CHC HEALTHCARE GROUP AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

AUDIT REPORT OF INDEPENDENT

ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of CHC Healthcare Group as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHC Healthcare Group and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CHC HEALTHCARE GROUP

By

Pei-Lin Lee
Chairman

March 22, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHC Healthcare Group

Opinion

We have audited the accompanying consolidated balance sheets of CHC Healthcare Group and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2018 were as follows:

Impairment assessment of goodwill

Description

As of December 31, 2018, the Group generated goodwill of NT$150,617 thousand as the result of a merger with Shih-Lu Co., Ltd.

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

Refer to Note 4(19) for the accounting policy on goodwill impairment and Note 5(2) for uncertainty of accounting estimates and assumptions in relation to goodwill impairment.

How our audit addressed the matter

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

A. Obtained an understanding of whether the management identifies the objective evidence of goodwill impairment by following the procedure and taking into account certain factors in a consistent manner and confirmed whether the management uses reliable information.

B. Obtained the report on the valuation of the subsidiary issued by an expert as per the management's request and performed the following:

(1) Assessed the expert's independence, objectiveness and competence by reviewing the expert's qualification.

(2) Assessed whether the valuation model is reasonable based on our knowledge of the Group's businesses and industry.

(3) Confirmed whether the expert uses the same future cash flows relative to the budget for the next five years provided by the management.

(4) Checked whether the comparable assets adopted in appraisal report are consistent with the actual operation.

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

Impairment assessment of property, plant and equipment

Description

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

Refer to Note 4(19) for the accounting policy on asset impairment and Note 5(2) for accounting estimates and assumption uncertainty of asset impairment.

How our audit addressed the matter

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

A. Obtained an understanding of whether the management identifies the objective evidence of impairment by following the procedure and taking into account certain factors in a consistent manner and confirmed whether the management uses reliable information.

B. Acquired the asset appraisal report issued by an expert as per the management's request and performed the following:

(1) Assessed the independence, objectiveness and competence by reviewing the expert's qualification.

(2) Assessed whether the valuation method is widely adopted and appropriate based on our knowledge of the Group's businesses and industry.

(3) Confirmed whether the replacement cost, comparative objects and the assets' use indicated on the appraisal report truthfully reflect the actual operation.

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CHC Healthcare Group as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of PricewaterhouseCoopers, Taiwan
March 22, 2019

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,209,636	11	$ 1,444,363	14
1110	Financial assets at fair value through profit or loss - current	6(2) (23)	53,482	1	-	-
1140	Contract assets - current	6(21) and 7	40,959	-	-	-
1150	Notes receivable, net	6(4) and 8	44,838	1	45,082	-
1170	Accounts receivable, net	6(4)	501,782	5	511,801	5
1180	Accounts receivable - related parties	7	240,038	2	231,771	2
1200	Other receivables		205	-	1,937	-
1210	Other receivables due from related parties	7	153,369	1	88,659	1
1220	Current tax assets		3,671	-	20,644	-
130X	Inventories	6(5)	489,977	5	290,360	3
1410	Prepayments	6(6)	459,705	4	348,650	3
1470	Other current assets	8	6,923	-	58,316	1
11XX	**Total current assets**		3,204,585	30	3,041,583	29
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)(23) and 12(4)	492	-	660	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	47,231	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	89,837	1
1550	Investments accounted for using equity method	6(7)	18,484	-	14,241	-
1600	Property, plant and equipment	6(8), 7 and 8	4,752,936	44	4,609,262	43
1760	Investment property, net	6(9) and 8	1,194,580	11	1,152,185	11
1780	Intangible assets	6(29)	161,746	1	161,746	2
1840	Deferred tax assets	6(26)	68,298	1	22,543	-
1980	Other financial assets - non-current	6(10), 7 and 8	720,468	7	612,925	6
1990	Other non-current assets	6(8)(9)(11)	678,915	6	887,981	8
15XX	**Total non-current assets**		7,643,150	70	7,551,380	71
1XXX	**Total assets**		$ 10,847,735	100	$ 10,592,963	100

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CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2018		December 31, 2017	
	Liabilities and equity	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(12) and 8	$ 686,932	6	$ 641,535	6
2130	Contract liabilities - current	6(21)	30,047	-	-	-
2150	Notes payable		4,346	-	4,139	-
2170	Accounts payable		204,951	2	136,576	1
2180	Accounts payable - related parties	7	11,229	-	4,696	-
2200	Other payables	6(8)	149,934	2	58,549	1
2230	Current tax liabilities		64,063	1	44,827	-
2250	Provisions for liabilities - current		10,685	-	9,752	-
2300	Other current liabilities	6(13)(14)	190,845	2	903,438	9
21XX	**Total current liabilities**		1,353,032	13	1,803,512	17
	Non-current liabilities					
2527	Contract liabilities - non-current	6(21)	309,500	3	-	-
2530	Bonds payable	6(13) and 8	1,177,035	11	1,164,693	11
2540	Long-term borrowings	6(14) and 8	2,812,608	26	2,349,362	22
2550	Provisions for liabilities - non-current		400	-	745	-
2570	Deferred tax liabilities	6(26)	40,431	-	40,131	1
2600	Other non-current liabilities	6(15)	21,210	-	320,083	3
25XX	**Total non-current liabilities**		4,361,184	40	3,875,014	37
2XXX	**Total liabilities**		5,714,216	53	5,678,526	54
	Equity attributable to owners of the parent					
	Share capital	6(18)				
3110	Share capital - common stock		1,399,136	13	1,399,136	13
	Capital surplus	6(13)(17)(19)				
3200	Capital surplus		2,930,253	27	2,927,016	27
	Retained earnings	6(20)				
3310	Legal reserve		245,206	2	245,206	2
3320	Special reserve		33,211	-	171,995	2
3350	Unappropriated retained earnings		763,134	7	203,226	2
	Other equity	6(3) and 12(4)				
3400	Other equity		(363,621)	(3)	(33,211)	-
3500	**Treasury shares**	6(18)	(34,956)	-	-	-
31XX	**Total equity attributable to owners of the parent**		4,972,363	46	4,913,368	46
36XX	**Non-controlling interest**		161,156	1	1,069	-
3XXX	**Total equity**		5,133,519	47	4,914,437	46
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 10,847,735	100	$ 10,592,963	100

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS (LOSS) PER SHARE AMOUNTS)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(9)(21)(28) and 7	$ 2,507,466	100	$ 2,117,116	100
5000	**Operating costs**	6(5)(9)(16)(25) and 7	(1,776,680)	(71)	(1,428,463)	(67)
5950	**Gross profit**		730,786	29	688,653	33
	Operating expenses	6(9)(16)(17)(25) (28)				
6100	Selling expenses		(124,613)	(5)	(113,773)	(5)
6200	General and administrative expenses		(192,217)	(7)	(222,005)	(11)
6300	Research and development expenses		(1,193)	-	-	-
6450	Gain on expected credit impairment loss		47,218	2	-	-
6000	**Total operating expenses**		(270,805)	(10)	(335,778)	(16)
6900	**Operating profit**		459,981	19	352,875	17
	Non-operating income and expenses					
7010	Other income	6(22) and 7	15,621	-	22,285	1
7020	Other gains and losses	6(2)(23), 7 and 12(4)	(20,840)	(1)	(322,035)	(15)
7050	Finance costs	6(13)(24)	(82,066)	(3)	(71,509)	(4)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(4,527)	-	(7,692)	-
7000	**Total non-operating income and expenses**		(91,812)	(4)	(378,951)	(18)
7900	**Profit (loss) before income tax**		368,169	15	(26,076)	(1)
7950	Income tax expense	6(26)	(50,340)	(2)	(63,210)	(3)
8200	**Profit (loss) for the year**		$ 317,829	13	($ 89,286)	(4)

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CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS (LOSS) PER SHARE AMOUNTS)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	($ 42,606)	(2)	$ -	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(8,676)	-	(8,487)	(1)
8362	Unrealised gain (losses) on valuation of available-for-sale financial assets	12(4)	-	-	146,222	7
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		347	-	(453)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(26)	(2,150)	-	1,502	-
8300	**Other comprehensive (loss) income for the year**		($ 53,085)	(2)	$ 138,784	6
8500	**Total comprehensive income for the year**		$ 264,744	11	$ 49,498	2
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 323,422	13	($ 86,695)	(4)
8620	Non-controlling interest		($ 5,593)	-	($ 2,591)	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 270,337	11	$ 52,089	2
8720	Non-controlling interest		($ 5,593)	-	($ 2,591)	-
	Earnings (loss) per share	6(27)				
9750	**Basic earnings (loss) per share**		$ 2.32		($ 0.62)	
9850	**Diluted earnings (loss) per share**		$ 2.02		($ 0.62)	

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent														
			Capital Reserves				Retained Earnings			Other Equity Interest						
	Notes	Ordinary share	Share premium	Treasury share transactions	Employee share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (loss) on financial assets at fair value through other comprehensive income	Unrealised gains (loss) on available-for-sale financial assets	Treasury shares	Total	Non-controlling interest	Total equity
2017																
Balance at January 1, 2017		$ 1,398,478	$ 2,806,521	$ 173	$ 57,416	$ 27,600	$ 229,313	$ 93,146	$ 526,742	($ 11,320)	$ -	($ 160,675)	$ -	$ 4,967,394	$ 2,071	$ 4,969,465
Consolidated net loss		-	-	-	-	-	-	-	(86,695)	-	-	-	-	(86,695)	(2,591)	(89,286)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(7,438)	-	146,222	-	138,784	-	138,784
Total comprehensive income (loss)		-	-	-	-	-	-	-	(86,695)	(7,438)	-	146,222	-	52,089	(2,591)	49,498
Appropriations of 2016 earnings	6(20)															
Legal reserve		-	-	-	-	-	15,893	-	(15,893)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	-	-	78,849	(78,849)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	(140,490)	-	-	-	-	(140,490)	-	(140,490)
Redemption of convertible bonds	6(13)	-	18,765	-	-	(18,765)	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	6(13)	-	-	-	-	30,842	-	-	-	-	-	-	-	30,842	-	30,842
Exercise of employee stock options	6(18)	658	5,104	-	(3,277)	-	-	-	-	-	-	-	-	2,485	-	2,485
Compensation cost of employee stock options	6(17)	-	-	-	1,279	-	-	-	-	-	-	-	-	1,279	-	1,279
Compensation cost of employee stock options of subsidiaries	6(17)	-	-	-	1,358	-	-	-	-	-	-	-	-	1,358	-	1,358
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	-	-	-	-	-	(1,589)	-	-	-	-	(1,589)	-	(1,589)
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	-	-	1,589	1,589
Balance at December 31, 2017		$ 1,399,136	$ 2,830,390	$ 173	$ 56,776	$ 39,677	$ 245,206	$ 171,995	$ 203,226	($ 18,758)	$ -	($ 14,453)	$ -	$ 4,913,368	$ 1,069	$ 4,914,437
2018																
Balance at January 1, 2018		$ 1,399,136	$ 2,830,390	$ 173	$ 56,776	$ 39,677	$ 245,206	$ 171,995	$ 203,226	($ 18,758)	$ -	($ 14,453)	$ -	$ 4,913,368	$ 1,069	$ 4,914,437
Effects of retrospective application and restatement	12(4)	-	-	-	-	-	-	-	251,607	-	(291,778)	14,453	-	(25,718)	-	(25,718)
Balance at January 1 after adjustments		1,399,136	2,830,390	173	56,776	39,677	245,206	171,995	454,833	(18,758)	(291,778)	-	-	4,887,650	1,069	4,888,719
Consolidated net income		-	-	-	-	-	-	-	323,422	-	-	-	-	323,422	(5,593)	317,829
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(10,479)	(42,606)	-	-	(53,085)	-	(53,085)
Total comprehensive income (loss)		-	-	-	-	-	-	-	323,422	(10,479)	(42,606)	-	-	270,337	(5,593)	264,744
Appropriations of 2017 earnings	6(20)															
Cash dividends		-	-	-	-	-	-	-	(153,905)	-	-	-	-	(153,905)	-	(153,905)
Reversal of special reserve		-	-	-	-	-	-	(138,784)	138,784	-	-	-	-	-	-	-
Compensation cost of employee stock options	6(17)	-	-	-	1,207	-	-	-	-	-	-	-	-	1,207	-	1,207
Compensation cost of employee stock options of subsidiaries	6(17)	-	-	-	2,030	-	-	-	-	-	-	-	-	2,030	-	2,030
Expired employee stock warrants		-	-	-	(7,372)	7,372	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	6(18)	-	-	-	-	-	-	-	-	-	-	-	(34,956)	(34,956)	-	(34,956)
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	-	-	165,680	165,680
Balance at December 31, 2018		$ 1,399,136	$ 2,830,390	$ 173	$ 52,641	$ 47,049	$ 245,206	$ 33,211	$ 763,134	($ 29,237)	($ 334,384)	$ -	($ 34,956)	$ 4,972,363	$ 161,156	$ 5,133,519

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		$ 368,169	($ 26,076)
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for bad debts expense		-	37,864
Expected credit gain		(47,218)	-
Depreciation charge	6(8)(9)(25)	428,598	432,245
Gain on disposal of property, plant and equipment	6(23)	(279)	(57)
Interest expense		72,806	63,592
Interest income	6(22)	(8,250)	(4,581)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	4,527	7,692
Net loss on disposal of investments accounted for using equity method	6(23)	350	-
Loss on financial assets or liabilities at fair value through profit or loss	6(2)(23)	21,586	9,242
Amortisation of discount on bonds payable	6(24)	15,855	13,573
Compensation cost of employee stock options	6(17)	3,237	2,637
Impairment loss on financial assets	6(23)	-	277,325
Impairment loss on non-financial assets	6(23)	1,350	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through through profit or loss	6(2)	(74,900)	-
Contract assets-current		(7,029)	-
Notes receivable, net		283	9,787
Notes receivable due from related parties		-	140,619
Accounts receivable, net		6,104	(18,040)
Accounts receivable due from related parties		(8,267)	(166,658)
Other receivables		1,732	398
Other receivables due from related parties		(65,537)	(53,000)
Inventories		(182,455)	(75,102)
Prepayments		(111,055)	(221,876)
Other current assets		(6,615)	50,481
Changes in operating liabilities			
Contract liabilities-current		(10,274)	-
Notes payable		207	(1,499)
Accounts payable		77,410	(49,755)
Accounts payable to related parties		6,533	1,446
Other payables		19,304	(22,840)
Other payables to related parties		-	(1,161)
Provisions for liabilities-current		933	(6,235)
Other current liabilities		4,946	8,265
Provisions for liabilities - non-current		(345)	(2,222)
Cash inflow generated from operations		511,706	406,064
Interest paid during the year		(67,535)	(61,690)
Interest received during the year		8,250	4,581
Income tax paid		(61,733)	(55,196)
Net cash flows from operating activities		390,688	293,759

(Continued)

CHC HEALTHCARE GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other current assets		$ 58,008	$ 51,992
Acquisition of investments accounted for using equity method		(8,949)	(21,140)
Acquisition of property, plant and equipment	6(8)	(361,966)	(237,786)
Capitalised interest of property, plant and equipment	6(8)	(512)	(428)
Proceeds from disposal of property, plant and equipment		643	57
Acquisition of investment property	6(9)	(4,931)	(3,767)
Increase in refundable deposits		(230,277)	(154,984)
Decrease in refundable deposits		206,138	104,012
Decrease (increase) in other non-current assets		12,666	(471,250)
Capitalised interest from increase in other non-current assets	6(8)	(8,064)	(7,563)
Increase in other financial assets - non-current		(68,961)	(71,870)
Net cash flows used in investing activities		(406,205)	(812,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(31)	2,762,046	2,084,474
Decrease in short-term loans	6(31)	(2,706,955)	(1,793,830)
Proceeds from long-term debt	6(31)	2,274,803	1,211,792
Repayments of long-term debt	6(31)	(2,169,014)	(1,080,578)
Increase in guarantee deposits received	6(31)	6,206	14,725
Decrease in guarantee deposits received	6(31)	(13,449)	(11,923)
Increase in other non-current liabilities		1,675	-
Decrease in other non-current liabilities		-	(160)
Repayments of bonds		(320,100)	(693,566)
Proceeds from issuing bonds	6(15)	-	1,200,000
Bonds issue cost		-	(6,800)
Payment of cash dividends	6(20)	(153,905)	(140,490)
Exercise of employee stock options		-	2,485
Payments to acquire treasury shares	6(18)	(34,956)	-
Acquisition of ownership interests in subsidiaries		-	(1,589)
Change in non-controlling interest		165,680	1,589
Net cash flows (used in) from financing activities		(187,969)	786,129
Effect of changes in foreign currency exchange rates on cash and cash equivalents		(31,241)	13,880
(Decrease) increase in cash and cash equivalents		(234,727)	281,041
Cash and cash equivalents at beginning of year		1,444,363	1,163,322
Cash and cash equivalents at end of year		$ 1,209,636	$ 1,444,363

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

CHC HEALTHCARE GROUP AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Accounting for long-term advance sales receipts

Certain sales contract of medical instruments contain provisions for advance sales receipts, wherein the period between advance collection and the transfer of control of goods is longer than one year. The committed price is adjusted and interest expense is recognised on advance sales receipts if the Group considers that the contract contains a significant financing component under IFRS 15, but is not regulated in previous revenue standards. Due to this difference, retained earnings was reduced by $8,093 and contract liabilities increased by $8,093 on January 1, 2018, respectively.

ii. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

(i) Under IFRS 15, maintenance and repair services contracts whereby services have been rendered but not yet billed are recognised as contract assets, but were previously presented as part of accounts receivable in the balance sheet. As of January 1, 2018, the balance amounted to $33,933.

(ii) Under IFRS 15, liabilities in relation to maintenance and repair services and medical instruments contracts are recognised as contract liabilities, but were previously presented as receipts in advance (shown as ‘other current liabilities’ and ‘other non-current liabilities’) in the balance sheet. The balances of contract liabilities-current and contract liabilities-non-current amounted to $43,495 and $301,223 on January 1, 2018, respectively.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and 'lease liability' will be both increased by $36,089.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value through other comprehensive income / Available-for-sale financial assets measured at fair value.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

		Main business	Ownership (%)		
Investor	Subsidiary	activities	December 31, 2018	December 31, 2017	Description
CHC	Chiu Ho Medical System Co., Ltd. (Chiu Ho Medical)	Medical instrument sale, leasing and services	100	100	
CHC	Tomorrow Medical System Co., Ltd. (Tomorrow)	Medical instrument sale, leasing and services	100	100	
CHC	Chiu Ho Scientific Co., Ltd. (Chiu Ho Scientific)	Ophthalmic equipment sale, leasing and services	-	100	Note 5
CHC	Chiu Ho Biotech Co., Ltd. (Chiu Ho Biotech)	Medical instrument leasing	100	100	

Investor	Subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CHC	Ho-Shin Instruments Co., Ltd. (Ho-Shin)	Medical instrument leasing	-	100	Note 5
CHC	Shin-Ho Instruments Co., Ltd. (Shin-Ho)	Medical instrument leasing	100	100	
CHC	Tong-Lin Instruments Co., Ltd. (Tong-Lin)	Medical instrument leasing	100	100	
CHC	Hua Lin Instruments Co., Ltd. (Hua Lin)	Medical instrument leasing	100	100	
CHC	Hsin Lin Biotech Co., Ltd. (Hsin Lin)	Medical instrument leasing	100	100	
CHC	E Century Healthcare Corporation (E Century)	Medical instrument leasing	100	100	
CHC	J. Ab Beauty Co., Ltd. (J. Ab Beauty)	Medical instrument sale, leasing and services	-	70	Note 1
CHC	CHC Healthcare (BVI) Limited (CHC (BVI))	Holdings and indirect investments	100	100	
Chiu Ho Medical	Medlink Healthcare Limited (Medlink)	Medical instrument sale	100	100	
Chiu Ho Medical	SenCare Healthcare Company (SenCare)	Consulting service and elderly residence	66	-	Note 4
Medlink	Shih-Lu Co., Ltd. (Shih-Lu)	Medical instrument sale and leasing; drug sale	-	-	Note 2
Medlink	Hsing-Yeh Biotechnology Co., Ltd. (Hsing-Yeh)	Medical instrument sale and leasing; drug sale	100	100	
CHC (BVI)	CHC Healthcare (HK) Limited (CHC (HK))	Medical instrument sale, leasing and services	100	100	
CHC (BVI)	Guangzhou Chiuho Medical System Co., Ltd. (Guangzhou Chiuho)	Medical instrument sale, leasing and services	100	100	
CHC (BVI)	Chiu Ho (CHINA) Medical Technology Co., Ltd. (Chiu Ho (CHINA))	Medical instrument sale, leasing and services	100	100	

Investor	Subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Guangzhou Chiuho	Neusoft CHC Medical Service Co., Ltd. (Neusoft CHC)	Medical instrument leasing	51	-	Note 3

Note 1: The shareholders resolved to dissolve the Company's subsidiary, J. Ab Beauty Co., Ltd., during their meeting on April 20, 2018. Consequently, the Company no longer controls J. Ab Beauty Co., Ltd. thereafter.

Note 2: To simplify the investment structure and integrate Group resources, the Board of Directors of the Company's subsidiary, Shih-Lu Co., Ltd., during its meeting on July 25, 2016 has resolved to dissolve the company effective September 30, 2016, and the liquidation was completed on February 16, 2017.

Note 3: On June 12, 2018, the Company's subsidiary, Guangzhou Chiuho, established Neusoft CHC which was included in the consolidated financial statements thereafter.

Note 4: On September 27, 2018, the Company's subsidiary, Chiu Ho Medical, established SenCare which was included in the consolidated financial statements thereafter.

Note 5: The Company's subsidiary, Ho-Shin Instruments Co., Ltd., was merged into Chiu Ho Scientific Co., Ltd. on December 12, 2018, with Chiu Ho Scientific Co., Ltd. as the surviving company. Under the merger, the Company held a 100% equity interest in Chiu Ho Scientific Co., Ltd. As the merger was made in line with the group restructuring, there is no significant impact to the parent company's shareholder's equity.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains or losses’.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that are recognised in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognised the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Lease receivables/ operating leases (lessor)

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

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

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

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

B. Lease which is excluded in finance lease is classified as an operating lease. If the Group recognises rental revenue based on a certain percentage of lessees' operating revenue, then the rent is belong to a contingent rent, which should be treated as an operating lease. The revenue will be recognised based on the receivable rents during the contract period.

(13) Inventories

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

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

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds the Group's interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Buildings and structures	40 ~ 50 years
Transportation equipment	5 years
Machinery and equipment	5 ~ 12 years
Lease assets-Machinery and equipment	1.33 ~ 50 years
Lease assets-other	1.33 ~ 15 years
Other equipment	1~ 10 years

(16) Leased assets/ operating leases (lessee)

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

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

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

(17) Investment property

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

(18) Intangible assets

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

(19) Impairment of non-financial assets

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

B. The recoverable amounts of Goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use an evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

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

(20) Borrowings

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

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

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(22) Convertible bonds payable

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

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus - share options'.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Provisions

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

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

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(29) Treasury share

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

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods

(a) The Group sells medicine and medical equipment. Sales are recognised when control of the products has transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Installment sales with periodic collections of consideration

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

B. Maintenance, repair, and installation service

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

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

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

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

C. For detailed information on rental revenue, please refer to Note 4(12).

D. Financing components

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

(32) Business combinations

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

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

(33) Operating segments

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

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

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

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

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

(2) Critical accounting estimates and assumptions

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

A. Impairment assessment of tangible assets

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

B. Impairment assessment of goodwill

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,299	$ 1,481
Checking accounts and demand deposits	1,093,394	1,341,933
Time deposits	114,943	100,949
	$ 1,209,636	$ 1,444,363

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

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

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

Effective 2018

Items		December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$	74,900
Valuation adjustment	(	21,418)
	$	53,482
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives		
(Redemption rights to the third domestic issuance of secured convertible corporate bonds)	$	292
Valuation adjustment		200
	$	492

A. For the year ended December 31, 2018, net loss on financial assets at fair value through profit or loss was ($21,586) shown as 'other gains and losses'.

B. Information on financial assets and liabilities at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

Effective 2018

Items		December 31, 2018
Non-current items:		
Listed stocks		
Swissray Global Healthcare Holding Ltd.	$	340,215
Unlisted stocks		
AESolution Biomedical Co., Ltd.		39,000
Huede Healthtech Co., Ltd.		2,400
Valuation adjustment	(	334,384)
	$	47,231

A. The Group recognised ($42,606) in other comprehensive loss for fair value change for the year ended December 31, 2018.

B. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 19,059	$ 8,888
Installment notes receivable	26,962	37,010
Less: Unrealised interest revenue-installment notes receivable	(1,183)	(812)
	44,838	45,086
Less: Allowance for doubtful accounts	-	(4)
	$ 44,838	$ 45,082

	December 31, 2018	December 31, 2017
Accounts receivable	$ 475,791	$ 556,150
Installment accounts receivable	46,400	3,800
Less: Unrealised interest revenue-installment accounts receivable	(2,757)	(124)
Lease payments receivable	3,396	3,899
Less: Unearned finance income of finance lease	(41)	(145)
	522,789	563,580
Less: Allowance for doubtful accounts	(21,007)	(51,779)
	$ 501,782	$ 511,801

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

	December 31, 2018
Not past due	$ 44,838

B. The ageing analysis of accounts receivable is as follows:

	December 31, 2018
Not past due	$ 485,478
Up to 1 month	6,303
Up to 2 months	6,081
Up to 3 months	4,548
Up to 4 months	1,000
Up to 5 months	-
Up to 6 months	-
Over 6 months	19,379
	$ 522,789

The above ageing analysis was based on past due date.

C. The Group expected to recover installment accounts receivable as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 43,643	$ 3,676
Over one year	95,981	11,317
	$ 139,624	$ 14,993

D. The Group leases certain machinery and other equipment through finance leases. Under the terms of the agreement, the lease term is for the major part of the economic life of the underlying asset, and the unguaranteed residual value is $0. The Group expects all lease payments to be collected on time. The gross investments in those leases and present value of total minimum lease payments receivable as at December 31, 2018 and 2017 were as follows:

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

	December 31, 2017		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Current			
Not later than one year	$ 3,899	($ 145)	$ 3,754
Non-current			
Later than one year but not later than five years	3,096	(41)	3,055
	$ 6,995	($ 186)	$ 6,809

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

F. Information relating to credit risk of notes and accounts receivable is provided in Notes 12(2) and (4).

G. The information on December 31, 2017 is provided in Note 12(4).

(5) Inventories

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

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	$ 431,932	($ 63,355)	$ 368,577
Inventory in transit	16,115	-	16,115
Less: Collateral pledged	(94,332)	-	(94,332)
	$ 353,715	($ 63,355)	$ 290,360

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

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

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 900,700	$ 580,138
Repair supplies	67,119	63,623
Loss on decline in market value and obsolescence	12,850	14,641
Others	23	6
Cost of inventories	980,692	658,408
Cost of rental	688,352	669,629
Cost of services	107,636	100,426
Total operating costs	$ 1,776,680	$ 1,428,463

(6) Prepayments

	December 31, 2018	December 31, 2017
Prepayments to suppliers	$ 381,741	$ 269,529
Excess business tax paid	35,049	54,921
Others	42,915	24,200
	$ 459,705	$ 348,650

(7) Investments accounted for using equity method

	December 31, 2018		December 31, 2017	
Associates	Ownership %	Book value	Ownership %	Book value
PT. NAVI Medical Indonesia	-	$ -	-	$ -
Neusoft-CHC office of Medical Intelligence & Services, Shenyang	40%	8,232	40%	9,065
Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd.	40%	8,943	-	-
CHENG-HSIN Biotechnology Co., Ltd	40%	1,309	40%	5,176
		$ 18,484		$ 14,241

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

	Years ended December 31,	
	2018	2017
Loss for the year	($ 4,527)	($ 7,692)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the year	($ 4,527)	($ 7,692)

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

(8) Property, plant and equipment

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

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

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

(a) Other non-current assets transferred to property, plant and equipment amounted to $203,419.

(b) Property, plant and equipment transferred to inventories amounted to $22,170.

(c) Inventories transferred to property, plant and equipment amounted to $3,025.

(d) Land transferred to investment property amounted to $48,510.

	Land	Buildings and structures	Transportation equipment	Machinery and equipment	Leased assets-machinery and equipment	Leased assets-others	Leasehold improvements	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1, 2017										
Cost	$ 988,956	$ 133,804	$ 9,089	$ 250,990	$ 4,792,529	$ 779,588	$ 11,011	$ 30,335	$ 125,583	$ 7,121,885
Accumulated depreciation and impairment	-	(11,757)	(4,417)	(196,858)	(1,757,465)	(369,499)	(8,957)	(17,939)	-	(2,366,892)
	$ 988,956	$ 122,047	$ 4,672	$ 54,132	$ 3,035,064	$ 410,089	$ 2,054	$ 12,396	$ 125,583	$ 4,754,993
2017										
Opening net book amount as at January 1	$ 988,956	$ 122,047	$ 4,672	$ 54,132	$ 3,035,064	$ 410,089	$ 2,054	$ 12,396	$ 125,583	$ 4,754,993
Additions (Note 1)	285	-	206	6,750	47,176	42,285	-	2,117	137,753	236,572
Depreciation charge	-	(2,964)	(1,628)	(22,300)	(319,248)	(69,853)	(1,827)	(2,933)	-	(420,753)
Reclassifications (Note 2)	-	-	630	(491)	127,659	31,434	-	-	(118,395)	40,837
Net exchange differences	-	(1,465)	10	85	(920)	(49)	(14)	(16)	(18)	(2,387)
Closing net book amount as at December 31	$ 989,241	$ 117,618	$ 3,890	$ 38,176	$ 2,889,731	$ 413,906	$ 213	$ 11,564	$ 144,923	$ 4,609,262
At December 31, 2017										
Cost	$ 989,241	$ 132,296	$ 9,745	$ 207,665	$ 4,959,708	$ 852,959	$ 10,996	$ 24,109	$ 144,923	$ 7,331,642
Accumulated depreciation and impairment	-	(14,678)	(5,855)	(169,489)	(2,069,977)	(439,053)	(10,783)	(12,545)	-	(2,722,380)
	$ 989,241	$ 117,618	$ 3,890	$ 38,176	$ 2,889,731	$ 413,906	$ 213	$ 11,564	$ 144,923	$ 4,609,262

Note 1: The acquisition of property, plant and equipment includes the beginning and end balances of payable on machinery and equipment in the amounts of $11,104 and $9,462, respectively, and the cash payment in the amount of $238,214.

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

(a) Other non-current assets transferred to property, plant and equipment amounted to $40,894.

(b) Property, plant and equipment transferred to prepayments amounted to $57.

(c) Machinery and equipment transferred to leased asset - machinery and equipment amounted to $491.

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

	Years ended December 31,	
	2018	2017
Amount capitalised	$ 8,576	$ 7,991
Range of the interest rates for capitalisation	1.64%~2.06%	1.64%~2.96%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Investment property

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

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

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

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

	Land	Buildings and structures	Construction in progress	Total
At January 1, 2017				
Cost	$ 786,909	$ 494,335	$ 2,511	$1,283,755
Accumulated depreciation and impairment	-	(121,334)	-	(121,334)
	$ 786,909	$ 373,001	$ 2,511	$1,162,421
2017				
Opening net book amount as at January 1	$ 786,909	$ 373,001	$ 2,511	$1,162,421
Additions-from subsequent expenditures (Note 1)	-	3,767	-	3,767
Reclassifications (Note 2)	-	-	(2,511)	(2,511)
Depreciation charge	-	(11,492)	-	(11,492)
Closing net book amount as at December 31	$ 786,909	$ 365,276	$ -	$1,152,185
At December 31, 2017				
Cost	$ 786,909	$ 498,102	$ -	$1,285,011
Accumulated depreciation and impairment	-	(132,826)	-	(132,826)
	$ 786,909	$ 365,276	$ -	$1,152,185

Note 1: The acquisition of investment property with cash payment in the amount of $3,767.

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

Investment property transferred to other non-current assets amounted to $2,511.

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

	Years ended December 31,	
	2018	2017
Rental income from the lease of the investment property	$ 51,717	$ 62,327
Direct operating expenses arising from the investment property that generated rental income during the year	$ 14,914	$ 14,369

B. As of December 31, 2018 and 2017, the fair value of the investment property held by the Group amounted to $1,227,844 and $1,159,989, respectively. Certain fair values of investment property were valued by independent appraisers, and certain fair values were estimated based on the transaction price of similar properties. Independent appraisers adopted comparison approach and land development analysis approach to evaluate the land, assessed the building based on cost method, and considered weights on aforementioned costs to calculate the fair value.

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

(10) Other financial assets-non-current

	December 31, 2018	December 31, 2017
Long-term notes and accounts receivable	$ 186,500	$ 133,799
Guarantee deposits paid	452,435	413,853
Restricted assets	81,533	65,273
	$ 720,468	$ 612,925

A. A summary of 'long-term notes and accounts receivable' under 'other financial assets - non-current' as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Long-term installment notes receivable	$ 22,799	$ 26,751
Long-term installment accounts receivable	100,300	12,000
Long-term lease payments receivable (including related parties)	72,524	102,331
Less: Unrealised interest revenue-long-term installment notes receivable	(902)	(759)
Less: Unrealised interest revenue-long-term installment accounts receivable	(4,319)	(683)
Less: Unearned finance income of finance lease (including related parties)	(3,699)	(5,838)
	186,703	133,802
Less: Allowance for doubtful accounts	(203)	(3)
	$ 186,500	$ 133,799

B. Information relating to credit risk is provided in Notes 12(2) and (4).

C. Information about the long-term notes receivable and restricted assets that were pledged to others as collateral is provided in Note 8.

(11) Other non-current assets

	December 31, 2018	December 31, 2017
Deferred expenses	$ 1,283	$ 2,408
Prepayments for equipment	677,632	884,528
Others	-	1,045
	$ 678,915	$ 887,981

(12) Short-term borrowings

Type of borrowings	December 31, 2018	December 31, 2017
Bank borrowings		
Secured borrowings	$ 31,272	$ 208,175
Credit borrowings	655,660	433,360
	$ 686,932	$ 641,535
Interest rate range	1%~3.48%	1.06%~2.18%

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

(13) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 1,200,000	$ 1,520,100
Less: Discount on bonds payable	(22,965)	(38,820)
	1,177,035	1,481,280
Less: Current portion or exercise of put options (shown as 'other current liabilities')	-	(316,587)
	$ 1,177,035	$ 1,164,693

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

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

(b) The bondholders have the right to request Taiwan Depository & Clearing Corporation ("TDCC") through the security dealers for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price on the issue date is NT$58.8 (in dollars). On December 21, 2015, July 16, 2016, July 16, 2017, and July 15, 2018, the Company adjusted the conversion price per share to NT $58.4, NT $56.2, NT $54.9, and NT $53.1 (in dollars), respectively, according to the rules described above.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1% of the face value as interests upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(g) The Company signed a corporate bond issuance agreement with Chinatrust Commercial Bank. Under the terms of the agreement, the Company will periodically issue a financial assurance letter to Chinatrust Commerical Bank, stating that the financial ratios on the annual and semi-annual consolidated financial statements issued after November 10, 2015, will meet the following requirements:

a. Current ratio must be 120% or higher.

b. Debt ratio must equal to or less than 100%.

The Company negationated with Chinatrust Commercial Bank for credit term on August 17 2018, They will periodically issue a financial assurance letter to the banks, stating that the financial ratios on the annual and semi-annual consolidated financial statements will meet the following requirements:

a. Current ratio must be 100% or higher.

b. Debt ratio must equal to or less than 150%.

c. Interest coverage ratio must be 3 or higher.

d. Tangible net assets must be $4,000,000 or higher.

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

(h) On November 10, 2017, holders of convertible corporate bonds exercised their redemption rights under the issuance terms, requiring the Company to buy back $679,900 of the aforementioned bonds. The Company incurred a loss of $5,953, which was included in ‘other gains and losses’.

(i) The convertible bonds matured on November 10, 2018, and were redeemed $320,100 by cash. The Company transferred the forfeited stock options $8,835 to capital surplus-forfeited stock options (shown as capital surplus-others).

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

(a) The Company issued the third domestic secured convertible bonds totalling $1,200,000 with zero coupon rate as approved by the regulatory authority. The bonds mature three years from the issue date (November 2, 2017 ~ November 2, 2020) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 2, 2017.

(b) The bondholders have the right to request TDCC through the security dealers for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price on the issue date is NT$42 (in dollars). On July 15, 2018, the Company adjusted the conversion price per share to NT$40.6 (in dollars) according to the rules described above.

(d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one months of the bonds issue to 40 days before the maturity date.

(e) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(f) The Company signed a corporate bond issuance agreement with Chinatrust Commercial Bank. Under the terms of the agreement, the Company will periodically issue a financial assurance letter to Chinatrust Commerical Bank, stating that the financial ratios on the annual and semi-annual consolidated financial statements issued after November 2, 2017, will meet the following requirements:

a. Current ratio must be 120% or higher.

b. Debt ratio must equal to or less than 120%.

The Company negationated with Chinatrust Commercial Bank for credit term on August 17 2018, They will periodically issue a financial assurance letter to the banks, stating that the financial ratios on the annual and semi-annual consolidated financial statements will meet the following requirements:

a. Current ratio must be 100% or higher.

b. Debt ratio must equal to or less than 150%.

c. Interest coverage ratio must be 3 or higher.

d. Tangible net assets must be $4,000,000 or higher.

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

C. Regarding the third issuance of secured convertible bonds, the equity conversion options amounting to $30,842 were separated from the liability component and were recognised in 'capital surplus - others' in accordance with IAS 32 as of December 31, 2018, respectively.

The call and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation ranged between 0.7784%~0.8489%.

D. Information about corporate bonds that were pledged to others as collateral is provided in Note 8.

(14) Long-term borrowings

Type of borrowings	Borrowing period	December 31, 2018	December 31, 2017
Bank borrowings			
Secured borrowings	2006.4~2024.8	$ 2,835,598	$ 2,317,425
Credit borrowings	2006.4~2023.11	159,606	571,990
		2,995,204	2,889,415
Less: Current portion (shown as 'other current liabilities')		(182,596)	(540,053)
		$ 2,812,608	$ 2,349,362
Interest rate range		1.52%~5.88%	1.42%~2.03%

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

(a) Before each credit line expires, the borrower is required to draw down at least 80% of the available credit limit. If this required amount is not fully drawn down, the borrower must pay a fee, equal to 0.15% of the difference between the actual drawdown amount and the required amount, to the agency bank after the expiration of all credit lines. The agency bank will then distribute this fee among the syndicate lenders according to the share of credit risk each lender bears.

(b) Loan funds must be used for a specified purpose.

(c) The Company will periodically issue a financial assurance letter to the banks, stating that the financial ratios on the annual and semi-annual consolidated financial statements will meet the following requirements:

i. Current ratio must be 100% or higher.

ii. Debt ratio must equal to or less than 150%.

iii. Interest coverage ratio must be 3 or higher.

iv. Tangible net assets must be $3,800,000 or higher.

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

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

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

(e) The Company's direct and/or indirect ownership percentage of its investment holding company in Myanmar and Medlink Healthcare Limited must be at least 70%, and the Company must maintain control over the operations of these subsidiaries. The shares of the aforementioned subsidiaries necessary to maintain the required minimum ownership percentage cannot be pledged or transferred to a third party, nor can they be placed in a trust.

(f) The Company's direct and/or indirect ownership percentage of Hsing-Yeh Biotechnology Co., Ltd must be 100%, and the Company must maintain control over the operations of the subsidiary. The shares of the aforementioned subsidiary necessary to maintain the required ownership percentage cannot be pledged or transferred to a third party, nor can they be placed in a trust. However, these restrictions do not apply if Hsing-Yeh Biotechnology Co., Ltd. merges with the Company and is dissolved.

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

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

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

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

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

(a) If the actual drawn amount is less than 80% of each available borrowing facility, the difference shall be imposed at a rate of 0.15% as a commitment fee at the end of the limit on borrowing facilities. The commitment fee shall be paid in full to the lead bank within 5 trading days after the end of the limit on borrowing facilities. Subsequently, the lead bank shall pay syndicated banks based on its committed ratio.

(b) Loan funds must be used for a specified purpose.

(c) The Company will periodically issue a financial assurance letter to the banks, stating that the financial ratios on the annual and semi-annual consolidated financial statements will meet the following requirements:

i. Current ratio must be 100% or higher.

ii. Debt ratio must equal to or less than 150%.

iii. Interest coverage ratio must be 3 or higher.

iv. Tangible net assets must be $4,000,000 or higher.

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

(d) The Company shall directly/indirectly hold a 100% equity interest in Tomorrow Medical System Co., Ltd., Hsing-Yeh Biotechnology Co., Ltd., Medlink Healthcare Limited and Chiu Ho Medical System Co., Ltd., and directly/indirectly hold at least a 66.67% equity interest in Hua Lin Instruments Co., Ltd., Tong-Lin Instruments Co., Ltd., E Century Healthcare Corporation, Chiu Ho Biotech Co., Ltd. and Chiu Ho Scientific Co., Ltd., and the Company has control over those companies' operations. Above equity interests can not be pledged or transferred to the third party in any assumption or method as well as trust.

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

C. In August 2018, Guangzhou Chiuho Medical System Co., Ltd. entered into a borrowing contract with CTBC Bank Co., Ltd. amounting to RMB 22 million. The Company is required to hold a 100% equity interest directly/indirectly in Guangzhou Chiuho Medical System Co., Ltd. until settlement of the borrowing, or the borrowing will be deemed as matured.

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

(15) Other non-current liabilities

	December 31, 2018	December 31, 2017
Advance sales receipts	$ -	$ 293,130
Guarantee deposits received	19,535	26,831
Credit balance of investments	-	122
Long-term notes payable	1,675	-
	$ 21,210	$ 320,083

(16) Pensions

A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $6,539 and $6,321, respectively.

B. The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The pension plan is administered by the government. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $2,440 and $3,109, respectively.

(17) Share-based payment

A. As of December 31, 2018, the Company's share-based payment transactions are as follows:

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

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

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

Stock options	2018 No. of options (in thousands of shares)	2018 Weighted-average exercise price (in dollars)	2017 No. of options (in thousands of shares)	2017 Weighted-average exercise price (in dollars)
Options outstanding at January 1	985	$ 37.40	1,119	$ 38.30
Options granted	2,000	34.50	-	-
Options forfeited	(28)	34.47	(68)	38.16
Options exercised	-	-	(66)	37.71
Options outstanding at December 31	2,957	34.32	985	37.40
Options exercisable at December 31	977		985	

C. For the year ended December 31, 2018, no stock options were exercised. For the year ended December 31, 2017, the weighted-average stock price of stock options on exercise dates was NT$41.66 (in dollars).

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

Issue date approved	Expiry date	December 31, 2018 No. of shares (in thousands of shares)	December 31, 2018 Exercise price (in dollars)	December 31, 2017 No. of shares (in thousands of shares)	December 31, 2017 Exercise price (in dollars)
2012.8.31	2019.8.30	977	36.2	985	37.4
2018.4.13	2025.4.12	1,980	33.4	-	-

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

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

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

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

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

	Years ended December 31,			
	2018		2017	
Equity-settled	$	3,237	$	2,637

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

(18) Share capital

A. As of December 31, 2018, the Company's authorised capital was $2,000,000, consisting of 200 million shares of ordinary stock, and the paid-in capital was $1,399,136 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

		(In thousands of shares)
	2018	2017
At January 1	139,914	139,848
Employee stock options exercised	-	66
Shares retired	(1,000)	-
At December 31	138,914	139,914

B. For the year ended December 31, 2017, 66,000 common shares were issued as a result of employees exercising their stock options under the stock option plan. All shares had par value of $10 (in dollars), with total capital raised amounting to $658.

C. Treasury shares

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

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

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

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

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

(19) Capital surplus

A. Pursuant to Paragraph 4, Article 31 of the Business Mergers and Acquisitions Act, if a company becomes a wholly-owned subsidiary of another company through a share exchange, its undistributed earnings become part of the capital surplus of the acquiring company (parent company). Therefore, if the increase in the investment holding company's capital surplus is from the undistributed earnings of the subsidiary before the share exchange, this amount can be distributed as cash dividends or capitalised. Moreover, the proportion that can be capitalised is not subject to the restrictions set forth in Article 8 of the Securities and Exchange Act Enforcement Rules. In addition, according to Tai-Cai-Rong-Yi-Zi No. 0910016280, such increase in capital surplus was not generated by the holding company's business operations and thus will not affect the remuneration of directors and supervisors and bonuses of employees. As of December 31, 2018, capital surplus that is attributable to the undistributed earnings of Chiu Ho Medical System Co., Ltd. and other associates before share exchanges amounted to $44,390.

B. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

C. Please refer to Note 6(17) for information on capital surplus - employee stock options.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless legal reserve equals the authorised share capital. Special reserve is then appropriated or reversed in accordance with related regulations. At least 50% of the remainder, if any, and accumulated undistributed earnings from prior years is distributable under the stockholders' resolution at their meeting as proposed by the Board of Directors.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The proposal on reversal of special reserve and 2017 earnings appropriation and the proposal on 2016 earnings appropriation which were resolved at the shareholders' meeting on June 11, 2018, and June 13, 2017, respectively, are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ -		$ 15,893	
Special reserve	-		78,849	
Reversal of special reserve	(138,784)		-	
Cash dividends	153,905	$ 1.1000	140,490	$ 1.0046
	$ 15,121		$ 235,232	

The aforementioned earnings appropriations for the years ended December 31, 2017 and 2016 were in agreement with the amounts resolved by the Board of Directors during its meetings held on March 21, 2018 and March 24, 2017, respectively, and the ex-dividend dates resolved in the same meetings were July 15, 2018 and July 16, 2017, respectively. For more information on the aforementioned earnings appropriations proposed by the Board of Directors and resolved by the shareholders, please go to the Market Observation Post System website maintained by the Taiwan Stock Exchange.

E. The appropriations for 2018 as resolved by the Board of Directors on March 22, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 32,342	
Special reserve	330,410	
Cash dividends	250,045	$ 1.8000
	$ 612,797	

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(21) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 1,431,331
Rental revenue	1,068,772
Others	7,363
	$ 2,507,466

A. Disaggregation of revenue from contracts with customers

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

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

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2018
Contract assets:	
Contract assets - repair and maintenance contracts	$ 40,959
Contract liabilities:	
Contract liabilities - repair and maintenance contracts	$ 9,802
Contract liabilities - sale of medical instrument contracts	329,745
	$ 339,547

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

	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	
Repair and maintenance contracts	$ 7,558
Sale of medical instrument contracts	16,886
	$ 24,444

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

Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at December 31, 2018, amounted to $309,500. Management expects that the transaction price allocated to the unsatisfied contracts as of December 31, 2018, will be recognised as revenue from 2019 to 2021. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to partially unsatisfied performance obligations as of December 31, 2017, is not disclosed.

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

D. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(22) Other income

	Years ended December 31,	
	2018	2017
Interest income	$ 8,250	$ 4,581
Rent income	1,617	1,332
Gains on write-off of past due payable	-	14,893
Other income	5,754	1,479
	$ 15,621	$ 22,285

(23) Other gains and losses

	Years ended December 31,	
	2018	2017
Gains on disposal of property, plant and equipment	$ 279	$ 57
Losses on disposal of investment	(350)	-
Net currency exchange gains (losses)	6,147	(34,816)
Net loss on financial assets and liabilities at fair value through profit or loss	(21,586)	(9,242)
Impairment loss on financial assets	-	(277,325)
Impairment loss on property, plant and equipment	(1,350)	-
Other loss	(3,980)	(709)
	($ 20,840)	($ 322,035)

(24) Finance costs

	Years ended December 31,			
	2018		2017	
Interest expense:				
Bank borrowings	$	49,213	$	46,304
Convertible bonds		15,855		13,573
Long-term contract liabilities		5,103		-
Others		11,895		11,632
	$	82,066	$	71,509

(25) Expenses by nature

	Years ended December 31,			
	2018		2017	
Employee benefit expense				
Wages and salaries	$	216,389	$	191,372
Employee stock options		3,237		2,637
Labor and health insurance fees		16,011		15,985
Pension costs		8,979		9,430
Other personnel expenses		7,141		6,094
Depreciation charge		428,598		432,245
	$	680,355	$	657,763

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

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

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $140 and $0, respectively; directors' and supervisors' remuneration was accrued at $5,600 and $0, respectively. The aforementioned amounts were recognised in salary expenses.

   For the year ended December 31, 2017, the Company did not recognise the employees' compensation and directors' and supervisors' remuneration due to the net loss.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	2017
Current tax:		
Current tax on profits for the year	$ 72,996	$ 67,709
Tax on undistributed surplus earnings	25,316	-
Prior year income tax (over) underestimation	(367)	356
Total current tax	97,945	68,065
Deferred tax		
Origination and reversal of temporary differences	(44,136)	(4,855)
Impact of change in tax rate	(3,469)	-
Income tax expense	$ 50,340	$ 63,210

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

	Years ended December 31, 2018	2017
Income tax calculated based on profit before tax and statutory tax rate	$ 149,994	$ 65,239
Expenses disallowed by tax regulation	1,559	44,831
Tax exempt income by tax regulation	(67,345)	(57,791)
Temporary differences not recognised as deferred tax assets	-	10,392
Taxable loss not recognised as deferred tax assets	1,725	602
Change in assessment of realisation of deferred tax assets	(57,073)	(419)
Prior year income tax (over) underestimation	(367)	356
Tax on undistributed surplus earnings	25,316	-
Impact of change in the tax rate on temporary differences between current year and the year realised	(3,469)	-
Income tax expense	$ 50,340	$ 63,210

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

	Years ended December 31,	
	2018	2017
Currency translation differences	($ 2,150)	$ 1,502

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
- Deferred tax assets:				
Unrealised allowance for inventory obsolescence	$ 9,525	$ 802	$ -	$ 10,327
Unrealised exchange loss	4,351	(4,304)	-	47
Warranty obligations	1,657	480	-	2,137
Long-term contract liabilities interest expense	-	2,639	-	2,639
Currency translation differences	2,150	-	(2,150)	-
Others	1,201	1,634	-	2,835
Income tax losses	3,659	46,654	-	50,313
	22,543	47,905	(2,150)	68,298
Temporary differences				
- Deferred tax liabilities:				
Land revaluation increment tax	(39,395)	-	-	(39,395)
Others	(736)	(300)	-	(1,036)
	(40,131)	(300)	-	(40,431)
	($ 17,588)	$ 47,605	($ 2,150)	$ 27,867

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
- Deferred tax assets:				
Unrealised allowance for inventory obsolescence	$ 10,003	($ 478)	$ -	$ 9,525
Unrealised exchange loss	1,227	3,124	-	4,351
Warranty obligations	2,275	(618)	-	1,657
Currency translation differences	648	-	1,502	2,150
Others	670	531	-	1,201
Income tax losses	1,323	2,336	-	3,659
	16,146	4,895	1,502	22,543
Temporary differences				
- Deferred tax liabilities:				
Land revaluation increment tax	(39,395)	-	-	(39,395)
Others	(696)	(40)	-	(736)
	(40,091)	(40)	-	(40,131)
	($ 23,945)	$ 4,855	$ 1,502	($ 17,588)

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

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

December 31, 2017				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 6,351	$ 6,351	$ 6,351	2022
2013	36,693	26,376	26,376	2023
2014	13,972	13,678	13,678	2024
2015	24,537	23,497	21,435	2025
2016	22,665	22,665	17,981	2026
2017	18,321	18,321	3,540	2027
	$ 122,539	$ 110,888	$ 89,361	

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 83,505	$ 97,445

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

	Recent assessment
Tomorrow Medical System CO., Ltd., Shin-Ho Instruments Co., Ltd., Tong-Lin Instruments Co., Ltd., Hsin Lin Biotech Co., Ltd., E Century Healthcare Corporation, Medlink Healthcare Limited, Hsing-Yeh Biotechnology Co., Ltd.	Through 2017
The Company, Chiu Ho Medical System Co., Ltd., Chiu Ho Scientific Co., Ltd., Chiu Ho Biotech Co., Ltd. and Hua Lin Instruments Co., Ltd.	Through 2016

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

(27) Earnings (loss) per share

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

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 86,695)	139,872	($ 0.62)
Diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 86,695)	139,872	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options (Note)	-	-	
Employees' compensation (Note)	-	-	
Convertible bonds (Note)	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	($ 86,695)	139,872	($ 0.62)

Note: Not included due to antidilutive effect.

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

(28) Operating leases

A. The Group leases property and machinery to others under operating lease agreements. Rents of $1,068,772 and $1,038,883 were recognised for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively.

B. The Group leases assets such as real estate and warehouses under operating lease agreements. The lease terms are from 2011 to 2027, and all these lease agreements are renewable at the end of the lease period. For the years ended December 31, 2018 and 2017, the Group recognised rental expenses of $19,561 and $22,999, respectively. The future aggregate minimum lease payments under operating leases are as follows:

	December 31, 2018	December 31, 2017
No later than one year	$ 12,025	$ 14,508
Later than one year but not later than five years	24,811	38,291
Later than five years	6,183	15,733
	$ 43,019	$ 68,532

(29) Goodwill

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

	December 31, 2018	December 31, 2017
Hsing-Yeh Biotechnology Co., Ltd.	$ 150,617	$ 150,617

B. Goodwill is allocated to the Group's cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations and fair value, net of disposed cost. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period, and the details of evaluation on fair value are provided in Note 6(9).

The recoverable amount calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. As of December 31, 2018 and 2017, the pre-tax discount rate applied on the Group's major assessments is 9.07% and 9.27%, respectively.

(30) Supplemental cash flow information

Information on investing activities with partial cash payments is provided in Notes 6(8) and (9).

(31) Changes in liabilities from financing activities

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Yeezen General Hospital	Substantive related party
High-END VISION EYE CENTER	Substantive related party
Swissray Medical AG	Substantive related party
Swissray Global Healthcare Holding Ltd.	Substantive related party
White Essence	Substantive related party
AESolution Biomedical Co., Ltd.	Substantive related party
J. Ab Beauty Co., Ltd.	Substantive related party
PT. NAVI Medical Indonesia	Associate
CHENG-HSIN Biotechnology Co., Ltd	Associate

(3) Significant transactions and balances with related parties

A. Operating revenue

(a) Sales revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
Yeezen General Hospital	$ 177,209	$ 200,376
Others	2,654	1,928
	$ 179,863	$ 202,304

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

(b) Service revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Service revenue:		
Others	$ 43	$ 29

The subsidiaries, Chiu Ho Medical System Co., Ltd. and Chiu Ho Scientific Co., Ltd., provide repair and maintenance services to the abovementioned related parties, with a collection period of approximately six months.

(c) Rental revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Rental revenue:		
Others	$ 76,927	$ 96,823

i. The subsidiary, Hsing-Yeh Biotechnology Co., Ltd., leases medical equipment and property to the abovementioned related parties. The lease terms are from 2016 to 2019. Lease payments are determined by negotiations between the two parties and are made monthly.

ii. The subsidiaries, J. Ab Beauty Co., Ltd., Chiu Ho Scientific Co., Ltd., and E Century Healthcare Corporation, lease medical equipment to the abovementioned related parties. The lease terms are from 2016 to 2031. The monthly lease payment is set as a predetermined percentage of the monthly revenue of the related party. The collection period is between 2 and 6 months.

B. Purchases

	Years ended December 31,	
	2018	2017
Purchases of goods:		
Others	$ 706	$ 6,043

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

C. Notes and accounts receivable

(a) Receivables from related parties:

	December 31, 2018	December 31, 2017
Yeezen General Hospital	$ 205,356	$ 196,664
Others	7,299	16,367
	212,655	213,031
Less: Allowance for doubtful accounts	(15)	(6,280)
	$ 212,640	$ 206,751

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

	December 31, 2018
Not past due	$ 134,669
Past due	
Up to 1 month	16,894
Up to 2 months	16,234
Up to 3 months	16,591
Up to 4 months	13,569
Up to 5 months	14,698
Up to 6 months	-
Over 6 months	-
	$ 212,655

(c) Lease payments receivable (shown as 'accounts receivable due from related parties' and 'other non-current financial assets')

The subsidiaries, Hsing-Yeh Biotechnology Co., Ltd. and Chiu Ho Scientific Co., Ltd., lease machinery and other equipment to Yeezen General Hospital under a finance lease. The lease terms are from 2015 to 2023 and from 2017 to 2022, respectively. Based on the terms of the lease contract, the ownership of the equipment shall be transferred to the lessee when the lease expires. In addition, Hsing-Yeh Biotechnology Co., Ltd. leases renovation project assets to CHENG-HSIN Biotechnology Co., Ltd under a finance lease. The lease term is from 2017 to 2024 and is for the major part of economic life of the underlying asset. The lease payments from the aforementioned agreements are expected to be collected on schedule. The gross investments in those leases and present value of total minimum lease payments receivable as at December 31, 2018 and 2017 were as follows:

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

	December 31, 2017		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Current			
Yeezen General Hospital	$ 18,525	($ 1,405)	$ 17,120
CHENG-HSIN Biotechnology Co., Ltd.	9,462	(1,562)	7,900
	$ 27,987	($ 2,967)	$ 25,020
Non-current			
Yeezen General Hospital	$ 39,024	($ 1,489)	$ 37,535
CHENG-HSIN Biotechnology Co., Ltd	60,211	(4,308)	55,903
	$ 99,235	($ 5,797)	$ 93,438

(d) Information relating to credit risk is provided in Notes 12(2) and (4).

D. Contract assets – related parties

	December 31, 2018	December 31, 2017
Others	$ 7	$ -

E. Other receivables due from related parties

(a) Loans to related parties

	December 31, 2018	December 31, 2017
Yeezen General Hospital	$ 148,000	$ 73,000
High-END VISION EYE CENTER	5,000	5,000
Others	-	1,000
	$ 153,000	$ 79,000

Interest income

	Years ended December 31,	
	2018	2017
Yeezen General Hospital	$ 3,139	$ 1,234
High-END VISION EYE CENTER	125	123
Others	5	25
	$ 3,269	$ 1,382

For the years ended December 31, 2018 and 2017, the loans carried an interest rate of 2.5% per annum.

(b) Capital reduction of investments accounted for using equity method

	December 31, 2018	December 31, 2017
Others	$ -	$ 9,659

(c) Other receivables reclassified because of the dissolution of investees

	December 31, 2018	December 31, 2017
Others	$ 369	$ -

F. Notes and accounts payable

	December 31, 2018	December 31, 2017
Payables to related parties		
Others	$ 11,229	$ 4,696

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

G. Disposal of property, plant and equipment

	Year ended December 31, 2018	
	Disposal proceeds	Gain on disposal
White Essence	$ 152	$ 152

For the year ended December 31, 2017, there was no disposal of property, plant and equipment with related parties.

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 31,696	$ 28,089
Post-employment benefits	279	324
Share-based payments	343	576
	$ 32,318	$ 28,989

8. PLEDGED ASSETS

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

	Book value		
Asssets	December 31, 2018	December 31, 2017	Purpose
Notes receivable	$ 4,290	$ 4,290	Collateral for long-term borrowings
Long-term notes receivable (shown as 'other financial assets - non-current')	7,590	11,550	Collateral for long-term borrowings
Time deposits (shown as 'other current assets')	-	58,008	Performance guarantee and collateral for short-term borrowings
Reserve account (shown as 'other financial assets - non-current')	21,480	15,265	Collateral for long-term borrowings
Time deposits (shown as 'other financial assets - non-current')	55,053	50,008	Performance guarantee
Property, plant and equipment (including investment property)			
Land	1,664,226	1,664,226	Collateral for short-term and long-term borrowings
Buildings and structures	370,089	382,639	Collateral for short-term and long-term borrowings
Leased assets - machinery and equipment	416,323	368,631	Collateral for long-term borrowings
	2,450,638	2,415,496	
	$ 2,539,051	$ 2,554,617	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Please refer to Notes 6(13) and 6(14) for commitments related to the second and the third domestic issuances of secured convertible corporate bonds and the syndicated bank loan.

B. As of December 31, 2018 and 2017, capital expenditures on property, plant and equipment contracted for but not yet incurred was $1,586,518 and $1,476,994, respectively.

C. As of December 31, 2018 and 2017, amounts available under unused letters of credit were $235,414 and $23,164, respectively.

D. Operating lease agreements:

Please refer to Note 6 (28) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 53,974	$ 660
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 47,231	$ -
Available-for-sale financial assets		
Available-for-sale financial assets	$ -	$ 89,837
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,209,636	$ 1,444,363
Contract assets	40,959	-
Notes receivable	44,838	45,082
Accounts receivable (including related parties)	741,820	743,572
Other receivables (including related parties)	153,574	90,596
Other financial assets	720,468	670,933
	$ 2,911,295	$ 2,994,546

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 686,932	$ 641,535
Notes payable	4,346	4,139
Accounts payable (including related parties)	216,180	141,272
Other payables	149,934	58,549
Bonds payable (including current portion)	1,177,035	1,481,280
Long-term borrowings (including current portion)	2,995,204	2,889,415
Other financial liabilities	21,210	26,831
	$ 5,250,841	$ 5,243,021

B. Financial risk management policies

(a) The Group's operating activities expose it to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group conducts business worldwide and imports state-of-the-art medical equipment and supplies from various countries and is therefore exposed to foreign exchange rate risk from multiple foreign currencies, primarily the US dollar. Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Under the Group's financial risk management policy, foreign exchange risk is managed using debt denominated in the relevant foreign currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB or HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

	December 31, 2017			Year ended December 31, 2017 Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 12,493	29.76	$ 371,792	1%	$ 3,718
EUR:NTD	2,010	35.57	71,496	1%	715
USD:RMB	1,664	6.51	49,521	1%	495
USD:HKD	977	7.82	29,076	1%	291
IDR:NTD	4,145,654	0.00223	9,659	1%	97
Financial liabilities					
Monetary items					
USD:NTD	1,054	29.76	31,367	1%	314
EUR:NTD	6,682	35.57	237,679	1%	2,377
SGD:NTD	1,682	22.26	37,441	1%	374
USD:RMB	230	6.51	6,845	1%	68
Non-monetary items					
IDR:NTD	54,833	0.00223	122		

iv. The Group's unrealised exchange gain (loss) arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Unrealised foreign exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	$ 22,594
EUR:NTD	-	35.20	(6,357)
USD:RMB	(36)	6.87	(166)
USD:HKD	42	7.83	161
Financial liabilities			
Monetary items			
USD:NTD	-	30.72	331
EUR:NTD	-	35.20	9,589
USD:RMB	(238)	6.87	(1,086)

	Year ended December 31, 2017		
	Unrealised foreign exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	-	($ 20,797)
EUR:NTD	-	-	6,359
USD:RMB	(69)	6.51	(310)
USD:HKD	57	7.82	221
Financial liabilities			
Monetary items			
USD:NTD	-	-	6,423
EUR:NTD	-	-	(10,066)
USD:RMB	233	6.51	1,047

Price risk

i. The Group is exposed to equity price risk from its investments classified on the consolidated balance sheet either as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set stop-loss points and therefore does not expect to incur significant losses from equity price risk.

ii. The Group's investments in equity securities comprise domestic and foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $5,348 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $4,723 and $8,984, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings at variable rates are primarily denominated in NTD and USD.

ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the year ended December 31, 2018 and 2017 would have decreased/increased by $29,952 and $35,309, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is the counterparties could not repay in full the accounts receivable based on the agreed terms. According to the Group's credit policy, each local entity in the Group is responsible for managing and assessing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the credit control supervisor. The utilization of credit limits is regularly monitored.

ii. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over one month based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over three months and up to six months.

iv. The Group classifies customer's accounts receivable and contract assets in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

v. The Group took into consideration the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

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

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

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

vii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected or contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 693,648	$ -	$ -	$ -
Notes payable and long-term notes payable	4,346	1,340	335	-
Accounts payable (including related parties)	216,180	-	-	-
Other payables	147,760	-	-	-
Bonds payable and embedded derivative instruments	-	1,177,035	-	-
Long-term borrowings (including current portion)	238,617	827,246	2,106,231	14,019

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 647,958	$ -	$ -	$ -
Notes payable and long-term notes payable	4,139	-	-	-
Accounts payable (including related parties)	141,272	-	-	-
Other payables	55,323	-	-	-
Bonds payable and embedded derivative instruments	316,587	-	1,164,693	-
Long-term borrowings (including current portion)	587,569	559,821	1,839,875	-

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amount of a financial instrument not measured at fair value is a reasonable approximation of its fair value. Such financial instruments include cash and cash equivalents, notes receivable (including those from related parties), accounts receivable (including those from relaed parties), other receivables (including those from related parties), guarantee deposits paid, long-term notes and accounts receivable, other financial assets, short-term borrowings, notes payable, accounts payable (including those to related parties), other payables (including those to related parties), long-term notes payable, long-term borrowings (including the portion due within one year or one business cycle) and bonds payable.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

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

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Derivative instruments	$ -	$ -	$ 660	$ 660
Available-for-sale financial assets				
Equity securities	62,890	-	26,947	89,837
	$ 62,890	$ -	$ 27,607	$ 90,497

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. Listed stocks are instruments whose fair values are measured using quoted market prices (that is, Level 1). The quoted market prices used for these stocks are the closing prices on the balance sheet date.

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017.

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

	2017		
	Equity securities	Derivative financial instruments	Total
At January 1	$ 34,721	$ -	$ 34,721
Current issue	-	292	292
Gains and losses recognised in profit or loss	-	368	368
Gains and losses recognised in other comprehensive income	(7,774)	-	(7,774)
At December 31	$ 26,947	$ 660	$ 27,607

G. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

H. Financial accounting department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and performing reviews regularly.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

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

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
AESolution Biomedical Co., Ltd.	$ 26,273	Market comparable companies	Price to book ratio multiple	4.26	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Huede Healthtech Co., Ltd.	674	Net asset value	Not applicable		Not applicable
Hybrid instrument:					
Convertible bond	660	Binomial Model	Volatility Discount rate	17.71% 0.8231%	The higher the volatility, the higher the fair value; The higher the discount rate, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and financial liabilities classified as Level 3, an increase or decrease in their valuation parameter by 1% would have no material impact on gain or loss and other comprehensive income as at December 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

i. It refers to financial assets and liabilities held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets and liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management practice.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

iii. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets and liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets and liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties;

(v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-equity	Effects	
	Measured at fair value through other comprehensive income-equity	Retained earnings	Other equity
IAS 39	$ 89,837	$ -	$ -
Impairment loss adjustment	-	277,325	(277,325)
IFRS 9	$ 89,837	$ 277,325	($ 277,325)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets amounting to $89,837, were not held for the purpose of trading, they were reclassified as 'financial assets at fair value through other comprehensive income (equity instruments)', and accordingly, retained earnings was increased and other equity interest was decreased in the amounts of $277,325 and $277,325 on initial application of IFRS 9, respectively.

C. The reconciliation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Notes and accounts receivable
IAS 39/IAS 37	$ 58,066
Impairment loss adjustment	17,625
IFRS 9	$ 75,691

D. The significant accounts for the year ended December 31, 2017, are as follows:

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

Items	December 31, 2017
Non-current items:	
Financial assets held for trading	
Non-hedging derivatives	
(Redemption rights to the third domestic issuance of secured convertible corporate bonds)	$ 292
Valuation adjustment of financial assets held for trading	368
	$ 660

For the year ended December 31, 2017, the Company recognised net gains (losses) on financial assets and liabilities held for trading purposes in the amounts of $368, which was included in "other gains and losses".

(b) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	
Swissray Global Healthcare Holding Ltd.	$ 340,215
Unlisted stocks	
AESolution Biomedical Co., Ltd.	39,000
Huede Healthtech Co., Ltd.	2,400
Valuation adjustment	(14,453)
Accumulated impairment	(277,325)
	$ 89,837

i. For the year ended December 31, 2017, the Group recognised fair value changes in other comprehensive income in the amounts of ($131,103).

ii. For the year ended December 31, 2017, certain investments have been impaired under the Group's assessment, and the Group recognised and reclassified impairment loss from equity to profit or loss amounting to $277,325, which was listed in 'Other gains and losses'.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables and committed transactions.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management did not expect any significant losses from non-performance by these counterparties.

(c) Based on the Group's loan standards, the credit quality information on accounts receivable that were neither past due nor impaired is as follows:

	December 31, 2017
Group 1	$ 391,971
Group 2	18,592
Group 3	57,437
	$ 468,000

Group 1: Hospitals.

Group 2: Clinics.

Group 3: Others.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 2,597
31 to 90 days	7,438
91 to 180 days	10,724
Over 181 days	74,821
	$ 95,580

Note: Individually assessed impairment losses have been excluded, but not impairment losses from group assessments.

The above ageing analysis was based on past due date.

(e) Movements in the provision for impairment of notes and accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 13,588	$ 13,588
Provision for impairment loss	-	42,226	42,226
Reversal of impairment loss	-	(4,360)	(4,360)
Effect of foreign exchange	-	325	325
At December 31	$ -	$ 51,779	$ 51,779

(f) Movements in the provision for impairment of long-term notes and accounts receivable are as follows:

	2017
At January 1	$ 4
Reversal of impairment loss	(1)
At December 31	$ 3

Excluding the impaired financial assets listed above, long-term notes and accounts receivable were neither past due nor impaired.

(g) The ageing analysis of notes and accounts receivable due from related parites that were past due but not impaired is as follows:

	December 31, 2017
Not past due and not impaired	$ 113,175
Past due but not impaired	
Up to 30 days	14,501
31 to 90 days	32,214
91 to 180 days	46,423
Over 181 days	438
	$ 206,751

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

(a) Sales of goods

Revenue is recognised when the installation of sold equipment is completed and the purchasing hospital has officially accepted the equipment. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) Please refer to Note 4(12) for information on rental revenue. Revenue from repair, maintenance, and other services are recognised as follows:

i. Revenue from rendering services is recognised based on the percentage of work completed at the balance sheet date, when the outcome of services provided can be reasonably estimated. Completion of work is measured by the percentage of the actual services performed to the total services to be performed.

ii. Revenue recognition must consider the possibility of recovering costs already incurred when the outcome of services provided cannot be reasonably estimated. If incurred costs are likely to be recovered, revenue should be recognised to the extent of the recoverable costs; if incurred costs are not likely to be recovered, no revenue should be recognised, and the incurred costs should still be recognised as expenses in the current period.

iii. Losses incurred when estimating the outcome of services provided are recognised immediately. However, if such losses are estimated to be lower later in the year, the amount of decrease should be recognised as a gain for the year.

(c) Installment sales with periodic collections of consideration

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

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	$ 796,885
Rental revenue	1,038,883
Service revenue	281,348
	$ 2,117,116

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		Year ended December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable	(1)	$ 501,782	$ 542,741	($ 40,959)
Contract assets	(1)	40,959	-	40,959
Contract liabilities – current	(2)	30,047	-	30,047
Other current liabilities	(2)	190,845	220,892	(30,047)
Contract liabilities – non-current	(3)	309,500	-	309,500
Other non-current liabilities	(3)	21,210	317,515	(296,305)
Retained earnings	(3)	763,134	776,329	(13,195)

Comprehensive income statement items	Description	Year ended December 31, 2018 Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Finance costs	(3)	$ 82,066	$ 76,963	$ 5,103
Profit for the period	(3)	317,829	322,932	(5,103)

Explanation:

(a) Services provided to customers but not yet billed, previously presented as part of 'accounts receivable' under IAS 18, are recognised as 'contract assets' under IFRS 15.

(b) Prepayments for repair and maintenance services and medical equipment sales contracts, previously presented as part of 'prepayments for goods' under IAS 18, are recognised as 'contract liabilities' under IFRS 15.

(c) Certain sales contract of medical instruments contain provisions for advance sales receipts, wherein the period between advance collection and the transfer of control of goods is longer than one year. The committed price should be adjusted and recognised as interest expense if the Group considers that the contract contains a significant financing component under IFRS 15, but is not regulated in previous revenue standards.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of paid-in capital or more: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) (13) and 12(3) (4).

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

(2) Information on investees

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

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

(3) Information on investments in Mainland China

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

A. Basic information: Please refer to table 7.

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

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

14. Segment information

(1) General information

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

(2) Measurement of segment information

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

(3) Information on products and services

Because the Company and its subsidiaries are all engaged in sales of drugs and sales, rent and installment and maintenance of medical device, information on products and services is the same with the financial information provided in Notes 6 (21) and 12(5).

(4) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 2,319,272	$ 6,835,852	$ 2,008,905	$ 6,769,624
China	181,575	138,825	101,427	175,350
Others	6,619	-	6,784	-
	$ 2,507,466	$ 6,974,677	$ 2,117,116	$ 6,994,974

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

(5) Major customer information

	Years ended December 31,	
	2018	2017
	Revenue	Revenue
Yeezen General Hospital	$ 250,512	$ 287,480

CHC Healthcare Group and Subsidiaries

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
0	The Company	Chiu Ho Medical System Co., Ltd.	Other receivables	Y	$ 350,000	$ 350,000	$ 180,000	2%	Short-term financing	$ -	Operation	$ -	None	$ -	$ 497,236	$ 1,988,945	
0	The Company	Chiu Ho Scientific Co., Ltd.	Other receivables	Y	80,000	50,000	50,000	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Shin-Ho Instruments Co., Ltd.	Other receivables	Y	10,000	-	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Tong-Lin Instruments Co., Ltd.	Other receivables	Y	60,000	60,000	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Hua Lin Instruments Co., Ltd.	Other receivables	Y	20,000	15,000	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	E Century Healthcare Corporation	Other receivables	Y	40,000	20,000	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Tomorrow Medical System CO., Ltd.	Other receivables	Y	380,000	380,000	300,000	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Hsin Lin Biotech Co., Ltd.	Other receivables	Y	5,000	-	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Chiu Ho Biotech Co., Ltd.	Other receivables	Y	10,000	10,000	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Ho-Shin Instruments Co., Ltd.	Other receivables	Y	10,000	-	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Medlink Healthcare Limited	Other receivables	Y	60,000	60,000	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Hsing-Yeh Biotechnology Co., Ltd.	Other receivables	Y	80,000	80,000	10,000	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
0	The Company	Chiu Ho (CHINA) Medical Technology Co., Ltd.	Other receivables	Y	30,960	30,715	-	2%	Short-term financing	-	Operation	-	None	-	497,236	1,988,945	
1	Chiu Ho Scientific Co., Ltd.	High-End Vision Eye Center	Other receivables	Y	5,000	5,000	5,000	2.5%	Business transaction	4,736	-	-	None	-	4,736	53,531	
2	Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Other receivables	Y	155,000	148,000	148,000	2.5%	Business transaction	222,799	-	-	None	-	199,014	398,028	

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
3	Medlink Healthcare Limited	Hsing-Yeh Biotechnology Co., Ltd.	Other receivables	Y	$ 15,000	$ -	$ -	2%	Short-term financing	$ -	Operation	$ -	None	$ -	$ 317,527	$ 635,054	
4	CHC Healthcare (HK) Limited	Chiu Ho (CHINA) Medical Technology Co., Ltd.	Other receivables	Y	7,740	7,679	-	2%	Short-term financing	-	Operation	-	None	-	8,130	16,260	
						$ 1,216,394	$ 693,000										

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

(1) The Company is ‘0’.

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

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

A. For borrowers with which the Company has a business relationship, the individual loan amount cannot exceed the total transaction amount with the Company in the most recent year.

B. For borrowers with short-term financing needs, the individual loan amount cannot exceend 10% of the Company's net assets according to the most recent financial statements.

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

A. For borrowers with which the subsidiary has a business relationship, the individual loan amount cannot exceed the total transaction amount with the subsidiary in the most recent year.

B. The total loan amount granted to a single party cannot exceed 20% of the subsidiary's net assets according to the most recent financial statements.

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

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

CHC Healthcare Group and Subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
0	The Company	Chiu Ho Medical System Co., Ltd.	2	$ 9,944,726	$ 2,772,390	$ 1,917,145	$ 595,822	$ -	38.56%	$ 14,917,089	Y	N	N	
0	The Company	Tomorrow Medical System CO., Ltd.	2	9,944,726	1,852,401	1,460,000	525,036	-	29.36%	14,917,089	Y	N	N	
0	The Company	Chiu Ho Scientific Co., Ltd.	2	9,944,726	251,960	251,715	67,111	-	5.06%	14,917,089	Y	N	N	
0	The Company	Tong-Lin Instruments Co., Ltd.	2	9,944,726	250,000	-	-	-	0.00%	14,917,089	Y	N	N	
0	The Company	Hua Lin Instruments Co., Ltd.	2	9,944,726	130,000	-	-	-	0.00%	14,917,089	Y	N	N	
0	The Company	E Century Healthcare Corporation	2	9,944,726	120,000	57,000	46,261	-	1.15%	14,917,089	Y	N	N	
0	The Company	Guangzhou Chiuho Medical System Co.,Ltd.	3	9,944,726	103,268	98,384	85,398	-	1.98%	14,917,089	Y	N	Y	
0	The Company	Medlink Healthcare Limited	3	9,944,726	305,000	50,000	40,000	-	1.01%	14,917,089	Y	N	N	
0	The Company	CHC Healthcare (HK) Limited	3	9,944,726	245,720	-	-	-	0.00%	14,917,089	Y	N	N	
1	Hsing-Yeh Biotechnology Co., Ltd.	The Company	4	1,990,142	1,189,718	828,236	828,236	828,236	83.23%	2,985,213	N	Y	N	
1	Hsing-Yeh Biotechnology Co., Ltd.	Chiu Ho Medical System Co., Ltd.	4	1,990,142	933,474	-	-	-	0.00%	2,985,213	N	N	N	
1	Hsing-Yeh Biotechnology Co., Ltd.	Tomorrow Medical System Co., Ltd.	4	1,990,142	575,164	575,164	225,464	575,164	57.80%	2,985,213	N	N	N	

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
1	Hsing-Yeh Biotechnology Co., Ltd.	Medlink Healthcare Limited	4	$ 1,990,142	$ 108,444	$ -	$ -	$ -	0.00%	$ 2,985,213	N	N	N	
						$ 5,237,644	$ 2,413,328	$ 1,403,400						

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

CHC Healthcare Group and Subsidiaries

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

December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value	Ownership (%)	Fair value	Footnote
The Company	Stocks–China Isotope & Radiation Corporation	-	Financial asset at fair value through profit or loss-current	880,000	$ 53,482	1.10%	$ 53,482	
The Company	Stocks–Swissray Global Healthcare Holding Ltd.	The Company's chairman and the investee's chairman are the same person	Financial assets at fair value through other comprehensive income - non-current	1,988,100	14,394	4.67%	14,394	
Chiu Ho Medical System Co., Ltd.	Stocks–Huede Healthtech Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	200,000	674	7.41%	674	
Chiu Ho Medical System Co., Ltd.	Stocks–AESolution Biomedical Co., Ltd.	The Company's chairman and the investee's chairman are the same person	Financial assets at fair value through other comprehensive income - non-current	855,400	32,163	6.69%	32,163	

CHC Healthcare Group and Subsidiaries

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

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Substantive related party	Sale of goods	$ 222,800	97%	6 months	-	-	$ 240,432	81%	Note

Note 1: Sales amount includes rental revenue.
Note 2: Notes and accounts receivable include lease payments receivable.

CHC Healthcare Group and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Hsing-Yeh Biotechnology Co., Ltd.	Yeezen General Hospital	Substantive related party	Notes and accounts receivable (including lease payments receivable): $240,432	0.92	$ 77,985	In collection	$ 33,930	$ -

CHC Healthcare Group and Subsidiaries

Information on investees

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
The Company	Chiu Ho Medical System Co., Ltd.	Taiwan	Medical instrument sale, leasing and services	$ 2,380,988	$ 1,743,488	299,340,000	100.00%	$ 3,395,576	$ 108,424	$ 109,233	Subsidiary
The Company	Tomorrow Medical System CO., Ltd.	Taiwan	Medical instrument sale, leasing and services	163,484	163,484	43,200,000	100.00%	522,515	40,638	40,638	Subsidiary
The Company	Chiu Ho Scientific Co., Ltd.	Taiwan	Ophthalmic equipment sale, leasing and services	151,422	115,164	9,853,841	100.00%	133,829	11,004	11,004	Subsidiary (Note 1)
The Company	Chiu Ho Biotech Co., Ltd.	Taiwan	Medical instrument leasing	357,182	407,182	37,000,000	100.00%	378,298	3,375	3,396	Subsidiary
The Company	Ho-Shin Instruments Co.,Ltd.	Taiwan	Medical instrument leasing	-	86,258	-	-	-	-	-	Subsidiary (Note 1)
The Company	Shin-Ho Instruments Co., Ltd.	Taiwan	Medical instrument leasing	9,171	9,171	300,000	100.00%	15,068	7,250	7,250	Subsidiary
The Company	Tong-Lin Instruments Co., Ltd.	Taiwan	Medical instrument leasing	371,183	371,183	40,000,000	100.00%	497,563	28,970	29,013	Subsidiary
The Company	Hua Lin Instruments Co., Ltd.	Taiwan	Medical instrument leasing	521,815	661,815	55,600,000	100.00%	696,442	40,895	40,895	Subsidiary
The Company	Hsin Lin Biotech Co., Ltd.	Taiwan	Medical instrument leasing	105,929	105,929	10,000,000	100.00%	110,487	431	431	Subsidiary
The Company	E Century Healthcare Corporation	Taiwan	Medical instrument leasing	556,151	661,151	60,000,000	100.00%	838,041	57,900	57,900	Subsidiary
The Company	J. Ab Beauty Co., Ltd.	Taiwan	Medical instrument sale, leasing and services	-	27,300	-	-	-	(3,037)	(2,126)	Subsidiary (Note 2)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
The Company	CHC Healthcare (BVI) Limited	British Virgin Islands	Holdings and indirect investments	522,432	451,860	940	100.00%	422,621	28,791	28,791	Subsidiary (Note 3)
CHC Healthcare (BVI) Limited	CHC Healthcare (HK) Limited	Hong Kong	Medical instrument sale, leasing and services	3,987	3,863	100,000	100.00%	40,534	207	249	Subsidiary
Chiu Ho Medical System Co., Ltd.	Medlink Healthcare Limited	Taiwan	Medical instrument sale	1,545,300	1,354,050	154,125,000	100.00%	1,587,637	36,981	36,981	Subsidiary
Chiu Ho Medical System Co., Ltd.	SenCare Healthcare Company	Taiwan	Consulting service and elderly residence	194,000	-	19,400,000	65.99%	191,825	(3,296)	(2,175)	Subsidiary
Medlink Healthcare Limited	Hsing-Yeh Biotechnology Co., Ltd	Taiwan	Medical instrument sale and leasing ; drug sale	1,513,464	1,513,464	93,600,000	100.00%	1,623,149	43,637	39,094	Subsidiary
Hsing-Yeh Biotechnology Co., Ltd.	CHENG-HSIN Biotechnology Co., Ltd	Taiwan	Medical instrument leasing	12,000	12,000	1,200,000	40.00%	1,309	(20,619)	(3,867)	Associate

Note 1: To restructure organisation, Ho-Shin Instruments Co., Ltd. was merged into Chiu Ho Scientific Co., Ltd. , and Chiu Ho Scientific Co., Ltd. was the surviving company.
Note 2: On April 20, 2018, the shareholders have resolved to dissolve the company and the Company lost its control over J. Ab Beauty Co., Ltd. on the same day.
Note 3: Indirect investment company is organised as a limited liability company

CHC Healthcare Group and Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Guangzhou Chiuho Medical System Co., Ltd.	Medical instrument sale, leasing and services	$ 291,925	(2) Indirect investment through CHC(BVI), a wholly-owned subsidiary of the Company	$ 219,486	$ 72,439	$ -	$ 291,925	$ 1,660	100%	$ 1,660	$ 237,824	$ -	
Chiu Ho (CHINA) Medical Technology Co., Ltd.	Medical instrument sale, leasing and services	231,765	(2) Indirect investment through CHC(BVI), a wholly-owned subsidiary of the Company	231,765	-	-	231,765	19,550	100%	26,882	135,297	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
CHC Healthcare (BVI) Limited	$ 523,690	$ 675,858	$ 3,080,111

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

(1) Directly invest in a company in Mainland China..

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

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

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

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