Pacific Hospital Supply Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Pacific Hospital Supply Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Pacific Hospital Supply Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and for the nine months ended September 30, 2018 and 2017, and changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and related notes, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as at September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Sheng-Hsiung Yao and Yi-Lung Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 2, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 388,561	11	$ 445,534	12	$ 493,113	14
Notes receivable (Notes 4 and 7)	22,330	-	16,197	-	5,289	-
Accounts receivable (Notes 4, 5 and 7)	173,158	5	127,069	4	168,748	5
Other receivables (Notes 4 and 7)	14,817	-	22,782	1	11,450	-
Inventories (Notes 4 and 8)	320,877	9	284,466	8	257,506	7
Prepayments and other current assets (Note 13)	32,323	1	33,212	1	44,209	1
Total current assets	952,066	26	929,260	26	980,315	27
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 4, 10, 21 and 26)	2,473,434	68	2,515,215	69	2,499,036	68
Investment properties (Notes 4, 11, 22 and 26)	92,875	3	93,107	3	93,184	3
Other intangible assets (Notes 4 and 12)	11,744	-	12,881	-	14,017	-
Deferred tax assets (Note 4)	10,820	-	10,995	-	10,673	-
Other non-current assets (Notes 13 and 21)	111,829	3	77,213	2	80,538	2
Total non-current assets	2,700,702	74	2,709,411	74	2,697,448	73
TOTAL	$ 3,652,768	100	$ 3,638,671	100	$ 3,677,763	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 14)	$ 87,833	2	$ 20,000	-	$ 40,000	1
Notes payable	4,613	-	8,027	-	5,953	-
Accounts payable	169,413	5	158,982	4	153,080	4
Other payables (Notes 15 and 21)	286,867	8	422,168	12	401,812	11
Current tax liabilities (Note 4)	15,592	-	32,982	1	20,692	1
Current portion of long-term borrowings (Notes 14 and 26)	59,724	2	40,630	1	34,246	1
Other current liabilities (Note 15)	36,407	1	23,803	1	35,557	1
Total current liabilities	660,449	18	706,592	19	691,340	19
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 14 and 26)	724,169	20	640,982	18	735,635	20
Net defined benefit liabilities - non-current (Notes 4 and 16)	25,647	1	30,113	1	29,488	1
Guarantee deposits (Note 15)	581	-	581	-	581	-
Total non-current liabilities	750,397	21	671,676	19	765,704	21
Total liabilities	1,410,846	39	1,378,268	38	1,457,044	40
EQUITY						
Share capital						
Ordinary shares	660,152	18	660,152	18	660,152	18
Capital surplus from shares issued in excess of par value	410,354	11	410,354	11	410,354	11
Retained earnings						
Legal reserve	310,905	8	287,196	8	287,196	8
Unappropriated earnings	860,511	24	902,701	25	863,017	23
Total retained earnings	1,171,416	32	1,189,897	33	1,150,213	31
Total equity	2,241,922	61	2,260,403	62	2,220,719	60
TOTAL	$ 3,652,768	100	$ 3,638,671	100	$ 3,677,763	100

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 4)								
Sales	$ 480,946	100	$ 467,750	100	$ 1,319,462	100	$ 1,342,346	100
Less: Sales returns and allowances	(1,913)	-	(1,044)	-	(5,297)	-	(3,085)	-
Net operating revenue	479,033	100	466,706	100	1,314,165	100	1,339,261	100
OPERATING COSTS (Notes 4, 8, 16 and 18)								
Cost of goods sold	339,000	71	323,544	69	967,992	74	927,534	69
GROSS PROFIT	140,033	29	143,162	31	346,173	26	411,727	31
OPERATING EXPENSES (Notes 16, 18 and 25)								
Selling and marketing expense	18,727	4	17,384	4	52,448	4	49,198	4
General and administrative expense	25,778	5	25,919	6	74,881	6	78,589	6
Research and development expense	9,619	2	10,707	2	29,987	2	31,750	2
Total operating expenses	54,124	11	54,010	12	157,316	12	159,537	12
OPERATING INCOME	85,909	18	89,152	19	188,857	14	252,190	19
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 18 and 25)	3,719	1	4,588	1	10,991	1	10,425	1
Other gains and losses (Note 18)	(1,307)	-	4,676	1	(4,424)	-	(5,571)	(1)
Finance costs (Note 18)	(2,860)	(1)	(2,740)	(1)	(8,042)	(1)	(4,269)	-
Total non-operating income and expenses	(448)	-	6,524	1	(1,475)	-	585	-

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	$ 85,461	18	$ 95,676	20	$ 187,382	14	$ 252,775	19
INCOME TAX EXPENSE (Notes 4 and 19)	18,252	4	16,287	3	41,198	3	56,993	4
NET PROFIT FOR THE PERIOD	67,209	14	79,389	17	146,184	11	195,782	15
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-	373	-	-	-
Other comprehensive income for the period	-	-	-	-	373	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 67,209	14	$ 79,389	17	$ 146,557	11	$ 195,782	15
EARNINGS PER SHARE (Note 20)								
Basic	$ 1.02		$ 1.20		$ 2.21		$ 2.97	
Diluted	$ 1.01		$ 1.20		$ 2.21		$ 2.95	

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital	Capital Surplus - Issue of Shares in Excess of Par Value (Note 17)	Retained Earnings (Notes 4, 17 and 19)			
	Ordinary Shares (Note 17)		Legal Reserve	Unappropriated Earnings	Total	Total Equity
BALANCE AT JANUARY 1, 2017	$ 660,152	$ 410,354	$ 253,929	$ 865,540	$ 1,119,469	$ 2,189,975
Appropriation of 2016 earnings						
Legal reserve	-	-	33,267	(33,267)	-	-
Cash dividends distributed	-	-	-	(165,038)	(165,038)	(165,038)
Net profit for the nine months ended September 30, 2017	-	-	-	195,782	195,782	195,782
BALANCE AT SEPTEMBER 30, 2017	$ 660,152	$ 410,354	$ 287,196	$ 863,017	$ 1,150,213	$ 2,220,719
BALANCE AT JANUARY 1, 2018	$ 660,152	$ 410,354	$ 287,196	$ 902,701	$ 1,189,897	$ 2,260,403
Appropriation of 2017 earnings						
Legal reserve	-	-	23,709	(23,709)	-	-
Cash dividends distributed	-	-	-	(165,038)	(165,038)	(165,038)
Net profit for the nine months ended September 30, 2018	-	-	-	146,184	146,184	146,184
Other comprehensive income for the nine months ended September 30, 2018, net of income tax	-	-	-	373	373	373
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	146,557	146,557	146,557
BALANCE AT SEPTEMBER 30, 2018	$ 660,152	$ 410,354	$ 310,905	$ 860,511	$ 1,171,416	$ 2,241,922

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 187,382	$ 252,775
Adjustments for:		
Depreciation expenses	106,408	76,458
Amortization expenses	4,804	4,541
Reversal of impairment loss recognized on accounts receivable	-	(198)
Interest income	(586)	(478)
Finance costs	8,042	7,455
Loss (gain) on disposal of property, plant and equipment	12,463	(2,420)
Write-down of inventories	1,338	1,843
Net loss (gain) on foreign currency exchange	841	(64)
Decrease in net defined benefit liabilities - non-current	(4,466)	(3,803)
Changes in operating assets and liabilities		
Notes receivable	(6,133)	6,593
Accounts receivable	(46,930)	(22,240)
Other receivables	8,015	(2,937)
Inventories	(37,749)	43,762
Prepayments and other current assets	889	39,390
Notes payable	(3,414)	(3,332)
Accounts payable	10,431	17,791
Other payables	(10,654)	(13,173)
Other current liabilities	12,604	(7,794)
Cash generated from operations	243,285	394,169
Interest paid	(7,904)	(7,489)
Interest received	536	478
Income tax paid	(58,040)	(91,392)
Net cash generated from operating activities	177,877	295,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(52,802)	(48,275)
Acquisition of property, plant and equipment	(192,061)	(153,785)
Proceeds from disposal of property, plant and equipment	6,388	6,022
Decrease in refundable deposits	2,216	1,978
Acquisition of intangible assets	(3,667)	(10,726)
Net cash used in investing activities	(239,926)	(204,786)

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 67,833	$ -
Repayments of short-term borrowings	-	(305,000)
Proceeds from long-term borrowings	390,000	420,000
Repayments of long-term borrowings	(287,719)	(4,819)
Cash dividends distributed	(165,038)	(165,038)
Net cash generated from (used in) financing activities	5,076	(54,857)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(56,973)	36,123
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	445,534	456,990
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 388,561	$ 493,113

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

1. GENERAL INFORMATION

Pacific Hospital Supply Co., Ltd. (the "Company") mainly manufactures, processes and sells medical disposable products and equipment and does medical engineering work on centralized medical gas piping systems.

The Company's shares have been traded on the Taipei Exchange since February 2004.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on November 2, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 445,534	$ 445,534	a)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	166,048	166,048	b)

a) Cash and cash equivalents that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

b) Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. When the amendments become effective in 2018, the amendments shall be applied retrospectively.

4) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses in a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that the reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

   The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when the Group an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Dentitions of Business”

   The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the impact that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to product outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 9 and Table 2 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of intangible assets

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

   1) Measurement category

      <u>2018</u>

      Financial assets are classified into the following categories: Financial assets at amortized cost.

      Financial assets that meet the following conditions are subsequently measured at amortized cost:

      a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

<u>2017</u>

Financial assets are classified into the following categories: Loans and receivables.

Loans and receivables (including accounts receivable and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that are highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue Recognition

2018

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods comes from sales of medical disposable products and equipment. Sales of medical disposable products and equipment are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable is recognized concurrently.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a. Sale of goods

   Revenue from the sale of goods is recognized when all the following conditions are satisfied:

   1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

   2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

   3) The amount of revenue can be measured reliably;

   4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

   5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

   The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

   Specifically, sales of goods are recognized when goods are delivered and title has passed.

b. Interest income

   Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost), and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

   Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivable, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 594	$ 886	$ 959
Checking accounts and demand deposits	357,442	335,068	401,374
Cash equivalents (investments with original maturities of less than 3 moths)			
Time deposits	30,525	109,580	90,780
	$ 388,561	$ 445,534	$ 493,113

The market interest rate intervals of cash in bank at the end of the reporting period were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Bank deposits	0.01%-2.75%	0.01%-0.90%	0.01%-0.90%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable			
From operations	$ 22,330	$ 16,197	$ 5,289
Accounts receivable			
At amortized cost	$ 173,158	$ 127,069	$ 168,748
Other receivables			
Value-added tax refund receivable	$ 12,545	$ 22,488	$ 9,388
Others	2,272	294	2,062
Notes receivable, accounts receivable and other receivables	$ 14,817	$ 22,782	$ 11,450

Notes Receivable, Accounts Receivable and Other Receivables

For the nine months ended September 30, 2018

The average credit period of sales of goods was 30-120 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the accounts receivable are over 365 days past due, whichever occurs earlier. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

September 30, 2018

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0%	0%	0%	10%	100%	-
Gross carrying amount	$ 119,295	$ 53,854	$ 9	$ -	$ -	$ 173,158
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	$ 119,295	$ 53,854	$ 9	$ -	$ -	$ 173,158

For the nine months ended September 30, 2017

The Group applied the same credit policy in 2018 and 2017. As of September 30, 2017, notes receivable were assessed as not impaired and therefore no allowance was recognized. The Group recognized an allowance for impairment loss of 100% against all accounts receivable over 365 days because historical experience was that accounts receivable that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against account receivable between 181 days and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging analysis of accounts receivable was as follows:

	December 31, 2017	September 30, 2017
Less than 90 days	$ 126,801	$ 167,638
91-180 days	268	1,110
181-365 days	-	-
Over 365 days	-	-
	$ 127,069	$ 168,748

The aging analysis of accounts receivable that were past due but not impaired was as follows:

	December 31, 2017	September 30, 2017
0-180 days	$ 47,454	$ 39,724

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful accounts receivable were as follows:

	For the Year Ended December 31, 2017	For the Nine Months Ended September 30, 2017
Balance at the beginning of the period	$ 198	$ 198
Less: Impairment loss reversed	(198)	(198)
Balance at the end of the period	$ -	$ -

The above aging analysis of accounts receivable before deducting the allowance for impairment loss was presented based on the past due date.

8. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods	$ 84,148	$ 93,079	$ 75,263
Work in process	65,815	38,340	54,870
Raw materials	170,914	153,047	127,373
	$ 320,877	$ 284,466	$ 257,506

The cost of inventories recognized as cost of goods sold for the three months and for the nine months ended September 30, 2018 was $339,000 thousand and $967,992 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months and for the nine months ended September 30, 2017 was $323,544 thousand and $927,534 thousand, respectively.

The cost of goods sold for the three months and for the nine months ended September 30, 2018 included $547 thousand and $1,338 thousand of inventory write-downs, respectively.

The cost of goods sold for the three months and for the nine months ended September 30, 2017 included $858 thousand of reversal of inventory write-downs and $1,843 thousand of inventory write-downs, respectively.

9. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Percentage of Ownership			
Investor	Investee	Nature of Activities	September 30, 2018	December 31, 2017	September 30, 2017	Remark
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Manufacturing rubbers	100	100	100	*

* The Company established a 100%, wholly-owned subsidiary, Pacific Precision Technology Co., Ltd., the investment for which was resolved by the board of directors in January 2013. The subsidiary was registered by the Ministry of Economic Affairs, R.O.C. on February 7, 2013.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Property Under Construction	Total
Cost							
Balance at January 1, 2017	$ 225,135	$ 617,031	$ 425,694	$ 15,948	$ 226,176	$ 1,037,048	$ 2,547,032
Additions	-	311,451	54,269	160	47,546	1,790	415,216
Disposals	-	-	(386)	-	(9,338)	-	(9,724)
Reclassification	-	1,026,907	62,020	-	28,737	(1,034,523)	83,141
Balance at September 30, 2017	$ 225,135	$ 1,955,389	$ 541,597	$ 16,108	$ 293,121	$ 4,315	$ 3,035,665
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 151,173	$ 185,942	$ 6,445	$ 122,416	$ -	$ 465,976
Disposals	-	-	(342)	-	(5,780)	-	(6,122)
Depreciation expenses	-	32,753	21,847	1,362	20,265	-	76,227
Others	-	-	-	-	548	-	548
Balance at September 30, 2017	$ -	$ 183,926	$ 207,447	$ 7,807	$ 137,449	$ -	$ 536,629
Carrying amounts at December 31, 2016 and January 1, 2017	$ 225,135	$ 465,858	$ 239,752	$ 9,503	$ 103,760	$ 1,037,048	$ 2,081,056
Carrying amounts at September 30, 2017	$ 225,135	$ 1,771,463	$ 334,150	$ 8,301	$ 155,672	$ 4,315	$ 2,499,036
Cost							
Balance at January 1, 2018	$ 225,135	$ 1,968,953	$ 561,226	$ 16,108	$ 308,314	$ 5,209	$ 3,084,945
Additions	-	16,296	26,848	4,940	27,438	-	75,522
Disposals	-	-	(26,554)	(5,428)	(3,298)	-	(35,280)
Reclassification	-	3,577	13,336	-	4,266	(5,209)	15,970
Others	-	(7,695)	-	-	-	-	(7,695)
Balance at September 30, 2018	$ 225,135	$ 1,981,131	$ 574,856	$ 15,620	$ 336,720	$ -	$ 3,133,462
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 200,125	$ 215,237	$ 8,255	$ 146,113	$ -	$ 569,730
Disposals	-	-	(10,946)	(2,789)	(2,694)	-	(16,429)
Depreciation expenses	-	49,198	25,781	1,344	29,853	-	106,176
Others	-	-	-	-	551	-	551
Balance at September 30, 2018	$ -	$ 249,323	$ 230,072	$ 6,810	$ 173,823	$ -	$ 660,028
Carrying amounts at December 31, 2017 and January 1, 2018	$ 225,135	$ 1,768,828	$ 345,989	$ 7,853	$ 162,201	$ 5,209	$ 2,515,215
Carrying amounts at September 30, 2018	$ 225,135	$ 1,731,808	$ 344,784	$ 8,810	$ 162,897	$ -	$ 2,473,434

No impairment assessment was performed for the three months and for the nine months ended September 30, 2018 and 2017 as there was no indication of impairment.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Plant	30-51 years
Electrical power equipment	15-30 years
Others	2-50 years
Machinery and equipment	2-26 years
Transportation equipment	5-11 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 26.

11. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
Cost			
Balance at January 1, 2017 and September 30, 2017	$ 78,179	$ 15,724	$ 93,903
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ 488	$ 488
Depreciation expenses	-	231	231
Balance at September 30, 2017	$ -	$ 719	$ 719
Carrying amounts at December 31, 2016 and January 1, 2017	$ 78,179	$ 15,236	$ 93,415
Carrying amounts at September 30, 2017	$ 78,179	$ 15,005	$ 93,184
Cost			
Balance at January 1, 2018 and September 30, 2018	$ 78,179	$ 15,724	$ 93,903
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 796	$ 796
Depreciation expenses	-	232	232
Balance at September 30, 2018	$ -	$ 1,028	$ 1,028
Carrying amounts at December 31, 2017 and January 1, 2018	$ 78,179	$ 14,928	$ 93,107
Carrying amounts at September 30, 2018	$ 78,179	$ 14,696	$ 92,875

Buildings under the investment properties were depreciated on a straight-line basis over the estimated useful lives of 51 years.

Investment properties were acquired on June 1, 2015. The determination of fair value was performed by CCIS Real Estate Joint Appraisers Firm in September 18, 2018. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value of investment properties was determined to be $103,567 thousand. The management of the Group had assessed and determined that there was no significant change in the fair value as of September 30, 2018, compared with the fair value in September 18, 2018.

All of the Group’s investment properties was held under freehold interests. Investment properties pledged as collateral for bank borrowings were set out in Note 26.

12. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 41,130
Additions	10,726
Others	(27,032)
Balance at September 30, 2017	$ 24,824
Accumulated amortization	
Balance at January 1, 2017	$ 33,298
Amortization expenses	4,541
Others	(27,032)
Balance at September 30, 2017	$ 10,807
Carrying amounts at December 31, 2016 and January 1, 2017	$ 7,832
Carrying amounts at September 30, 2017	$ 14,017
Cost	
Balance at January 1, 2018	$ 25,524
Additions	3,667
Others	(5,932)
Balance at September 30, 2018	$ 23,259
Accumulated amortization	
Balance at January 1, 2018	$ 12,643
Amortization expenses	4,804
Others	(5,932)
Balance at September 30, 2018	$ 11,515
Carrying amounts at December 31, 2017 and January 1, 2018	$ 12,881
Carrying amounts at September 30, 2018	$ 11,744

The computer software costs were amortized on a straight-line basis over the estimated useful lives of 1 to 5 years.

13. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Prepaid expenses	$ 23,048	$ 23,162	$ 21,449
Input tax	-	2,047	15,448
Prepayments for purchases	7,635	5,562	4,865
Others	1,640	2,441	2,447
	$ 32,323	$ 33,212	$ 44,209
Non-current			
Prepayments for equipment	$ 93,183	$ 56,351	$ 61,488
Refundable deposits	18,646	20,862	19,050
	$ 111,829	$ 77,213	$ 80,538

14. BORROWINGS

a. Short-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured borrowings			
Line of credit borrowings	$ 87,833	$ 20,000	$ 40,000

b. Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Secured borrowings (Note 26)			
Bank loans (1)	$ 100,000	$ 100,000	$ 100,000
Bank loans (2)	90,000	100,000	100,000
Bank loans (3)	90,000	90,000	90,000
Bank loans (4)	80,000	80,000	80,000
Bank loans (5)	80,000	80,000	80,000
Bank loans (6)	50,000	90,000	100,000
Bank loans (7)	38,893	46,612	69,881
Bank loans (8)	35,000	55,000	80,000
Bank loans (9)	30,000	-	-
Bank loans (10)	20,000	20,000	20,000
Bank loans (11)	20,000	-	-

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Bank loans (12)	$ -	$ 20,000	$ -
Bank loans (13)	-	-	50,000
Unsecured borrowings			
Bank loans (14)	50,000	-	-
Bank loans (15)	50,000	-	-
Bank loans (16)	30,000	-	-
Bank loans (17)	20,000	-	-
	783,893	681,612	769,881
Less: Current portion	(59,724)	(40,630)	(34,246)
Long-term borrowings	$ 724,169	$ 640,982	$ 735,635

(Concluded)

1) On February 21, 2017, the Group acquired new bank borrowing facilities in the amount of $100,000 thousand secured by the Group's freehold land and buildings (see Note 26), and will be repayable on the due date (term: February 2017 - February 2020). The weighted average effective interest rate was 1.32%, 1.32% and 1.32% as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for acquisition of plant and equipment.

2) On June 29, 2015, the Group acquired new bank borrowing facilities in the amount of $90,000 thousand secured by the Group's freehold land and buildings (see Note 26), and will be repayable in the next 15 years (term: June 2015 - June 2030, with a grace period for the first 48 months). The weighted average effective interest rate was 1.37%, 1.37% and 1.37% per annum as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for acquisition of plant and equipment.

3) On May 19, 2017, the Group acquired a new bank borrowing facility in the amount of $90,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable over the 5-year term (term: May 2017 - May 2022, with a grace period for the first 24 months). The weighted average effective interest rate was 1.37%, 1.37% and 1.37% as of September 30, 2018 and December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

4) On August 16, 2017, the Group acquired a new bank borrowing facility in the amount of $80,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable on the due date (term: August 2017 - August 2020). The weighted average effective interest rate was 1.32%, 1.32% and 1.32% as of September 30, 2018 and December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

5) On September 26, 2017, the Group acquired a new bank borrowing facility in the amount of $80,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable on the due date (term: September 2017 - September 2020). The weighted average effective interest rate was 1.32%, 1.32% and 1.32% as of September 30, 2018 and December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

6) On April 13, 2016, the Group acquired a new bank borrowing facility in the amount of $50,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable over the 5-year term (term: April 2016 - April 2021, with a grace period for the first 36 months). The weighted average effective interest rate was 1.37%, 1.37% and 1.37% as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

7) On May 27, 2015, the Group acquired a new bank borrowing facility in the amount of $38,893 thousand, which was secured by the Group's investment properties (see Note 26) and is repayable over the 7-year term (term: May 2015 - May 2022, with a grace period for the first 24 months). The weighted average effective interest rate was 1.37%, 1.37% and 1.37% as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of investment properties.

8) On September 29, 2017, the Group acquired a new bank borrowing facility in the amount of $35,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable over the 3-year term (term: September 2017 - September 2020, with a grace period for the first 12 months). The weighted average effective interest rate was 1.37%, 1.37% and 1.37% as of September 30, 2018 and December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

9) On January 25, 2018, the Group acquired a new bank borrowing facility in the amount of $30,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable over the 3- year term (term: January 2018 - January 2021, with a grace period for the first 12 months). The weighted average effective interest rate was 1.37% as of September 30, 2018. The purpose of this bank borrowing was for the acquisition of plant and equipment.

10) On July 20, 2017, the Group acquired a new bank borrowing facility in the amount of $20,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable on the due date (term: July 2017 - July 2020). The weighted average effective interest rate was 1.32%, 1.32% and 1.32% as of September 30, 2018 and December 31, 2017 and September 30, 2017, respectively. The purpose of this bank borrowing was for the acquisition of plant and equipment.

11) On September 18, 2018, the Group acquired new bank borrowing facilities in the amount of $20,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and is repayable on the due date (term: September 2018 - September 2021). The weighted average effective interest rate was 1.32% as of September 30, 2018. The purpose of this bank borrowing was for acquisition of plant and equipment.

12) On November 24, 2017, the Group acquired a new bank borrowing facility in the amount of $20,000 thousand, which was repayable on the due date (term: November 2017 - May 2018). The bank borrowing was fully repaid in advance in September 2018.

13) On June 4, 2016, the Group acquired a new bank borrowing facility in the amount of $50,000 thousand, which was secured by the Group's freehold land and buildings (see Note 26) and was repayable over the 5-year term (term: June 2016 - June 2021, with a grace period for the first 24 months). This bank borrowing was fully repaid in advance in November 2017.

14) On July 16, 2018, the Group acquired a new unsecured bank borrowing facility in the amount of $50,000 thousand, which is repayable on the due date (term: July 2018 - October 2019). The weighted average effective interest rate was 1.01455% as of September 30, 2018. The purpose of this bank borrowing was for the acquisition of plant and equipment.

15) On September 25, 2018, the Group acquired a new unsecured bank borrowing facility in the amount of $50,000 thousand, which is repayable on the due date (term: September 2018 - March 2019). The weighted average effective interest rate was 1.35% as of September 30, 2018. The purpose of this bank borrowing was for the acquisition of plant and equipment.

16) On January 25, 2018, the Group acquired a new unsecured bank borrowing facility in the amount of $30,000 thousand, which is repayable on the due date (term: January 2018 - January 2020). The weighted average effective interest rate was 1.35% as of September 30, 2018. The purpose of this bank borrowing was for the acquisition of plant and equipment.

17) On February 26, 2018, the Group acquired a new unsecured bank borrowing facility in the amount of $20,000 thousand, which is repayable on the due date (term: February 2018 - January 2020). The weighted average effective interest rate was 1.35% as of September 30, 2018. The purpose of this bank borrowing was for the acquisition of plant and equipment.

15. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Other payables			
Payables for purchase of equipment and for construction	$ 158,698	$ 283,483	$ 283,489
Accrued salary and compensation	61,365	75,163	63,480
Accrued vacation compensation	4,400	3,586	-
Accrued employees' compensation	14,250	19,000	14,252
Accrued remuneration to directors and supervisors	1,590	2,120	1,590
Others	46,564	38,816	39,001
	$ 286,867	$ 422,168	$ 401,812
Other liabilities			
Contract liabilities	$ 34,480	$ -	$ -
Advance receipts	-	22,329	34,118
Others	1,927	1,474	1,439
	$ 36,407	$ 23,803	$ 35,557
Non-current			
Guarantee deposits	$ 581	$ 581	$ 581

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Pacific Precision Technology Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company originally contributed amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. From January and July 2005 onwards, the contribution percentage were changed to 6% and 3%, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the defined benefit plans were as follows:

	December 31, 2017
Present value of defined benefit obligation	$ 87,324
Fair value of plan assets	(57,211)
Net defined benefit liability	$ 30,113

Employee benefit expenses in respect of the defined benefit retirement plans for the three months ended September 30, 2018 and 2017 was $204 thousand and $280 thousand, respectively, and for the nine months ended September 30, 2018 and 2017 was $614 thousand and $841 thousand, respectively, and was calculated using the actuarially determined pension cost rate as of December 31, 2017 and 2016, respectively.

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Operating costs	$ 157	$ 206	$ 465	$ 606
Selling and marketing expenses	12	18	38	55
General and administrative expenses	24	35	75	112
Research and development expenses	11	21	36	68
	$ 204	$ 280	$ 614	$ 841

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Therefore, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2017
Discount rate	1.00%
Expected rate of salary increase	2.00%
Turnover rate	1.04%

17. EQUITY

a. Share capital

<u>Ordinary shares</u>

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Number of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	66,015	66,015	66,015
Shares issued	$ 660,152	$ 660,152	$ 660,152

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including share premium from issuance of ordinary shares and conversion of bonds) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Company's Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors, please refer to f. employees' compensation and remuneration of directors and supervisors in Note 18.

The Company has adopted the equalization dividend policy for the payment of dividends, which may be paid either in the form of share dividends (including dividends from earnings and capital surplus) or cash dividends. Dividend payments are made from current year earnings of the Company after the appropriation. In determining distribution of dividends, the board of directors shall take into consideration the general business and financial conditions of the Company, and shall be approved in the shareholders' meetings. The distribution method shall take into consideration the Company's operational needs and both divend equality and shareholder rights protection policies; therefore distributions of cash dividends shall not be less than 20% of total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in-capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in-capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers on Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 11, 2018 and June 14, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 23,709	$ 33,267		
Cash dividends	165,038	165,038	$ 2.5	$ 2.5

18. PROFIT BEFORE INCOME TAX

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Operating lease rental income				
Investment properties	$ 911	$ 911	$ 2,732	$ 2,600
Others	200	198	587	601
	1,111	1,109	3,319	3,201
Interest income - bank deposits	97	93	585	478
Others	2,511	3,386	7,087	6,746
	$ 3,719	$ 4,588	$ 10,991	$ 10,425

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Gain (loss) on disposal of property, plant and equipment	$ (655)	$ 3,736	$ (12,463)	$ 2,420
Net foreign currency exchange gains (losses)	(652)	940	8,039	(7,991)
	$ (1,307)	$ 4,676	$ (4,424)	$ (5,571)

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on bank borrowings	$ 2,827	$ 2,719	$ 7,984	$ 7,401
Other interest expenses	33	21	58	54
Total interest expense for financial liabilities measured at amortized cost	2,860	2,740	8,042	7,455
Less: Amounts included in the cost of qualifying assets	-	-		(3,186)
	$ 2,860	$ 2,740	$ 8,042	$ 4,269

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Capitalized interest	$ -	$ -	$ -	$ 3,186
Capitalization rate	-	-	-	1.2%-1.42%

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 36,354	$ 32,551	$ 106,176	$ 76,227
Investment properties	77	77	232	231
Intangible assets	1,718	1,522	4,804	4,541
	$ 38,149	$ 34,150	$ 111,212	$ 80,999

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of depreciation by function				
Operating costs	$ 33,806	$ 30,235	$ 98,746	$ 70,096
Selling and marketing expenses	51	43	152	134
General and administrative expenses	1,118	1,077	3,221	3,156
Research and development expenses	1,456	1,273	4,289	3,072
	$ 36,431	$ 32,628	$ 106,408	$ 76,458
An analysis of amortization by function				
Operating costs	$ 677	$ 876	$ 2,024	$ 2,509
Selling and marketing expenses	12	26	40	89
General and administrative expenses	630	241	1,669	764
Research and development expenses	399	379	1,071	1,179
	$ 1,718	$ 1,522	$ 4,804	$ 4,541

(Concluded)

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term benefits				
Salary expense	$ 104,718	$ 91,469	$ 286,039	$ 262,831
Insurance expense	9,779	8,743	28,243	25,729
	114,497	100,212	314,282	288,560
Post-employment benefits				
Defined contribution plans	4,168	3,755	11,988	10,847
Defined benefit plans	204	280	614	841
	4,372	4,035	12,602	11,688
Other employee benefits	6,497	5,696	17,773	15,848
	10,869	9,731	30,375	27,536
Total employee benefits expense	$ 125,366	$ 109,943	$ 344,657	$ 316,096
An analysis of employee benefits expense by function				
Operating costs	$ 93,604	$ 79,736	$ 253,289	$ 223,720
Operating expenses	31,762	30,207	91,368	92,376
	$ 125,366	$ 109,943	$ 344,657	$ 316,096

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and nine months ended September 30, 2018 and 2017, employees' compensation and remuneration of directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Employees' compensation	5.23%	4.71%	7.01%	5.31%
Remuneration of directors and supervisors	0.58%	0.52%	0.78%	0.59%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Employees' compensation	$ 4,750	$ 4,752	$ 14,250	$ 14,252
Remuneration of directors and supervisors	530	530	1,590	1,590

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2017 and 2016 having been resolved by the board of directors on February 2, 2018 and February 23, 2017, respectively, were as below:

	For the Year Ended December 31	
	2017	**2016**
	Cash	**Cash**
Employees' compensation	$ 19,000	$ 19,000
Remuneration of directors and supervisors	2,120	2,120

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2018 and 2017 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Foreign exchange gains	$ 8,588	$ 3,219	$ 22,310	$ 6,967
Foreign exchange losses	(9,240)	(2,279)	(14,271)	(14,958)
Net gains (losses)	$ (652)	$ 940	$ 8,039	$ (7,991)

19. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 18,061	$ 16,248	$ 36,713	$ 41,550
Income tax on unappropriated earnings	-	-	4,672	13,448
Adjustments for prior periods	-	-	(735)	1,626
	18,061	16,248	40,650	56,624
Deferred tax				
In respect of the current period	191	39	548	369
Income tax expense recognized in profit or loss	$ 18,252	$ 16,287	$ 41,198	$ 56,993

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized directly in equity

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ 373	$ -
Total income tax recognized directly in equity	$ -	$ -	$ 373	$ -

c. Income tax assessments

The tax returns through 2015 of the Company and Pacific Precision Technology Co., Ltd. of the Group, respectively, have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share	$ 1.02	$ 1.20	$ 2.21	$ 2.97
Diluted earnings per share	$ 1.01	$ 1.20	$ 2.21	$ 2.95

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 67,209	$ 79,389	$ 146,184	$ 195,782

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	66,015	66,015	66,015	66,015
Effect of potential dilutive ordinary shares:				
Employees' compensation	207	206	239	251
Weighted average number of ordinary shares used in computation of diluted earnings per share	66,222	66,221	66,254	66,266

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. NON-CASH TRANSACTIONS

During the nine months ended September 30, 2018 and 2017, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

a. The Group reclassified prepayments for equipment (included in prepayments and other current assets) of $15,970 thousand and $83,141 thousand to property, plant and equipment during the nine months ended September 30, 2018 and 2017, respectively.

b. The amount of cash paid for acquisition of property, plant and equipment included decrease of $124,785 thousand and increase of $260,883 thousand and increase of payable for equipment purchased (included in other payables) during the nine months ended September 30, 2018 and 2017, respectively.

22. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of office parking lot and land with lease terms between 1 and 20 years. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 12,109	$ 10,553	$ 10,553
Later than 1 year and not later than 5 years	48,162	41,992	42,017
Later than 5 years	123,368	115,277	117,897
	$ 183,639	$ 167,822	$ 170,467

b. The Group as lessor

Operating leases relate to leases of investment properties with lease terms from June 1, 2015 to May 31, 2020. The lessee does not have a bargain purchase option to acquire the property at the expiration of the lease period.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 3,661	$ 3,637	$ 3,637
Later than 1 year and not later than 5 years	2,433	5,152	6,062
	$ 6,094	$ 8,789	$ 9,699

23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, capital surplus and retained earnings).

The Group is not subject to any externally imposed capital requirements.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

The Group did not have financial assets and financial liabilities that are measured at fair value as of September 30, 2018, December 31, 2017 and September 30, 2017.

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Loans and receivables (Note 1)	$ -	$ 611,582	$ 678,600
Financial assets at amortized cost (Note 2)	598,866	-	-
	$ 598,866	$ 611,582	$ 678,600
Financial liabilities			
Measured at amortized cost (Note 3)	$ 1,332,619	$ 1,290,789	$ 1,370,726

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable and other receivables.

Note 2: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable and other receivables.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable, other payables and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, accounts payable and borrowings. The Group's Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

Refer to Note 28 for the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of the U.S. dollar, Japanese yen, Euro, Chinese yuan, Australian dollar and Swiss Franc.

The sensitivity analysis details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

For 1% appreciation of the New Taiwan dollar against the relevant currency, post-tax profit for the nine months ended September 30, 2018 and 2017 would have decreased by $2,548 thousand and $2,758 thousand, respectively. For a 1% depreciation of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at floating interest rates.

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point (0.1%) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the nine months ended September 30, 2018 and 2017 would decrease/increase by $450 thousand and $344 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties, however, in order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods, and is based on the undiscounted cash flows of financial liabilities.

September 30, 2018

	1-3 Months	3 Months to 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities				
Non-interest bearing	$ 425,226	$ 35,667	$ -	$ -
Variable interest rate liabilities	94,746	52,811	623,953	100,216
	$ 519,972	$ 88,478	$ 623,953	$ 100,216

December 31, 2017

	1-3 Months	3 Months to 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities				
Non-interest bearing	$ 309,294	$ 279,883	$ -	$ -
Variable interest rate liabilities	2,564	58,066	212,079	428,903
	$ 311,858	$ 337,949	$ 212,079	$ 428,903

September 30, 2017

	1-3 Months	3 Months to 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities				
Non-interest bearing	$ 238,379	$ 322,466	$ -	$ -
Variable interest rate liabilities	43,629	30,617	544,755	190,880
	$ 282,008	$ 353,083	$ 544,755	$ 190,880

The amount included above for variable interest rate liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank overdraft facilities which may be extended by mutual agreement:			
Amount used	$ 230,000	$ 40,000	$ 40,000
Amount unused	270,000	460,000	510,000
	$ 500,000	$ 500,000	$ 550,000
Secured bank overdraft facilities which may be extended by mutual agreement:			
Amount used	$ 641,726	$ 661,611	$ 769,881
Amount unused	192,167	440,000	444,819
	$ 833,893	$ 1,101,611	$ 1,214,700

The Group's operating fund is deemed adequate; therefore, there is no liquidity risk of being unable to raise sufficient money to fulfill contractual obligations.

25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Name	Category
Zhi-Qun Co., Ltd.	Common chairman with the Company
Ren Chung	Chairman of the Company

b. Other transactions with related parties

The Company provided rental services for Zhi-Qun Co., Ltd. (common chairman with the Company). For the three months ended September 30, 2018 and 2017 and nine months ended September 30, 2018 and 2017, a rental revenue of $6 thousand, $6 thousand, $18 thousand and $18 thousand, respectively, were billed and received.

Ren Chung (chairman of the Company) provided certain rental services for the Company. For the three months ended September 30, 2018 and 2017 and nine months ended September 30, 2018 and 2017, a rental fee of $18 thousand, $18 thousand, $55 thousand and $55 thousand, respectively, were charged and paid.

c. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 8,911	$ 9,565	$ 24,104	$ 26,044

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collaterals for short-term and long-term bank loan facilities.

	September 30, 2018	December 31, 2017	September 30, 2017
Land and building, net	$ 576,998	$ 587,373	$ 590,851
Investment properties	92,875	93,107	93,184
	$ 669,873	$ 680,480	$ 684,035

27. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In the Company’s board of directors meeting held on August 9, 2018, a resolution was passed to conduct a simplified merger with Pacific Precision Technology Co., Ltd., a wholly-owned subsidiary. The Company is the surviving entity, and all the rights and obligations of Pacific Hospital Supply Co., Ltd., the extinguished entity, will be succeeded by the Company (surviving entity) on October 1, 2018, the effective date. The purpose of this merge is to integrate Group resources and strengthen operational synergy.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2018		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Foreign currency denominated assets			
Monetary items			
USD	$ 6,714	30.525	$ 204,944
JPY	262,836	0.2692	70,755
EUR	637	35.48	22,587
RMB	4,521	4.436	20,054
AUD	55	22.035	1,202
CHF	122	31.275	3,806
			$ 323,348
Foreign currency denominated liabilities			
Monetary items			
USD	$ 151	30.525	$ 4.597
EUR	5	35.48	190
			$ 4,787

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Foreign currency denominated assets			
Monetary items			
USD	$ 8,176	29.76	$ 243,312
JPY	240,067	0.2642	63,426
EUR	330	35.57	11,753
RMB	1,933	4.565	8,822
AUD	21	23.185	489
CHF	62	30.455	1,885
			$ 329,687
Foreign currency denominated liabilities			
Monetary items			
USD	467	29.76	$ 13,906
EUR	88	35.57	3,122
JPY	1,018	0.2642	269
			$ 17,297

	September 30, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency denominated assets			
Monetary items			
USD	$ 7,795	30.26	$ 235,858
JPY	228,192	0.2691	61,407
EUR	682	35.75	24,370
RMB	2,592	4.551	11,796
AUD	21	23.705	499
CHF	30	31.245	928
			$ 334,858
Foreign currency denominated liabilities			
Monetary items			
USD	$ 84	30.26	$ 2,545
EUR	1	35.75	28
			$ 2,573

For the three months ended September 30, 2018 and 2017 and nine months ended September 30, 2018 and 2017, realized net foreign exchange gains (losses) were $1,805 thousand, $2,916 thousand, $6,219 thousand and $(7,435) thousand, respectively, and unrealized net foreign exchange gains (losses) were $(2,457) thousand, $(1,976) thousand, $1,820 thousand and $(556) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

29. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and investees:

a. Financing provided to others: None.

b. Endorsements or guarantees provided for others: None.

c. Marketable securities held at the end of the period (excluding investments in subsidiaries): None.

d. Acquisition or disposal of the same marketable securities amounting to at least NT$300 million or 20% of paid-in capital: None.

e. Acquisition of individual real estate at cost of at least NT$300 million or 20% of paid-in capital: None.

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of paid-in capital: None.

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of paid-in capital: None.

h. Receivables from related parties amounting to at least NT$100 million or 20% of paid-in capital: None.

i. Transactions of derivative instruments: None.

j. Others: Intercompany relationships and significant intercompany transactions: Table 1.

k. Information for investees: Table 2.

Information on investments in mainland China: None.

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In accordance with the provisions under IFRS 8, “Operating Segments,” the Group’s operating decision was mainly based on the Group’s overall operating performance and economic resource; therefore, it was determined that the Group had only one reportable segment.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	a	Manufacturing expense	$ 11,869	Transaction terms are same as third parties	0.90
		Pacific Precision Technology Co., Ltd.	a	Rental income	27	Transaction terms are same as third parties	-
		Pacific Precision Technology Co., Ltd.	a	Accounts payable	863	Transaction terms are same as third parties	0.02

Note 1: Significant transactions between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the parent company.
b. Subsidiaries are numbered from “1”.

Note 2: Related party transactions are divided into two categories as follows:

a. The parent company to subsidiaries.
b. Subsidiaries to the parent company.

Note 3: Balance sheet items are shown as a percentage to consolidated total assets as of September 30, 2018, while income statement items are shown as a percentage to consolidated total operating revenue for the nine months ended September 30, 2018.

Note 4: The above transaction amounts were eliminated upon consolidation.

TABLE 2

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2018	December 31, 2017	Shares	%	Carrying Amount			
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Taiwan	Manufacturing rubbers	$ 100,000	$ 100,000	10,000,000	100	$ 104,925	$ 2,192	$ 1,063	Notes 1 and 2

Note 1: Investment income (loss) was recognized based on the investee’s financial statements for the same period, which were reviewed by auditors.

Note 2: The difference between investee company’s net profit (loss) and recognized loss was due to deferral of unrealized gains/losses from upstream transaction.

Note 3: In preparing the consolidated financial statements, gains and losses from investment, investor’s long-term equity investment account, and investee’s equity were eliminated in full.