721)	(4,646)
Net increase (decrease) in cash and cash equivalents	103,675	(187,659)
Cash and cash equivalents at beginning of period	<u>681,226</u>	<u>868,885</u>
Cash and cash equivalents at end of period	<u>\$ 784,901</u>	<u>681,226</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 14F, No. 880, 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 issuance by the Board of Directors on March 19, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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.. (hereinafter referred to as the "IFRSs endorsed by FSC")

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements 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.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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.

2. List of subsidiaries in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding		Note
			2020.12.31	2019.12.31	
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 %	Note 1
Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	Sales of hair treatments, hair regrowth and haircare products	80.00 %	80.00 %	Note 2

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

Note 2: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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 cash 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 definition and are held for the purpose of meeting short-term cash commitment rather than investment or other purposes should be 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating 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 asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the leader of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender should 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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~ 3 years
3) Leasehold improvement	2~10 years
4) Exhibition equipment	3 years
5) Lease equipment	2~10 years

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

(k) Leases

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

(ii) As a lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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’.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 maintenance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 acquiree'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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 of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next 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)(d).

(6) Explanation to significant accounts

(a) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand, current deposits and checking accounts	\$ 784,901	681,226
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 784,901</u>	<u>681,226</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity investments at fair value through other comprehensive income:		
Domestic listed shares	\$ 73,395	81,342
Foreign listed shares	65,403	51,468
Domestic unlisted common shares	<u>2,867</u>	<u>4,487</u>
Total	<u>\$ 141,665</u>	<u>137,297</u>

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, 2020 and 2019, the dividends of \$4,784 and \$1,859, 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, 2020 and 2019, 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)(v).

(c) Financial assets measured at amortized cost

	<u>2020.12.31</u>	<u>2019.12.31</u>
Domestic and foreign time deposits	<u>\$ 447,351</u>	<u>468,649</u>

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 interest rate of 0.26%~1.025% and 0.66%~2.23% during the years ended December 31, 2020 and 2019; and they mature in May 2021 and December 2020, respectively.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

1. Notes receivable and accounts receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current		
Notes receivable and accounts receivable	\$ 156,386	184,108
Less: Unrealized interest income	(100)	(364)
Loss allowance	<u>(26,807)</u>	<u>(23,285)</u>
	<u>129,479</u>	<u>160,459</u>
Non-current		
Notes receivable and accounts receivable	3,418	9,431
Less: Unrealized interest income	<u>(7)</u>	<u>(1)</u>
	<u>3,411</u>	<u>9,430</u>
Notes receivable and accounts receivable, net	<u>\$ 132,890</u>	<u>169,889</u>

The Group's installment accounts receivable were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current		
Installment accounts receivable-at fair value through other comprehensive income	\$ 2,815	13,430
Less: Unrealized interest income	<u>(100)</u>	<u>(364)</u>
	<u>2,715</u>	<u>13,066</u>
Non-current		
Installment accounts receivable-measured as amortized cost	788	273
Less: Unrealized interest income	<u>(7)</u>	<u>(1)</u>
	<u>781</u>	<u>272</u>
Notes receivable and accounts receivable, net	<u>\$ 3,496</u>	<u>13,338</u>

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 was measured at fair value through other comprehensive income.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019. 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 macroeconomic and relevant industry information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	2020.12.31		
	Accounts receivable carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 151,253	7.45%	(11,268)
1 to 90 days past due	6,027	10.54%	(635)
91 to 180 days past due	911	89.75%	(818)
More than 181 days past due	<u>14,086</u>	100.00%	<u>(14,086)</u>
Total	<u>\$ 172,277</u>		<u>(26,807)</u>

	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	<u>14,179</u>	99.83%	<u>(14,156)</u>
Total	<u>\$ 207,664</u>		<u>(23,285)</u>

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

	For the Years Ended December 31,	
	2020	2019
Balance at January 1	\$ 23,285	20,386
Impairment losses recognized	3,605	3,218
Amounts written off	-	(216)
Foreign exchange gains (losses)	<u>(83)</u>	<u>(103)</u>
Balance at December 31	<u>\$ 26,807</u>	<u>23,285</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019, the Group sold its trade receivable without recourse as follows:

2020.12.31						
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.	\$ 8,840	-	8,840	-	1.25%~3.19%	None
Chailease Finance Co., Ltd.	\$ 5,632	-	5,632	-	1.77%~2.02%	None
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	-	3.89%~6.01%	None
Chailease Finance Co., Ltd.	\$ 13,613	-	13,613	-	1.70%~2.37%	None

2. Finance lease assets receivable are as follows:

	Gross investment in the leases	Unearned interest	Present value of minimum leases receivable
December 31, 2020			
Less than one year	\$ 5,956	(598)	5,358
Between one and five years	7,739	(517)	7,222
	<u>\$ 13,695</u>	<u>(1,115)</u>	<u>12,580</u>
December 31, 2019			
Less than one year	\$ 6,257	(715)	5,542
Between one and five years	9,501	(553)	8,948
	<u>\$ 15,758</u>	<u>(1,268)</u>	<u>14,490</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

The Group entered into finance lease arrangements for certain storage equipment. All leases were denominated in New Taiwan dollars. The average term of finance leases entered into was 1-5 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% per annum as of December 31, 2020 and 2019.

The finance lease receivables as of December 31, 2020 and 2019 were neither past due nor impaired.

(e) Inventories

	<u>2020.12.31</u>	<u>2019.12.31</u>
Medical equipment for beauty treatment	\$ 30,271	40,775
Medical materials and parts for beauty treatment	91,217	134,316
Other	<u>25,636</u>	<u>54,725</u>
Total	<u>\$ 147,124</u>	<u>229,816</u>

For the years ended December 31, 2020 and 2019, the details of cost of goods sold were as follows :

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 555,572	664,465
Other operating costs	167,075	154,388
(Reversal of write-down) write-down of inventories	<u>(31,381)</u>	<u>25,174</u>
Total	<u>\$ 691,266</u>	<u>844,027</u>

The factor leading to net realizable value of inventories is lower than the cost was vanished, so that the reversal of write-down of inventories was recognized from the increase in net realizable value as of December 31, 2020.

(f) Investments accounted for under equity method

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Associates	<u>\$ 11,056</u>	<u>13,152</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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	
			2020.12.31	2019.12.31
CYJ INTERNATIONAL COMPANY LIMITED	Sales of hair treatments, hair regrowth and haircare products	Hong Kong	50 %	50 %

CYJ INTERNATIONAL COMPANY LIMITED

	2020.12.31	2019.12.31
Current assets	\$ 1,397	2,539
Non-current assets	19,464	21,915
Current liabilities	(261)	(745)
Non-current liabilities	-	-
Net assets	<u>\$ 20,600</u>	<u>23,709</u>
	2020.12.31	2019.12.31
Proportion of the Group's ownership	50 %	50 %
Equity attributable to the Group	\$ 10,300	11,854
Unrealized gain or loss with associates	(436)	(459)
Carrying amount	<u>\$ 9,864</u>	<u>11,395</u>
	For the Years Ended December 31,	
	2020	2019
Operating revenue	<u>\$ 9</u>	<u>27</u>
Losses	\$ (2,993)	(17,972)
Other comprehensive income	832	(1,126)
Total comprehensive income	<u>\$ (2,161)</u>	<u>(19,098)</u>

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

	2020.12.31	2019.12.31
Carrying amount of individually insignificant associates' equity	<u>\$ 1,192</u>	<u>1,757</u>
	For the Years Ended December 31,	
	2020	2019
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (565)	(1,760)
Other comprehensive income	-	-
Total comprehensive income	<u>\$ (565)</u>	<u>(1,760)</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(g) 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 identifiable assets and liabilities assumed

The fair value of identifiable assets and liabilities assumed at acquisition date were 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 identifiable net assets acquired	\$	<u><u>118,659</u></u>

2.Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$	97,920
Non-controlling interest in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)		23,732
Less: Fair value of identifiable net assets		<u>(118,659)</u>
Goodwill	\$	<u><u>2,993</u></u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(h) Material non-controlling interests of subsidiaries

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

<u>Subsidiaries</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Percentage of non-controlling interests</u>	
		<u>2020.12.31</u>	<u>2019.12.31</u>
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 are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current assets	\$ 229,337	249,388
Non-current assets	292,668	307,089
Current liabilities	(106,774)	(112,211)
Non-Current liabilities	(83,347)	(86,828)
Net assets	<u>\$ 331,884</u>	<u>357,438</u>
Non-controlling interests	<u>\$ 152,821</u>	<u>164,592</u>
	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 109,526</u>	<u>144,130</u>
Net income	\$ 6,719	33,331
Other comprehensive income	(1,620)	520
Total comprehensive income	<u>\$ 5,099</u>	<u>33,851</u>
Profit, attributable to non-controlling interests	<u>\$ 3,110</u>	<u>15,404</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 2,363</u>	<u>15,644</u>
Net cash flows from operating activities	\$ 38,914	80,063
Net cash flows from investing activities	19,581	(49,081)
Net cash flows from financing activities	(49,055)	(144,186)
Net increase (decrease) in cash and cash equivalents	<u>\$ 9,440</u>	<u>(113,204)</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(i) Property, plant and equipment

	<u>Medical equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Exhibition equipment</u>	<u>Lease equipment</u>	<u>Equipment to be inspected and construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2020	\$ 34,317	30,818	63,216	81,387	101,780	-	311,518
Additions	1,208	419	1,491	395	4,758	286	8,557
Disposals	(2,540)	(1,019)	(3,605)	(18,626)	(15,181)	-	(40,971)
Reclassification and others	(3,687)	(381)	-	(709)	1,026	-	(3,751)
Effect of movements in exchange rate	-	(27)	(46)	(48)	-	-	(121)
Balance at December 31, 2020	<u>\$ 29,298</u>	<u>29,810</u>	<u>61,056</u>	<u>62,399</u>	<u>92,383</u>	<u>286</u>	<u>275,232</u>
Balance at January 1, 2019	\$ 25,892	5,988	25,193	114,486	74,797	7,524	253,880
Additions	-	7,286	38,082	4,044	-	2,476	51,888
Disposal	8,987	15,714	1,708	860	4,318	-	31,587
Reclassification and others	(562)	(2,195)	(1,694)	(27,159)	(3,268)	-	(34,878)
Disposal and obsolescence	-	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	<u>\$ 34,317</u>	<u>30,818</u>	<u>63,216</u>	<u>81,387</u>	<u>101,780</u>	<u>-</u>	<u>311,518</u>
Depreciation and impairment losses:							
Balance at January 1, 2020	\$ 17,245	9,370	35,752	55,384	58,873	-	176,624
Depreciation	4,888	6,447	7,652	10,805	13,614	-	43,406
Impairment loss reversed	-	-	-	1,715	2,567	-	4,282
Disposal	(2,540)	(961)	(3,605)	(18,626)	(15,181)	-	(40,913)
Reclassification and others	(3,668)	(111)	-	(10,716)	(8,054)	-	(22,549)
Effect of movements in exchange rate	-	(26)	(45)	(46)	-	-	(117)
Balance at December 31, 2020	<u>\$ 15,925</u>	<u>14,719</u>	<u>39,754</u>	<u>38,516</u>	<u>51,819</u>	<u>-</u>	<u>160,733</u>
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	-	-	-	714	(138)	-	576
Disposals	(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	<u>\$ 17,245</u>	<u>9,370</u>	<u>35,752</u>	<u>55,384</u>	<u>58,873</u>	<u>-</u>	<u>176,624</u>
Book values:							
Balance at December 31, 2020	<u>\$ 13,373</u>	<u>15,091</u>	<u>21,302</u>	<u>23,883</u>	<u>40,564</u>	<u>286</u>	<u>114,499</u>
Balance at January 1, 2019	<u>\$ 11,687</u>	<u>763</u>	<u>1,963</u>	<u>31,379</u>	<u>22,391</u>	<u>7,524</u>	<u>75,707</u>
Balance at December 31, 2019	<u>\$ 17,072</u>	<u>21,448</u>	<u>27,464</u>	<u>26,003</u>	<u>42,907</u>	<u>-</u>	<u>134,894</u>

As of December 31, 2020 and 2019, the aforesaid property, plant and equipment were not pledged as collateral.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(j) Right-of-use assets

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

	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 210,354	275	210,629
Additions	20,744	-	20,744
Disposal	(3,812)	-	(3,812)
Effect of changes in foreign exchange rate	(165)	-	(165)
Balance at December 31, 2020	<u>\$ 227,121</u>	<u>275</u>	<u>227,396</u>
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	(10,789)	-	(10,789)
Balance at December 31, 2019	<u>\$ 210,354</u>	<u>275</u>	<u>210,629</u>
Accumulated depreciation:			
Balance at January 1, 2020	\$ 39,248	165	39,413
Depreciation for the year	36,665	110	36,775
Disposals	(2,100)	-	(2,100)
Effect of changes in foreign exchange rates	(56)	-	(56)
Balance at December 31, 2020	<u>\$ 73,757</u>	<u>275</u>	<u>74,032</u>
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	(1,434)	-	(1,434)
Balance at December 31, 2019	<u>\$ 39,248</u>	<u>165</u>	<u>39,413</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Carrying amount:			
Balance at December 31, 2020	\$ <u>153,364</u>	<u>-</u>	<u>153,364</u>
Balance at January 1, 2019	\$ <u>146,227</u>	<u>275</u>	<u>146,502</u>
Balance at December 31, 2019	\$ <u>171,106</u>	<u>110</u>	<u>171,216</u>

(k) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 2,993	1,663	4,656
Acquisitions	-	543	543
Disposals	-	(792)	(792)
Balance at December 31, 2020	\$ <u>2,993</u>	<u>1,414</u>	<u>4,407</u>
Balance at January 1, 2019	\$ -	1,643	1,643
Acquisition through business combinations	2,993	-	2,993
Acquisitions	-	20	20
Balance at December 31, 2019	\$ <u>2,993</u>	<u>1,663</u>	<u>4,656</u>
Amortization and impairment loss:			
Balance at January 1, 2020	\$ -	1,390	1,390
Amortization for the year	-	293	293
Disposals	-	(792)	(792)
Balance at December 31, 2020	\$ <u>-</u>	<u>891</u>	<u>891</u>
Balance at January 1, 2019	\$ -	963	963
Amortization for the year	-	427	427
Balance at December 31, 2019	\$ <u>-</u>	<u>1,390</u>	<u>1,390</u>
Carrying value:			
Balance at December 31, 2020	\$ <u>2,993</u>	<u>523</u>	<u>3,516</u>
Balance at January 1, 2019	\$ <u>-</u>	<u>680</u>	<u>680</u>
Balance at December 31, 2019	\$ <u>2,993</u>	<u>273</u>	<u>3,266</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Goodwill amounted to \$2,993 arising from the acquisition of CYJ International Taiwan Inc. on October 1, 2019; please refer to note 6(g).

Amortization and impairment recognized

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

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating expenses	<u>\$ 293</u>	<u>427</u>

(1) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current	<u>\$ 38,350</u>	<u>42,020</u>
Non-current	<u>\$ 118,148</u>	<u>131,353</u>

Maturity analysis please refer to Note 6(v).

The amounts recognized in profit or loss were as follows:

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 1,010</u>	<u>1,215</u>
Expenses relating to short-term leases	<u>\$ 2,607</u>	<u>5,960</u>

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

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 39,417</u>	<u>36,499</u>

1. Real estate leases

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

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

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.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(m) Provisions

	<u>2020.12.31</u>	<u>2019.12.31</u>
Warranties	<u>\$ 10,883</u>	<u>13,234</u>
		Warranties
Balance at January 1, 2020		\$ 13,234
Additions		10,129
Provisions reversed or used		(12,463)
Effect of movements in exchange rate		(17)
Balance at December 31, 2020	<u>\$ 10,883</u>	
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		<u>\$ 13,234</u>

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.

(n) Operating leases

1. 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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Less than one year	\$ 18,926	22,033
One to five years	37,327	46,702
More than five years	-	4,440
Total undiscounted lease payments	<u>\$ 56,253</u>	<u>73,175</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(o) Employee benefits

1. Defined benefit plans

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of benefit obligations	\$ 2,499	2,451
Fair value of plan assets	<u>(5,513)</u>	<u>(5,299)</u>
Net defined benefit liabilities (assets)	<u>\$ (3,014)</u>	<u>(2,848)</u>

The Company 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 Company 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 Company's Bank of Taiwan labor pension reserve account balance amounted to \$5,513 as of December 31, 2020. 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:

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 2,451	2,449
Current service costs and interest	19	29
Remeasurement on the net defined benefit assets		
— Actuarial gains and losses arising from experience adjustments	(61)	(62)
— Actuarial gains and losses arising from changes in population assumption	15	6
— Actuarial gains and losses arising from changes in financial assumption	<u>75</u>	<u>29</u>
Defined benefit obligation at December 31	<u>\$ 2,499</u>	<u>2,451</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

3) Movements of defined benefit plan assets

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

	For the Years Ended December 31,	
	2020	2019
Fair value of plan assets at January 1	\$ 5,299	5,041
Interest income	42	58
Remeasurement on the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	172	167
Contribution made	-	33
Fair value of plan assets at December 31	<u>\$ 5,513</u>	<u>5,299</u>

4) Expenses recognized in profit or loss

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

	For the Years Ended December 31,	
	2020	2019
Current service costs	\$ 19	29
Net interest of net defined benefit assets	(42)	(58)
	<u>\$ (23)</u>	<u>(29)</u>
Operating expenses	<u>\$ (23)</u>	<u>(29)</u>

5) Actuarial assumptions

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

	For the Years Ended December 31,	
	2020	2019
Discount rate	0.350 %	0.800 %
Future salary increasing rate	3.750 %	3.750 %

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 zero.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2020		
Discount rate	(80)	44
Future salary increasing rate	79	(77)
December 31, 2019		
Discount rate	(78)	82
Future salary increasing rate	78	(75)

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 2020 and 2019.

2. Defined contribution plans

The Group 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 Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$6,253 and \$4,611 for the years ended December 31, 2020 and 2019, respectively.

3. The pension costs of the Group's foreign subsidiaries under the local laws were \$101 and \$2,128 for the years ended 2020 and 2019, respectively.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(P) Income taxes

1. Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2020	2019
Current tax expense		
Current period	\$ 20,303	44,128
Adjustment for prior period	169	(40)
Income tax on undistributed earnings	46	299
	<u>20,518</u>	<u>44,387</u>
Deferred tax expense(income)		
Current period	11,579	(10,484)
Adjustment for prior period	(49)	-
	<u>11,530</u>	<u>(10,484)</u>
Income tax expense from continuing operations	<u>\$ 32,048</u>	<u>33,903</u>

The amount of income tax recognized in other comprehensive income for 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ (29)	(39)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	(2,787)	3,282
	<u>\$ (2,816)</u>	<u>3,243</u>
	For the Years Ended December 31,	
	2020	2019
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>\$ 2,179</u>	<u>946</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Reconciliations of income tax and profit before tax for 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2020	2019
Profit before tax	\$ 148,690	159,975
Income tax using the Company's domestic tax rate	\$ 28,701	27,274
Adjustment in tax rate	(858)	(589)
Permanent differences	1,007	(2,264)
Unrecognized loss carryforwards	3,458	12,030
Adjustments for prior periods-deferred tax expense	(49)	56
Change in unrecognized temporary differences	(426)	(2,863)
Change in provision in prior periods	169	(40)
Additional tax on undistributed earnings	46	299
Total	\$ 32,048	33,903

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	2020.12.31	2019.12.31
Tax effect of deductible temporary differences	\$ 1,039	1,495
The carryforward of unused tax losses	32,745	29,204
	\$ 33,784	30,699

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Payable for bonus	Unrealized losses on investment	Inventory write- downs	Others	Total
Deferred tax liabilities :					
Balance at January 1, 2020	\$ -	-	-	951	951
Recognized in profit or loss	-	-	-	(30)	(30)
Recognized in other comprehensive income	-	-	-	2,409	2,409
Balance at December 31, 2020	\$ -	-	-	3,330	3,330

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>Payable for bonus</u>	<u>Unrealized losses on investment</u>	<u>Inventory write- downs</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	5,092	5,092
Recognized in profit or loss	-	-	-	48	48
Recognized in other comprehensive income	-	-	-	(4,189)	(4,189)
Balance at December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>951</u>	<u>951</u>
Deferred tax assets:					
Balance at January 1, 2020	\$ 16,844	25,368	20,779	17,945	80,936
Recognized in profit or loss	(1,507)	(2,055)	(5,857)	(2,141)	(11,560)
Recognized in other comprehensive income	-	-	-	1,772	1,772
Effect of movements in exchange rate	-	-	(128)	(103)	(231)
Balance at December 31, 2020	<u>\$ 15,337</u>	<u>23,313</u>	<u>14,794</u>	<u>17,473</u>	<u>70,917</u>
Balance at 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
Effect of movements in exchange rate	-	-	(52)	(44)	(96)
Balance at December 31, 2019	<u>\$ 16,844</u>	<u>25,368</u>	<u>20,779</u>	<u>17,945</u>	<u>80,936</u>

3. As of December 31, 2020, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
2014	\$ 6,207	2024
2015	27,984	2025
2016	9,408	2026
2017	14,052	2027
2018	21,884	2028
2019	57,187	2029
2020	13,351	2030
	<u>\$ 150,073</u>	

4. Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(g) Capital and other equity

1. Share capital

As of December 31, 2020 and 2019, 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, 2020 and 2019 were as follows:

(in Thousand shares)

	Common Stock	
	For the Years Ended December 31,	
	2020	2019
Balance at December 31 (Balance as of January 1)	<u><u>30,000</u></u>	<u><u>30,000</u></u>

2. Capital surplus

The balances of capital surplus were as follows:

	2020.12.31	2019.12.31
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	83
Employee share options	1,701	1,701
Others	<u>41,587</u>	<u>41,587</u>
	<u><u>\$ 627,726</u></u>	<u><u>627,726</u></u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

3. Retained earnings

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 0% 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.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

3) Earnings distribution

On March 12, 2020, the Company's Board of Directors resolved to distribute the 2019 earnings. On June 12, 2019, the shareholder's meetings resolved to distribute the 2018 earnings. These earnings were appropriated for distribution as follows:

	2019		2018	
	Dividend per share (TWD)	Amount	Dividend per share (TWD)	Amount
Dividends distributed to common shareholders				
Cash	\$ 3.35	<u>100,500</u>	3.15	<u>94,500</u>

On March 12, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings respectively, as follows:

	2020	
	Dividend per share (TWD)	Amount
Dividends distributed to common shareholders:		
Cash	\$ 3.50	<u>105,000</u>

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	Total
Balance at January 1, 2020	\$ 1,627	48,386	50,013
Exchange differences on foreign operations	(8,718)	-	(8,718)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,329	2,329
Balance at December 31, 2020	<u>\$ (7,091)</u>	<u>50,715</u>	<u>43,624</u>
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	-	(5,711)	(5,711)
Balance at December 31, 2019	<u>\$ 1,627</u>	<u>48,386</u>	<u>50,013</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

5. Non-controlling interests after tax

	For the Years Ended December 31,	
	2020	2019
Balance, beginning of year	\$ 186,501	161,856
The share attributed to non-controlling interests		
Net income	647	13,551
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	(748)	240
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	(14,133)	(12,966)
Balance, end of year	<u>\$ 172,267</u>	<u>186,501</u>

(r) Earnings per share

For the years ended December 31, 2020 and 2019, the basic and diluted earnings per share were calculated as follows:

1. Basic earnings per share

	For the Years Ended December 31,	
	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 115,995</u>	<u>112,521</u>

(in thousand shares)

	For the Years Ended December 31,	
	2020	2019
Weighted average number of outstanding ordinary shares (basic)	<u>30,000</u>	<u>30,000</u>

2. Diluted earnings per share

	For the Years Ended December 31,	
	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 115,995</u>	<u>112,521</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(in thousand shares)

	For the Years Ended December 31,	
	2020	2019
Weighted average number of outstanding ordinary shares (basic)	30,000	30,000
Effect of employee stock compensation	157	146
Weighted average number of outstanding ordinary shares (diluted)	30,157	30,146

(s) Revenue from contracts with customers

1. Disaggregation of revenue

	For the Years Ended December 31,	
	2020	2019
Primary geographical markets:		
Taiwan	\$ 937,321	1,059,484
Hong Kong	71,858	73,017
China	129	45,694
	\$ 1,009,308	1,178,195
Major products/services lines		
Equipment sales revenue	\$ 252,205	342,955
Parts sales revenue	547,915	649,989
Service	185,980	149,608
Other operating revenue	23,208	35,643
	\$ 1,009,308	1,178,195

2. Contract balances

	2020.12.31	2019.12.31	2019.1.1
Notes and accounts receivable	\$ 159,697	193,174	227,236
Less: allowance for impairment	(26,807)	(23,285)	(20,386)
	\$ 132,890	169,889	206,850
Contract liabilities - sales	\$ 157,850	156,748	233,675
Contract liabilities - services	148,655	138,712	72,980
	\$ 306,505	295,460	306,655

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(t) 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 for the year. However, if the Company has accumulated deficits, 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, 2020 and 2019, the Company estimated its employee remuneration amounting to \$6,466 and \$6,116, and directors' remuneration amounting to \$5,391 and \$5,099, 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 2020 and 2019. 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 2020 and 2019.

(u) Non-operating income and expenses

1. Interest income

The details of interest income for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2020	2019
Bank deposits	\$ 5,400	6,369
Receivables	1,039	1,992
	\$ 6,439	8,361

2. Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2020	2019
Dividend income	\$ 4,784	1,859
Rental income	-	279
	\$ 4,784	2,138

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

3. Other gains and losses

The details of other gains and losses were as follows:

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant, and equipment	\$ (58)	(285)
Foreign exchange losses	(2,694)	(156)
Net losses on financial assets (liabilities) measured at fair value through profit or loss	-	(20)
Others	2,443	4,075
	<u>\$ (309)</u>	<u>3,614</u>

4. Financial costs

The details of financial costs were as follows:

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Other finance costs	\$ (1,010)	(1,215)

(v) 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, 2020 and 2019, the maximum exposure to credit risks amounted to \$1,614,642 and \$1,565,562, 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:

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6 months -1 years</u>	<u>1-2 years</u>	<u>Over 2 years</u>
2020.12.31								
Non-derivative financial liabilities								
Payables	\$ 178,109	178,109	32,848	60,017	14,533	70,711	-	-
Lease liabilities	156,498	156,498	3,135	6,171	9,778	19,266	34,561	83,587
Total	<u>\$ 334,607</u>	<u>334,607</u>	<u>35,983</u>	<u>66,188</u>	<u>24,311</u>	<u>89,977</u>	<u>34,561</u>	<u>83,587</u>
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	<u>\$ 232,191</u>	<u>232,191</u>	<u>48,601</u>	<u>20,619</u>	<u>10,652</u>	<u>20,966</u>	<u>29,891</u>	<u>101,462</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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:

<u>Functional currency</u>	<u>Exchange rate</u>	<u>Currency</u>	2020.12.31	
			Foreign currency (in thousands)	Carrying amount (TWD)
<u>Financial assets</u>				
<u>Monetary items</u>				
TWD	28.48	USD	\$ 3,113	88,658
HKD	7.75	USD	9,377	267,072
TWD	35.02	EUR	170	5,939
<u>Non-monetary items</u>				
TWD	0.026	KRW	2,473,650	65,403
<u>Financial liabilities</u>				
<u>Monetary items</u>				
TWD	28.48	USD	226	6,437
TWD	35.02	EUR	149	5,232
2019.12.31				
<u>Functional currency</u>	<u>Exchange rate</u>	<u>Currency</u>	Foreign currency (in thousands)	Carrying amount (TWD)
<u>Financial assets</u>				
<u>Monetary items</u>				
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
<u>Non-monetary items</u>				
TWD	0.026	KRW	1,966,707	51,469
<u>Financial liabilities</u>				
<u>Monetary items</u>				
TWD	29.98	USD	309	9,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019 would have increased or decreased the net profit after tax by \$2,765 and \$2,477, 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 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(2,694) and \$(156), 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 \$4 and \$18 for the years ended December 31, 2020 and 2019, 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).

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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:

	2020.12.31				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through other comprehensive incomes					
Domestic listed shares	\$ 73,395	73,395	-	-	73,395
Foreign listed shares	65,403	65,403	-	-	65,403
Domestic non-listed shares	2,867	-	-	2,867	2,867
Sub-total	<u>141,665</u>	<u>138,798</u>	<u>-</u>	<u>2,867</u>	<u>141,665</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	784,901	-	-	-	-
Financial assets measured at amortized cost	447,351	-	-	-	-
Notes receivable, accounts receivable and other receivables	145,472	-	-	-	-
Guarantee deposits paid	64,253	-	-	-	-
Other financial assets	31,000	-	-	-	-
Sub-total	<u>1,472,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,614,642</u>	<u>138,798</u>	<u>-</u>	<u>2,867</u>	<u>141,665</u>
Financial liabilities at amortized cost					
Notes payable, accounts payable and other payables	\$ 179,271	-	-	-	-
Lease liabilities	156,498	-	-	-	-
Total	<u>\$ 335,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2019.12.31				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
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	<u>137,297</u>	<u>81,342</u>	<u>-</u>	<u>55,955</u>	<u>137,297</u>
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	<u>1,428,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,565,562</u>	<u>81,342</u>	<u>-</u>	<u>55,955</u>	<u>137,297</u>
Financial liabilities at amortized cost					
Notes payable, accounts payable and other payables	\$ 243,837	-	-	-	-
Lease liabilities	173,373	-	-	-	-
Total	<u>\$ 417,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

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 listed company stock and beneficiary certificates.

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

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 approach 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, 2020	\$ -	55,955	55,955
Total gains and losses recognized			
In other comprehensive income	-	(9,045)	(9,045)
Reclassification	-	(44,043)	(44,043)
Balance at December 31, 2020	<u>\$ -</u>	<u>2,867</u>	<u>2,867</u>
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	<u>\$ -</u>	<u>55,955</u>	<u>55,955</u>

For the years ended December 31, 2020 and 2019, 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,	
	2020	2019
Total gains and losses recognized		
In profit or loss and including “other gains and losses”	\$ -	(20)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(9,045)	(20,196)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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:

<u>Item</u>	<u>Valuation techniques</u>	<u>Significant non-observable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income - equity instrument without an active market	Comparable Listed Companies Method	<ul style="list-style-type: none"> · Price - Book Ratio (1.46 and 2.21 on December 31, 2020 and 2019, 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 (30.00% and 6.45%~28.22% on December 31, 2020 and 2019, 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).

(w) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

(x) 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.

(y) 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, 2020 and 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:

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020	
			Acquisition from business combination	Acquisition	Foreign exchange movement		Other
Lease liabilities	\$ 173,373	(35,800)	-	20,744	(103)	(1,716)	156,498

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019	
			Acquisition from business combination	Acquisition	Foreign exchange movement		Other
Lease liabilities	\$ 147,109	(29,324)	61,184	4,235	(141)	(9,690)	173,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Excelsior Medical Co., Ltd.	The parent company
CYJ INTERNATIONAL COMPANY LIMITED	Associates
Medytox Taiwan Inc.	"
CYJ International Taiwan Inc. (CYJ Taiwan)	Associates(Note 1)
Bestchain Healthtaiwan Co., Ltd.	Other related parties
Arich Enterprise Co., Ltd.	"
SciVision Biotech Inc.	"
SinoExcelsior Management Consulting (Shanghai) Co., Ltd.	"
Medifly Co.,Ltd.	"
Caregen Co., Ltd.	"
Shanghai Wanli Medical Cosmetology Clinic Co., Ltd.	Other related parties (Note 2)
ASIA BEST HEALTHCARE CO., LTD TAIWANBRANCH	Other related parties
Excelsior Asset Management Co., Ltd.	Other related parties (Note 3)

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: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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,	
	2020	2019
Parent company	\$ 976	186
Associates	16	18,562
Other related parties	2,174	1,791
	\$ 3,166	20,539

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

2. Purchases

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

	For the Years Ended December 31,	
	2020	2019
Parent company	\$ 2,490	2,577
Associates	-	8,655
Other related parties	108,873	84,353
	\$ 111,363	95,585

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	2020.12.31	2019.12.31
Accounts receivable	Parent company	\$ 14	3
Accounts receivable	Associates	-	48
Accounts receivable	Other related parties	564	1,851
Other receivables	Associates	2	648
		\$ 580	2,550

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

4. Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Accounts payable	Parent company	\$ 521	434
Accounts payable	Associates	-	1,540
Accounts payable	Other related parties - SciVision Biotech Inc.	10,353	13,503
Accounts payable	Other related parties - Other	623	19
Other payables	Parent company	433	50
Other payables	Associates	-	819
Other payables	Other related parties	482	397
		<u>\$ 12,412</u>	<u>16,762</u>

5. Others

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Parent company</u>		
Rent expense	\$ (183)	(434)
Other expenses	(4,375)	(3,230)
	<u>\$ (4,558)</u>	<u>(3,664)</u>
<u>Associates</u>		
Rent revenue	\$ -	279
Other expenses	-	(14)
	<u>\$ -</u>	<u>265</u>
<u>Other related parties</u>		
Cost of service	\$ (1,539)	(1,613)
Cost of sales	(381)	-
Rent expenses	(410)	(2,750)
Other expenses	(310)	(611)
Other income	4	4
	<u>\$ (2,636)</u>	<u>(4,970)</u>

The aforementioned transactions were conducted on normal commercial terms.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

6. 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. 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 \$212 thousand and \$230 thousand, on December 31, 2020 and 2019, resulting in the balance of lease liabilities to be \$24,060 thousand and \$26,248 thousand on December 31, 2020 and 2019.

The Group entered into lease agreements with its parent company for its business office in Kaohsiung based on the office rentals within the vicinity. This lease transaction had recognized with the amount of \$927 thousand of right-of-use assets and lease liabilities, resulting in the amount of \$1 thousand and \$3 thousand to be recognized as interest expenditure for years ended December 31, 2020 and 2019; and the balance of lease liabilities of \$0 thousand and \$398 thousand on December 31, 2020 and 2019. The lease agreement has expired in September 2020, the Group didn't review the lease, and reverse the amount of \$927 thousand of right-of-use assets cost and accumulated depreciation.

The Group entered into lease agreements with its parent Company and other related parties for its business office in Zhonghe, New Taipei City based on the office rentals within the vicinity. Upon its initial application of IFRS 16 on January 1, 2019, the Group's lease transaction had recognized the amounts of \$669 thousand of right-of-use assets and \$669 thousand of lease liabilities. For the years ended December 31, 2020 and 2019, the company recognized the amount of \$1 thousand and \$3 thousand as interest expense. The lease agreement has expired in December 2020 and the Group didn't intend to review the lease agreement. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$0 thousand and \$447 thousand.

The Group entered into a 10-year lease agreement with Excelsior Asset Management Co., Ltd. for its business office in Taichung based on the office rentals within the vicinity. As of December 31, 2020, the balance of right-of-use assets and lease liabilities are \$14,375 thousand and \$14,375 thousand.

(d) Key management personnel compensation

	For the Years Ended December 31,	
	2020	2019
Short-term employee benefits	\$ 6,336	6,810
Post-employment benefits	58	52
	\$ 6,394	6,862

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Pledged time deposits (included in other financial assets - non-current)	Bank guarantee and credit card document receiving service guarantee	\$ <u>31,000</u>	<u>31,000</u>

(9) Significant commitments and contingencies

Unrecognized contractual commitments

As of 2020 and 2019, the unused letters of credit were \$41,586 and \$24,494, respectively. In addition, the bank guarantee issued to the original dealer as the escrow amounted to \$10 at the reporting date.

(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 item	For the Years Ended December 31, 2020			For the Years Ended December 31, 2019		
	By function Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	62,614	69,171	131,785	40,262	93,048	133,310
Labor and health insurance	4,559	8,595	13,154	4,201	6,307	10,508
Pension	2,161	4,170	6,331	1,577	5,133	6,710
Others	2,731	4,539	7,270	3,546	3,473	7,019
Depreciation	67,149	13,032	80,181	46,333	18,253	64,586
Amortization	-	293	293	-	427	427

(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.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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	258,186	59,970	54,682	-	-	4.24 %	645,465	Y	N	N
1	Excelsior Beauty Co., Ltd.	Dynamic Medical Technologies Inc.	3	66,377	1,000	-	-	-	- %	165,942	N	Y	N

Note 1: The numbers denote the following:

- 0 is issuer.
- Investees are listed by names and numbered starting with 1.

Note 2: Relationship with the Company

- The companies with which it has business relations.
- Subsidiaries in which the company directly or indirectly holds more than 50% of its total outstanding common shares.
- The parent company which directly or indirectly holds more than 50% of its voting rights.
- Subsidiaries in which the company directly or indirectly holds more than 90% of its voting rights.
- Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
- 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.
- 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, 2020 (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		
Dynamic Medical Technologies Inc.	Common Stock	Other related parties	Non-current financial assets at fair value through other comprehensive income	1,189,539	73,395	1.95 %	73,395	1.95 %	
	SciVision Biotech Inc.								
"	Caregen Co., Ltd.	"	"	34,500	65,403	0.32 %	65,403	0.32 %	
Excelsior Beauty Co., Ltd.	Join Fun Co., Ltd.	-	"	263,340	2,867	19.00 %	2,867	19.00 %	
	Stock Warrant								
Dynamic Medical Technologies (Hong Kong) Limited	Viveve Medical Inc.	-	Current financial assets at fair value through profit or loss	250	-	- %	-	- %	

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

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

5. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock : None.
6. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
7. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: None.
8. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of capital stock : None.
9. Trading in derivative instruments:
Please refer to notes 6(b) and 6(w).
10. Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions 2020			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	Dynamic Medical Technologies Inc.	Dynamic Medical Technologies (Hong Kong) Limited	1	Accounts receivable	34,473	Usual terms and conditions	1.73 %
"	"	"	1	Sales revenue	66,997	Base on cost-plus pricing	6.64 %
"	"	"	1	Purchase	3,391	Base on cost-plus pricing	0.33 %
"	"	"	1	Sales returns	(977)	Base on cost-plus pricing	(0.10)%
"	"	"	1	Operating expense	11	Base on cost-plus pricing	99.90 %
0	Dynamic Medical Technologies Inc.	Excelsior Beauty Co., Ltd.	1	Accounts receivable	12,426	Usual terms and conditions	0.58 %
"	"	"	1	Contract liability	1,570	Usual terms and conditions	0.07 %
"	"	"	1	Sales revenue	28,587	Base on cost-plus pricing	2.83 %
"	"	"	1	Repair and maintenance revenue	67	Base on cost-plus pricing	0.01 %
"	"	"	1	Purchase	476	Base on cost-plus pricing	0.05 %
"	"	"	1	Operating expense	500	Base on cost-plus pricing	0.05 %
"	"	CYJ International Taiwan Inc.	1	Other receivables	98	Usual terms and conditions	- %
"	"	"	1	Accounts receivable	3,129	Usual terms and conditions	0.15 %
"	"	"	1	Contract liability	1,009	Usual terms and conditions	0.05 %
"	"	"	1	Sales revenue	5,043	Base on cost-plus pricing	0.50 %
"	"	"	1	Non-operating revenue	372	Base on cost-plus pricing	0.04 %
"	"	"	1	Operating expense	126	Base on cost-plus pricing	0.01 %

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions 2020			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	3	Accounts receivable	566	Usual terms and conditions	0.03 %
"	"	"	3	Accounts payable	306	Usual terms and conditions	0.01 %
"	"	"	3	Other payables	38	Usual terms and conditions	- %
"	"	"	3	Purchase	701	Base on cost-plus pricing	0.07 %
"	"	"	3	Sales revenue	41	Base on cost-plus pricing	- %
"	"	"	3	Other operating revenue	5,016	Base on cost-plus pricing	0.50 %

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 2020 (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, 2020			Peak holding Percentage	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2020	December 31, 2019	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 %	257,027	100.00 %	10,273	10,273	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 %	174,001	53.89 %	6,719	3,633	Subsidiary
"	Medytox Taiwan Inc.	New Taipei City	Sale of aesthetic medical products	18,000	18,000	1,800,000	40.00 %	1,192	40.00 %	(1,414)	(565)	Associates
Dynamic Medical Technologies (Hong Kong) Limited	Excelsior Beauty Limited (Note 2)	Hong Kong	Sale of professional weight loss and cosmetic healthcare products	-	25,198	-	- %	-	- %	-	-	Sub-subsiary
"	CYJ INTERNATIONAL COMPANY LIMITED	Hong Kong	Sales of hair treatments, hair regrowth and haircare products	66,547	66,547	2,150,000	50.00 %	9,864	50.00 %	(2,993)	(1,496)	Associates
Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	New Taipei City	Sale of professional weight loss and cosmetic healthcare products	97,920	97,920	9,792,000	80.00 %	80,778	80.00 %	(12,254)	(9,852)	Sub-subsiary

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

Note 2: The liquidation process was completed January 2020.

Note 3: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Peak holding Percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow							
Guangzhou Dynamic Inc. ((2) 2))(Note 5)	Sale and maintenance of medical equipment	44,346	(2)	119,574	-	-	119,574	678	100.00 %	100.00 %	678	12,161	-
Beijing Dynamic Inc. ((2) 2))(Note 4)	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, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
The Company	153,998	153,998	774,558

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 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.

Note 5: The Guangzhou Dynamic Inc. reduced capital to cover losses amounting to \$75,252 thousand in April 2020.

Note 6: All amounts listed are disclosed in NTD.

Note 7: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

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".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Excelsior Medical Co., Ltd.		11,550,425	38.50 %
Lin, Chun-Yao		2,000,000	6.66 %

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(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.
2. Hong Kong Dynamic segment – Dynamic Medical Technologies (Hong Kong) Limited, Guangzhou Dynamic Inc. and Excelsior Beauty Limited.
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:

<u>For the Year Ended December 31, 2020</u>	<u>Dynamic segment</u>	<u>Excelsior Beauty segment</u>	<u>Hong Kong Dynamic segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 693,166	240,829	75,313	-	1,009,308
Inter-segment revenue	104,110	5,758	-	(109,868)	-
Total revenue	\$ 797,276	246,587	75,313	(109,868)	1,009,308
Interest revenue	\$ 1,265	2,316	2,858	-	6,439
Interest expense	99	871	76	(36)	1,010
Depreciation and amortization	25,341	58,781	1,763	(5,411)	80,474
Reportable segment profit (loss)	\$ 143,946	(1,438)	10,951	(4,769)	148,690

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

<u>For the Year Ended December 31, 2019</u>	<u>Dynamic segment</u>	<u>Excelsior Beauty segment</u>	<u>Hong Kong Dynamic segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
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

(c) Product and service information

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

(d) Geographical information

<u>Geographical information</u>	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue from external customers :		
Taiwan	\$ 937,321	1,059,484
Hong Kong	71,858	73,017
China	129	45,694
Total	\$ 1,009,308	1,178,195
<u>Geographical information</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Non-current assets :		
Taiwan	\$ 271,435	308,152
Hong Kong	1,615	3,324
China	75	1,462
Total	\$ 273,125	312,938

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 :

	<u>For the Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
A customer	\$ 68,889	151,061