MEDEON BIODESIGN, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

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

MEDEON BIODESIGN, INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

MEDEON BIODESIGN, INC.
Yue-Teh Jang, President
January 28, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MEDEON BIODESIGN, INC.

Opinion

We have audited the accompanying consolidated balance sheets of MEDEON BIODESIGN, INC. AND SUBSIDIARIES (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2020 consolidated financial statements are stated as follows:

Intangible assets-Evaluation of impairment loss of goodwill and customer relationship.

Description

As of December 31, 2020, the value of goodwill and customer relationship derived from the acquisition of 70% of Delta International Corporation’s share capital by Medeon Biodesign, Inc are NTD 72,189 and 89,628 thousand, respectively, constituting 5% of consolidated assets. The Group uses the future cash flows of Delta International Corporation to discount the recoverable amount of cash generating unit. The above is deemed as the basis of the evaluation of impairment loss of goodwill and customer relationship. For a description of the accounting policy, please refer to Notes 4(14) and 4(15); for accounting estimates and assumptions on the allowance for the evaluation of impairment loss and information of intangible assets, please refer to Notes 5(2) and 6(7).

Since the valuation model adopted in the impairment assessment has an impact in determining the recoverable amount which involves significant accounting estimates and prediction of future cash flows, we determined the evaluation of impairment loss of goodwill and customer relationship as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Understood the estimation process of future cash flows of Delta Asia International Corporation by the management.
B. Assessed whether the valuation models adopted by Medeon Biodesign, Inc. are reasonable for its industry, environment and the valued assets.
C. Assessed the reasonableness of significant assumptions (including the expected growth rate and discount rate) applied in the valuation models.

Estimation of allowance for inventory valuation losses

Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(11); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for the information on inventories, please refer to Note 6(4).

The Group evaluates inventory at the the lower of cost and net realisable value. Due to products are customized and delivered based on the order and quality requested by customers, there is a higher risk of having obsolete inventory. Since the values of inventories are high and the quantity is substantial, and the estimation of net realisable value often involves subjective judgement and degree of uncertainty, we determined the valuation of allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses based on our understanding of the operations and the characteristics of its industry and confirmed whether the accounting policy adopted has changed.
B. Validated the appropriateness of the evaluation of the report of inventories and confirmed that the information on the report is consistent with its policy.
C. Tested whether the basis of market value used in calculating the net realisable value of inventory is consistent with the Group's policy. Validated the selling prices of selected samples of respective inventory and the accuracy of their net realisable value calculation. Assessed the reasonableness of the allowance for inventory valuation losses by reference to sales after the balance sheet date.

Existence of sales revenue

Description

For a description of the accounting policy on the recognition of revenue, please refer to Note 4(24); and for the information on sales revenue, please refer to Note 6(16).

The sales revenue of the Group mainly arises from the manufacturing and selling of medical devices. The main region of the Group's operations is in the United States. Since the sales revenue from the top ten largest clients increased substantially, and the significant ratio of the sales revenue of top ten largest clients in the financial statements, we determined the existence and occurrence of the sales revenue of the newly entered top ten largest clients as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Obtained an understanding of and assessed the internal controls in relation to sales revenue from the newly top ten largest clients and validated the operating effectiveness of those above-mentioned internal controls.
B. Confirmed the existence of the transactions of sales revenue from the newly top ten largest clients by testing and confirming the related certification.
C. Assessed the authenticity of sales revenue by inspecting the relevant certification of sales allowance

and discounts that occurred after the balance sheet date of the newly top ten largest clients.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Medeon Biodesign, Inc. as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Chou, Hsiao-Tzu Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

January 28, 2021

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

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,128,125	34	$ 472,059	19
1136	Current financial assets at amortised cost	6(2)	1,058,078	32	1,328,202	53
1170	Accounts receivable, net	6(3)	164,806	5	72,408	3
1200	Other receivables		3,497	-	6,164	-
1220	Current tax assets		2,007	-	3,661	-
130X	Inventories	6(4)	45,475	1	33,578	1
1410	Prepayments		17,752	1	31,274	1
11XX	**Current Assets**		2,419,740	73	1,947,346	77
	Non-current assets					
1600	Property, plant and equipment	6(5)	192,970	6	202,716	8
1755	Right-of-use assets	6(6)	473,059	14	114,970	5
1780	Intangible assets	6(7)	213,518	7	240,767	10
1840	Deferred tax assets	6(21)	4,121	-	2,339	-
1915	Prepayments for business facilities	6(5)	1,618	-	2,797	-
1920	Guarantee deposits paid		9,309	-	5,967	-
15XX	**Non-current assets**		894,595	27	569,556	23
1XXX	**Total assets**		$ 3,314,335	100	$ 2,516,902	100

(Continued)

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Liabilities					
	Current liabilities					
2130	Current contract liabilities	6(16)	$ 11,132	-	$ 17,653	1
2170	Accounts payable		28,264	1	25,718	1
2200	Other payables	6(8)	91,911	3	80,811	3
2230	Current tax liabilities		41,753	1	24,933	1
2280	Current lease liabilities		23,529	1	20,850	1
2300	Other current liabilities		1,005	-	734	-
21XX	**Current Liabilities**		197,594	6	170,699	7
2540	Non-current portion of non-current borrowings	6(9)	12,935	-	-	-
2580	Non-current lease liabilities		456,299	14	97,477	4
25XX	**Non-current liabilities**		469,234	14	97,477	4
2XXX	**Total Liabilities**		666,828	20	268,176	11
	Equity					
	Share capital	6(12)				
3110	Share capital - common stock		665,032	20	664,952	26
	Capital surplus	6(13)				
3200	Capital surplus		1,933,081	58	1,673,945	66
	Retained earnings	6(14)				
3350	Accumulated deficit		(525,912)	(16)	(333,177)	(13)
	Other equity interest	6(15)				
3400	Other equity interest		(6,681)	-	(1,495)	-
3500	Treasury shares	6(12)	(20,478)	-	-	-
31XX	**Equity attributable to owners of the parent**		2,045,042	62	2,004,225	79
36XX	Non-controlling interest		602,465	18	244,501	10
3XXX	**Total equity**		2,647,507	80	2,248,726	89
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 3,314,335	100	$ 2,516,902	100

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except losses per share)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16)	$ 653,900	100	$ 453,763	100
5000	Operating costs	6(4)(17)(18)	(298,482)	(46)	(267,519)	(59)
5900	Net operating margin		355,418	54	186,244	41
	Operating expenses	6(17)(18)				
6100	Selling expenses		(78,843)	(12)	(82,188)	(18)
6200	General and administrative expenses		(61,015)	(9)	(59,805)	(13)
6300	Research and development expenses		(312,525)	(48)	(300,949)	(67)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	328	-	(596)	-
6000	Total operating expenses		(452,055)	(69)	(443,538)	(98)
6900	Operating loss		(96,637)	(15)	(257,294)	(57)
	Non-operating income and expenses					
7100	Interest income	6(19)	10,025	2	17,638	4
7020	Other gains and losses	6(20)	(23,761)	(4)	(11,677)	(2)
7050	Finance costs	6(6)	(3,281)	-	(2,738)	(1)
7000	Total non-operating income and expenses		(17,017)	(2)	3,223	1
7900	**Loss before income tax**		(113,654)	(17)	(254,071)	(56)
7950	Income tax expense	6(21)	(55,932)	(9)	(28,649)	(7)
8200	**Loss for the year**		($ 169,586)	(26)	($ 282,720)	(63)
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	($ 6,392)	(1)	($ 5,764)	(1)
8500	**Total comprehensive loss for the year**		($ 175,978)	(27)	($ 288,484)	(64)
	Profit (loss) attributable to:					
8610	Owners of the parent		($ 192,735)	(30)	($ 261,985)	(59)
8620	Non-controlling interest		23,149	4	(20,735)	(4)
			($ 169,586)	(26)	($ 282,720)	(63)
	Comprehensive income(loss) attributable to:					
8710	Owners of the parent		($ 197,921)	(30)	($ 266,803)	(59)
8720	Non-controlling interest		21,943	3	(21,681)	(5)
			($ 175,978)	(27)	($ 288,484)	(64)
	Basic losses per share	6(22)				
9750	Total basic losses per share		($ 2.91)		($ 3.96)	
9850	Total diluted losses per share		($ 2.91)		($ 3.96)	

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share Capital		Capital Surplus									
	Notes	Common stock	Advance receipts for share capital	Additional paid-in capital	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Employee stock warrants	Accumulated deficit	Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	Total equity
2019													
Balance at January 1, 2019		$ 521,391	$ 28,342	$ 1,291,839	$ -	$ -	$ 8,791	($ 214,443)	$ 3,323	$ -	$ 1,639,243	$ 159,240	$ 1,798,483
Loss for the year		-	-	-	-	-	-	(261,985)	-	-	(261,985)	(20,735)	(282,720)
Other comprehensive loss for the year	6(15)	-	-	-	-	-	-	-	(4,818)	-	(4,818)	(946)	(5,764)
Total comprehensive loss		-	-	-	-	-	-	(261,985)	(4,818)	-	(266,803)	(21,681)	(288,484)
Capital surplus used to offset accumulated deficits		-	-	(214,443)	-	-	-	214,443	-	-	-	-	-
Capital surplus transferred to capital		60,391	-	(60,391)	-	-	-	-	-	-	-	-	-
Issuance of shares	6(12)	80,000	(28,342)	608,000	-	-	-	-	-	-	659,658	-	659,658
Share-based payments	6(11)	-	-	2,211	-	-	927	-	-	-	3,138	4,049	7,187
Exercise of employee stock options	6(11)	3,170	-	3,644	-	-	(3,644)	-	-	-	3,170	18,675	21,845
Changes in ownership interests in subsidiaries		-	-	-	37,011	-	-	(71,192)	-	-	(34,181)	84,994	50,813
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	-	(776)	(776)
Balance at December 31, 2019		$ 664,952	$ -	$ 1,630,860	$ 37,011	$ -	$ 6,074	($ 333,177)	($ 1,495)	$ -	$ 2,004,225	$ 244,501	$ 2,248,726
2020													
Balance at January 1, 2020		$ 664,952	$ -	$ 1,630,860	$ 37,011	$ -	$ 6,074	($ 333,177)	($ 1,495)	$ -	$ 2,004,225	$ 244,501	$ 2,248,726
Loss for the year		-	-	-	-	-	-	(192,735)	-	-	(192,735)	23,149	(169,586)
Other comprehensive loss for the year	6(15)	-	-	-	-	-	-	-	(5,186)	-	(5,186)	(1,206)	(6,392)
Total comprehensive income(loss)		-	-	-	-	-	-	(192,735)	(5,186)	-	(197,921)	21,943	(175,978)
Purchase treasury shares	6(12)	-	-	-	-	-	-	-	-	(20,478)	(20,478)	-	(20,478)
Share-based payments	6(11)	-	-	-	-	-	-	-	-	-	-	504	504
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	-	584,568	584,568
Changes in ownership interests in subsidiaries		-	-	-	(31,111)	290,247	-	-	-	-	259,136	(249,051)	10,085
Exercise of employee stock options	6(11)	80	-	46	-	-	(46)	-	-	-	80	-	80
Balance at December 31, 2020		$ 665,032	$ -	$ 1,630,906	$ 5,900	$ 290,247	$ 6,028	($ 525,912)	($ 6,681)	($ 20,478)	$ 2,045,042	$ 602,465	$ 2,647,507

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 113,654)	($ 254,071)
Adjustments			
Adjustments to reconcile profit (loss)			
Share based compensation cost	6(11)	504	7,187
Expected credit loss (gain)	12(2)	(328)	596
Depreciation expense	6(5)(6)(17)	57,723	52,520
Amortization expense	6(7)(17)	26,551	26,733
Loss disposal of property, plant and equipment	6(20)	-	43
Property, plant and equipment transferred to expense		-	149
Gain on disposal of use-of-right assets		-	(2)
Interest expense	6(6)	3,281	2,738
Interest income	6(19)	(10,025)	(17,638)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(92,070)	(26,709)
Other receivables		(668)	4,617
Inventories		(11,897)	(22,450)
Other prepayments		13,522	(5,363)
Changes in operating liabilities			
Notes payable		-	(11)
Accounts payable		2,546	12,841
Other payables		8,652	26,503
Contract liabilities		(6,521)	(61,243)
Other current liabilities		271	364
Cash outflow generated from operations		(122,113)	(253,196)
Interest received		13,360	18,353
Interest paid	6(6)	(3,281)	(2,738)
Income taxes paid		(39,240)	(4,408)
Net cash flows used in operating activities		(151,274)	(241,989)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal (acquisition) of financial assets at amortised cost		270,124	(395,167)
Acquisition of property, plant and equipment	6(24)	(20,163)	(48,898)
Increase in refundable deposits		(3,342)	(978)
Acquisition of intangible assets	6(7)(24)	(991)	(2,430)
Decrease in other financial assets		-	126,811
Net cash flows from (used in) investing activities		245,628	(320,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	6(9)	12,935	-
Payments of lease liabilities	6(6)	(21,355)	(20,285)
Proceeds from issuance of shares		-	659,658
Exercise of employee share options	6(11)	80	3,170
Acquisition of treasury shares	6(12)	(20,478)	-
Increase in non-controlling interests		614,964	69,488
Proceeds of disposal of holding trust of employee		10,085	-
Subsidiary's cash dividends paid		(30,396)	(776)
Net cash flows from financing activities		565,835	711,255
Effect of exchange rate changes		(4,123)	(4,658)
Net increase in cash and cash equivalents		656,066	143,946
Cash and cash equivalents at beginning of year		472,059	328,113
Cash and cash equivalents at end of year		$ 1,128,125	$ 472,059

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Medeon Biodesign, Inc. (the "Company") was incorporated and approved by the Ministry of Economic Affairs, R.O.C . on December 22, 2012. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research and development of minimally invasive medical devices, and manufacturing and sales of medical device components. The shares of the Company have been trading on the Taipei Exchange since July, 2016.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on January 28, 2021.

3. Application of New Standards, Amendments and Interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘ Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17,‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment:proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the"IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership(%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2020	December 31, 2019	Description
Medeon Biodesign, Inc.	MedeonBio, Inc.	Manufacturing and development of medical devices	100	100	
Medeon Biodesign, Inc.	Medeon International, Inc.	Equity investment and commerce of medical devices	100	100	Note 1,3
Medeon Biodesign, Inc.	Delta Asia International Corporation	Manufacturing and sales of medical device components	52.25	58.79	Note 4
Medeon Biodesign, Inc.	Prodeon Medical Corporation	Manufacturing and development of medical devices	73.54	68.79	Note 5
Medeon Biodesign, Inc.	Yi Chuang Biodesign, Inc.	Sales of medical devices	100	-	Note 6
Medeon International, Inc.	Panther Orthopedics, Inc.	Manufacturing and development of medical devices	66.04	66.04	Note 3
Medeon International, Inc.	Aquedeon Medical, Inc.	Manufacturing and development of medical devices	95.65	92.86	Note 1
Medeon International, Inc.	Jaguar Orthopedics, Inc.	Manufacturing and development of medical devices	50.00	50.00	Note 2

Note l: The company increased the capital of Medeon International, Inc. through a cash infusion in September, 2020, and participated in the Series C Preferred stock issuance amounting to USD3,960,000 of Aquedeon Medical, Inc. through that subsidiary. The shareholding ratio was increased to 95.65%.

Note 2: Jaguar Orthopedics, Inc. was spun-off from Panther Orthopedics, Inc. and Medeon International, Inc. holds 50% equity.

Note 3: The company increased the capital of Medeon International, Inc. through a cash infusion in May, 2020, totaling USD3,000,000, and participated in the Series B Preferred stock issuance amounting to USD3,000,000 of Panther Orthopedics, Inc. through that subsidiary.

Note 4: Delta Asia International Corporation increased the capital through a cash infusion in December, 2020, the company did not participate and the shareholding ratio decreased to 52.25%.

Note 5: The company increased the capital of Prodeon Medical Corporation. through a cash infusion totaling $100,008 in September, 2020. The shareholding ratio was increased to 73.54%.

Note 6: It was established in May, 2020.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2020 and 2019, the non-controlling interest amounted to $602,465 and $244,501, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2020		December 31, 2019	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Delta Asia International Corporation	Taiwan	568,009	52.25	187,767	58.79

Summarised financial information of the subsidiaries:

Balance sheets

	Delta Asia International Corporation	
	December 31, 2020	December 31, 2019
Current assets	$ 1,046,085	$ 244,525
Non-current assets	629,643	276,288
Current liabilities	(143,682)	(101,636)
Non-current liabilities	(432,125)	(68,533)
Total net assets	$ 1,099,921	$ 350,644

Statements of comprehensive income

	Delta Asia International Corporation	
	2020	2019
Revenue	$ 554,314	$ 383,372
Profit before income tax	248,411	122,592
Income tax expense	(50,651)	(24,582)
Profit for the period from continuing operations	197,760	98,010
Profit for the period	197,760	98,010
Total comprehensive income for the period	$ 197,760	$ 98,010
Comprehensive income attributable to non-controlling interest	$ 75,616	$ 30,443
Dividends paid to non-controlling interest	($ 30,396)	($ 776)

Statements of cash flows

	Delta Asia International Corporation	
	2020	2019
Net cash provided by operating activities	$ 225,805	$ 150,298
Net cash used in investing	(14,772)	(42,639)
Net cash provided by financing activities	544,909	10,215
Increase in cash and cash equivalents	755,942	117,874
Cash and cash equivalents, beginning of period	146,309	28,435
Cash and cash equivalents, end of period	$ 902,251	$ 146,309

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

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

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash and cash equivalents

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

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

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

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

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

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

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Research and development equipment	3 years
Office equipment	3~5 years
Machinery and equipment	3~10 years
Leasehold improvements	3~11 years

(13) Leasing arrangements (lessee) − right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(14) Intangible assets

A. Computer software is started at cost and amortised on a straight-line basis over its estimated useful life of 2~5 years.

B. Patents and customer relationships are amortised on a straight-line basis over its economic benefit period of 10 years.

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

(15) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

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

(16) Borrowings

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

(17) Notes and accounts payable

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

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

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

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

(21) Employee share-based payment

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

(22) Income tax

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

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

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

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

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

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

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

(24) Revenue recognition

A. Revenue from assignment of intellectual property and revenue from research and development services

The Group entered into the contracts with a customer to assign the Group's intellectual property and to provide follow-up research and development services to customers. The Group has determined that the assignment of its intellectual property and follow-up research and development services are distinguishable. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The possibility of a variable price contained in the contract resulting in revenue to be written off may be significant when the uncertainty between the expected and variable price is eliminated. In this case, variable price is included in the contract. Revenue recognition is based on the different types of revenue is as follows:

(a) Revenue from assignment of intellectual property

The Group entered into a contract with a customer to assign the Group's intellectual property to customers. The Group recognises the revenue when the intellectual property is transferred to a customer at a point in time.

(b) Revenue from research and development services

The Group provided services related to research and development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided. This is determined based on a ratio of the actual costs spent relative to the total expected costs. Under the circumstances that the Group lacks reliable information in the application of the appropriate method of measuring completion, the Group could estimate the collectible completed cost obligated, it then becomes possible for the Group to recognise revenue in the range of completed cost before the outcome of reasonable obligation. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

B. Sales of goods

(a) The Group manufactures and sales medical device molds and its related products. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

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

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

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

B. Impairment assessment of intangible assets (excluding goodwill)

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

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31 2020, the book value of the Group's inventory is $45,475.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 255	$ 295
Checking accounts and demand deposits	991,166	360,238
Time deposits	136,704	111,526
	$ 1,128,125	$ 472,059

(2) Current financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Time deposits maturing in excess of three months	$ 1,058,078	$ 1,328,202

A. There are no time deposits pledged to others as collateral.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	$ 165,312	$ 73,242
Less: Allowance for bad debts	(506)	(834)
	$ 164,806	$ 72,408

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2020	December 31, 2019
Not past due	$ 155,646	$ 42,092
Up to 30 days	8,713	20,177
31 to 90 days	953	9,403
91 to 180 days	-	-
Over 180 days	-	1,570
	$ 165,312	$ 73,242

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable was all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $46,533.

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

D. The Company does not hold any collateral as security.

E. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was $164,806 and $72,408, respectively.

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 33,017	($ 3,187)	$ 29,830
Work in progress	10,176	(541)	9,635
Finished goods	7,867	(1,857)	6,010
	$ 51,060	($ 5,585)	$ 45,475

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 15,083	($ 1,212)	$ 13,871
Work in progress	8,817	(158)	8,659
Finished goods	13,708	(2,660)	11,048
	$ 37,608	($ 4,030)	$ 33,578

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	$ 218,041	$ 164,600
Cost of services	72,188	93,890
Unallocated manufacturing expense	3,758	6,836
Loss of inventory scrap	2,157	-
Loss on decline in market value	1,555	$ 1,478
Others	783	715
	$ 298,482	$ 267,519

(5) Property, plant and equipment

	2020				
	Research and development equipment	Office equipment	Machinery	Leasehold improvements	Total
At January 1					
Cost	$ 17,469	$ 17,591	$ 183,836	$ 74,278	$ 293,174
Accumulated depreciation	(9,708)	(11,970)	(49,440)	(19,340)	(90,458)
	$ 7,761	$ 5,621	$ 134,396	$ 54,938	$ 202,716
Opening net book amount as at January 1	$ 7,761	$ 5,621	$ 134,396	$ 54,938	$ 202,716
Additions (including transferance)	8,654	657	14,068	131	23,510
Depreciation charge	(4,414)	(2,194)	(19,693)	(6,584)	(32,885)
Net exchange differences	(324)	(47)	-	-	(371)
Closing net book amount as at December 31	$ 11,677	$ 4,037	$ 128,771	$ 48,485	$ 192,970
At December 31					
Cost	$ 25,165	$ 17,870	$ 196,484	$ 74,409	$ 313,928
Accumulated depreciation	(13,488)	(13,833)	(67,713)	(25,924)	(120,958)
	$ 11,677	$ 4,037	$ 128,771	$ 48,485	$ 192,970

	2019				
	Research and development equipment	Office equipment	Machinery	Leasehold improvements	Total
At January 1					
Cost	$ 10,712	$ 16,553	$ 148,771	$ 72,832	$ 248,868
Accumulated depreciation	(6,181)	(10,087)	(32,648)	(12,271)	(61,187)
	$ 4,531	$ 6,466	$ 116,123	$ 60,561	$ 187,681
Opening net book amount as at January 1	$ 4,531	$ 6,466	$ 116,123	$ 60,561	$ 187,681
Additions (including transferance)	6,709	1,845	35,665	1,446	45,665
Disposals	(43)	-	-	-	(43)
Depreciation charge	(3,368)	(2,656)	(17,392)	(7,069)	(30,485)
Net exchange differences	(68)	(34)	-	-	(102)
Closing net book amount as at December 31	$ 7,761	$ 5,621	$ 134,396	$ 54,938	$ 202,716
At December 31					
Cost	$ 17,469	$ 17,591	$ 183,836	$ 74,278	$ 293,174
Accumulated depreciation and impairment	(9,708)	(11,970)	(49,440)	(19,340)	(90,458)
	$ 7,761	$ 5,621	$ 134,396	$ 54,938	$ 202,716

A. There are no property, plant and equipment that were pledged to others as collaterals.

B. As of December 31, 2020 and 2019, the Group has prepaid $1,618 and $2,797, respectively as a result of purchasing equipment (shown as non-current assets "prepayment for business facilities").

(6) Leasing arrangements－lessee

A. The Group leases various assets including buildings and land. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Buildings and land	$ 473,059	$ 114,970
	Year ended December 31, 2020	Year ended December 31, 2019
	Depreciation charge	Depreciation charge
Buildings and land	$ 24,838	$ 22,035

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $384,355 and $47,481, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 3,281	$ 2,738
Expense on short-term lease contracts	1,851	2,615

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $23,206 and $22,900, respectively.

(7) Intangible assets

	2020				
	Patent	Software	Goodwill	Customer relationship	Total
At January 1					
Cost	$ 87,845	$ 11,176	$ 72,189	$ 153,646	$ 324,856
Accumulated amortisation	(27,914)	(7,521)	-	(48,654)	(84,089)
	$ 59,931	$ 3,655	$ 72,189	$ 104,992	$ 240,767
Opening net book amount as at January 1	$ 59,931	$ 3,655	$ 72,189	$ 104,992	$ 240,767
Additions	-	1,271	-	-	1,271
Amortisation charge	(9,047)	(2,140)	-	(15,364)	(26,551)
Net exchange differences	(1,969)	-	-	-	(1,969)
Closing net book amount as at December 31	$ 48,915	$ 2,786	$ 72,189	$ 89,628	$ 213,518
At December 31					
Cost	$ 84,848	$ 12,447	$ 72,189	$ 153,646	$ 323,130
Accumulated amortisation	(35,933)	(9,661)	-	(64,018)	(109,612)
	$ 48,915	$ 2,786	$ 72,189	$ 89,628	$ 213,518

	2019				
	Patent	Software	Goodwill	Customer relationship	Total
At January 1					
Cost	$ 89,314	$ 8,746	$ 72,189	$ 153,646	$ 323,895
Accumulated amortisation	(19,031)	(5,474)	-	(33,290)	(57,795)
	$ 70,283	$ 3,272	$ 72,189	$ 120,356	$ 266,100
Opening net book amount as at January 1	$ 70,283	$ 3,272	$ 72,189	$ 120,356	$ 266,100
Additions	-	2,430	-	-	2,430
Amortisation charge	(9,322)	(2,047)	-	(15,364)	(26,733)
Net exchange differences	(1,030)	-	-	-	(1,030)
Closing net book amount as at December 31	$ 59,931	$ 3,655	$ 72,189	$ 104,992	$ 240,767
At December 31					
Cost	$ 87,845	$ 11,176	$ 72,189	$ 153,646	$ 324,856
Accumulated amortisation	(27,914)	(7,521)	-	(48,654)	(84,089)
	$ 59,931	$ 3,655	$ 72,189	$ 104,992	$ 240,767

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating costs	$ 1,164	$ 1,100
Selling expenses	15,384	15,390
Administrative expenses	64	116
Research and development expenses	9,939	10,127
	$ 26,551	$ 26,733

A. Patent is comprised of the related patents and professional technoligies of developing minimally invasive medical devices.

B. For the purpose of better managing intellectual property, and focusing resources on research and development of related projects to speed up commercialization and afterward assets sale, Medeon Biosurgical, Inc. (the “MBS” Company), a second-tier subsidiary of the Company, not only transfers the technology of ClickClean™ and Abclose™, etc, to the Company, and signed an agreement with the other shareholder of MBS Company, Shen De Biodesign, Inc. (the “Shen De Company”). The agreement states that if the licensing price of research and development results exceeds the transfer price between Shen De Company and Medeon Biodesign, the Company should allocate 42.99 % of the profit to Shen De Company. For the year ended at December 31, 2020, there was no payment to be allocated to Shen De Company.

C. The customer relationship was generated by acquiring Delta Asia International Corporation.

D. (a) Goodwill is allocated as follows to the Group's cash-generating units:

	December 31, 2020	December 31, 2019
Delta Asia International Corporation	$ 72,189	$ 72,189

(b) The recoverable amount of cash-generating units is evaluated through its use value, which is forecasted based on the future cash flow provided by Delta Asia International Corporation. The recoverable amount calculated using the value-in use exceeded their carrying amount, so goodwill was not impaired. The key consideration used for value-in-use are growth and discount rate.

Management determined the budget according to previous performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports and the discount rates used reflect the specific risk relating to the relevent operating segments.

(8) Other accounts payable

	December 31, 2020	December 31, 2019
Salaries and bonus payable	$ 62,947	$ 49,669
Legal and professional fees payable	6,574	5,630
Labour health insurance payable and pension	3,664	3,700
Material payable	535	511
Travel payable	45	656
Payable on equipment	2,712	264
Others	15,434	20,381
	$ 91,911	$ 80,811

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Bank borrowings	Borrowing period is from May 1, 2020 to April 30, 2022; no repayment if they meet the exemption conditions.	1%	NA	$ 11,636
Bank borrowings	Borrowing period is from May 4, 2020 to May 3, 2022; no repayment if they meet the exemption conditions.	1%	NA	1,299
				$ 12,935

The Subsidiary, MedeonBio, Inc., and the second-tier subsidiary, Aquedeon Medical, Inc., are qualified for the concessional loan for SMEs. This application of Paycheck Protection Program(PPP) was granted by local banks. According to the exemption conditions, 75% of the loan must be used for paying employees' salaries and benefits, the other 25% for the interest generated by mortgages, rent and water and electricity bills. There was no such borrowings for the year ended at December 31, 2019.

(10) Pensions

A. The Company and its Taiwan subsidiary have established a defined contribution pension plan (the "New Plan") under the Labour Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its subsidiary contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were $6,412 and $6,235, respectively.

(11) Share-based payment

A. The Company issues employee stock options to full-time employee by issuing new stock. The main content is as follows:

Issuer	Type of arrangement	Grant date	Quantity granted	Contract period	Estimates resign rate	Vesting conditions
The company	Employee stock options	2013.9.27 and 2014.8.13	2,570,000	10 years	21.0%~ 36.8%	Note 1
〃	Employee stock options	2014.8.13	260,000	10 years	6.1%~ 11.6%	Note 1
〃	Employee stock options	2014.11.18	820,000	10 years	6%~12%	Note 1
〃	Employee stock options	2015.6.8	642,000	10 years	11.6%~ 23.3%	Note 1
〃	Employee stock options	2015.11.3	538,000	10 years	29.5%~ 59.1%	Note 1
〃	Cash capital increase reserved for employee preemption	2018.12.1	402,000	NA	NA	Vested immediately
The subsidiary	Employee stock options	2018.1.2 and 2018.4.9	2,000,000	4 years	6%~10%	Note 2
〃	Employee stock options	2019.3.5	555,000	4 years	7%~12%	Note 2
〃	Cash capital increase reserved for employee preemption	2020.12.16	131,000	NA	NA	Vested immediately
The second-tier subdsidiary	Employee stock options	2017.7.11	110,000	10 years	0%	Note 3
〃	Employee stock options	2018.10.1	219,275	10 years	0%	Note 4
〃	Employee stock options	2019.10.1	125,558	10 years	0%	Note 5

Note 1: When employee stock options have expired two years, stock options can be exercised based on the following schedule:

Accumulated ratio stock options that can be exercised

Expired 2 years 50%

Expired 3 years 75%

Expired 4 years 100%

Note 2: When employee stock options have expired one year, stock options can be exercised based on the following schedule:

Accumulated ratio stock options that can be exercised

Expired 1 years 25%

Expired 2 years 75%

Expired 3 years 100%

Note 3: Exercising stock options based on the different service condition as follows:

Vested 1/4 stock-options after serviced one year or at given day, other stock-options can be exercised 1/36 – 1/48 month by month after 36 to 48 months of the aforementioned first-time acquired.

Note 4: Vested 1/4 stock-options after serviced one year, other stock-options can be exercised 1/48 month by month after 48 months of the effective date.

Note 5: 35,000 shares after 48 months of the effective date, the stock-options can be exercised 1/48 month by month; vested 1/4 of 90,558 shares after serviced one year, other stock-options can be exercised 1/48 month by month after 48 months of the aforementioned first-time acquired.

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

a. The Company

	2020		2019	
	No. of options	Exercise price (NTD)	No. of options	Exercise price (NTD)
Options outstanding at January 1	627,500	$ 10~192	944,500	$ 10~222
Options exercised	(8,000)	10	(317,000)	10
Options outstanding at December 31	619,500	10~192	627,500	10~192
Options exercisable at December 31	619,500	10~192	627,500	10~192

b. The subsidiary

	2020		2019	
	No. of options	Exercise price (NTD)	No. of options	Exercise price (NTD)
Options outstanding at January 1	-	$ -	1,725,000	$ 10
Options granted	-	-	555,000	10
Options forfeited	-	-	(1,895,000)	10
Options exercised	-	-	(385,000)	10
Options outstanding at December 31	-	-	-	10
Options exercisable at December 31	-	-	-	-

c. The second-tier subsidiary

	2020		2019	
	No. of options	Exercise price (USD)	No. of options	Exercise price (USD)
Options outstanding at January 1	110,000	$ 0.15	110,000	$ 0.15
Options granted	-	-	-	-
Options forfeited	(10,000)	-	-	-
Options outstanding at December 31	100,000	0.15	110,000	0.15
Options exercisable at December 31	95,313	0.15	83,229	0.15

d. The second-tier subsidiary

	2020		2019	
	No. of options	Exercise price (USD)	No. of options	Exercise price (USD)
Options outstanding at January 1	344,833	$0.17~0.25	219,275	$ 0.17
Options granted	-	-	125,558	0.25
Options forfeited	(38,252)	0.17~0.25	-	-
Options outstanding at December 31	306,581	0.17~0.25	344,833	0.17
Options exercisable at December 31	173,511	0.17~0.25	129,775	0.17~0.25

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

a. The company

		December 31, 2020		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (NTD)	No. of shares (in thousands)	Exercise price (NTD)
2013.9.27	2023.9.27	35	$ 10	35	$ 10
2013.9.27	2024.8.13	75	10	75	10
2014.8.13	2024.8.13	13	10	13	10
2014.11.18	2024.11.18	15	10	23	10
2015.6.8	2025.6.8	362	169	362	169
2015.11.3	2025.11.3	120	192	120	192

b. The second-tier subsidiary

		December 31, 2020		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (USD)	No. of shares (in thousands)	Exercise price (USD)
2017.7.11	2027.7.11	100	$ 0.15	110	$ 0.15

c. The second-tier subsidiary

		December 31, 2020		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (USD)	No. of shares (in thousands)	Exercise price (USD)
2018.10.1	2028.9.30	214	$ 0.17	219	$ 0.17
2019.10.1	2029.9.30	93	0.25	126	0.15

F. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model or other. Relevant information is as follows:

Issuer	Grant date	Stock price (NTD)	Expected price volatility	Option life	Expected dividends rate	Risk-free interest rate	Fair value per unit (NTD)
The company	2013.9.27	$ 10	39.93%~ 41.53%	7 years	0%	0.78%~ 1.66%	$2~$2.29
〃	2014.8.13 ~11.18	$ 10	39.75%~ 40.67%	6~7 years	0%	1.37%~ 1.48%	$5.55~ $7.07
〃	2015.6.8	$ 204	34.75%~ 42.35%	6~7 years	0%	1.26%~ 1.39%	$10.15~ $13.28
〃	2015.11.3	$ 222	44.25%~ 45.22%	6~7 years	0%	1.01%~ 1.09%	$34.14~ $40.26
〃	2018.12.1	$ 86	31.51%	0.1 year	0%	0.60%	$5.50
The subsidiary	2018.1.2~ 4.9	$ 10	14.60%	4 years	0%	0.403%~ 0.542%	$3.8~$4
〃	2019.3.5	$ 10	25.51%	4 years	0%	0.388%~ 0.573%	$3.9~$4.5
〃	2020.12.16	$ 267.98	21.00%	0.005 year	0%	0.20%	$1.70
The second-tier subdsidiary	2017.7.11	USD$0.15	50.00%	6.08 years	0%	1.97%	USD$0.07
〃	2018.10.1	USD$0.17	47.30%	6.08 years	0%	3.10%	USD$0.08
〃	2019.10.1	USD$0.25	67.40%	6.08 years	0%	1.42%	USD$0.15

G. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2020	Year ended December 31, 2019
Equity-settled	$ 504	$ 7,187

(12) Share capital/ Treasury shares

A. As of December 31, 2020, the Company's authorised capital was $1,000,000, consisting of 100,000,000 shares of ordinary stock, and the paid-in capital was $665,032 with a par value of $10 (NTD) per share. All proceeds from shares issued have been collected.

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

	2020	2019
	No. of shares	No. of shares
At January 1	$ 66,495,159	$ 52,139,054
Capital surplus converted to capital	-	6,039,105
Purchase of treasury shares	(394,000)	-
Cash capital increase	-	8,000,000
Employee stock options exercised	8,000	317,000
At December 31	$ 66,109,159	$ 66,495,159

B. In 2020 and 2019, the separate amount recollected due to the exercised employee stock options by the Company is $80 and $3,170, respectively.

C. In 2018, the Company increased its capital by issuing 8,000 thousand shares with a price of NTD 86 (in dollars) per share. The date of the capital increase was set on January 17, 2019. The above capital increase was registered on February, 2019.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows: (There were no such transactions for the year ended December 31, 2019.)

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	394,000	$ 20,478

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

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

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

(13) Capital surplus

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

(14) Accumulated deficits to be covered

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. There is no need for such action if legal reserve meets paid-in capital, it then distributes or rotates legal reserve based on the law. The remaining earnings along with unappropriated earnings of prior years will be retained or distributed as proposed by the Board of Directors and resolved by the shareholders.

The dividend distribution policy of the Company reported to shareholders meeting annually by the Board of Directors is based not only on the current and future investing environment, funds needed , domestic and foreign competition, and the situation of capital, but an the interest of shareholders, balanced dividend and the long-term plans for the Company. The category and ratio of the dividend from the dividend policy may be adjusted by the shareholders based on the actual profit and the situation of available funds of the year. The only restriction is that the total amount of dividend distributed must not be lower than 10 percent of the year's distributable dividend and the ratio of cash dividend distributed must not be lower than 10 percent of the total dividend.

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

C. As of June 13, 2019, the capital surplus of $60,391 and capital increase by retained earnings through the issuance of 6,039,105 of new shares with a par value of NTD 10 were approved at the shareholders' meeting. The above capital increase had been approved by the Financial Supervisory Commission and regristered.

D. As of June 16, 2020, the shareholders' meeting approved a decision that there will be no distribution of shareholders' dividend due to a loss after tax. The dividend policy approved at the shareholders' meeting and those waiting to be resolved by the Board of Directors are posted on the Market Observation Post System.

E. Pursuant to the R.O.C. Securities and Exchange Act, if the financial losses exceed 50% of paid-in capital, the Board of Directors should report the matter at the next shareholders' meeting.

(15) Other equity items

	2020	2019
At January 1	($ 1,495)	$ 3,323
Currency translation differences:		
–Group	(5,186)	(4,818)
At December 31	($ 6,681)	($ 1,495)

(16) Operating revenue

	Year ended December 31,	
	2020	2019
Sales revenue	$ 529,247	$ 343,374
Revenue from research and development service	123,056	106,416
Others revenue	1,597	3,973
	$ 653,900	$ 453,763

A. The Company entered into the Asset Purchase Agreement along with the Master Service Agreement and Supply Agreement for XPro™ Suture-Mediated Vascular Closure Device system (“IVC-C01”) with Terumo Medical Corporation (“Terumo”) on March 2, 2018. According to the agreements, the Company continues to provide services including product development, clinical studies, regulatory affairs, and product supply after the transaction.

The total transaction price of the aforementioned agreements is USD 50 million, consisting of the upfront cash payment of USD 20 million which is fully paid upon closing, and the additional milestone payment up to USD 30 million. The milestone payment will be paid upon achieving the following milestones: (a) completing next-generation product design verification before the end of March 2020 for USD 5 million; (b) obtaining U.S. FDA premarket approval (PMA approval) for the current generation product before the end of June 2021 for USD 10 million; (c) obtaining U.S. FDA PMA approval for the next-generation product before the end of June 2022 for USD 15 million.

Terumo is responsible for all product development costs (including regulatory and clinical related costs), except Terumo and the Company are responsible for its own respective design and development costs for the next-generation product. As agreed by both parties, if any design changes of the next-generation product lead to additional clinical studies requested by the U.S. FDA, the related costs shall be borne by the Company.

Considering the external factors and product development timeline, both parties agreed to revise the agreements accordingly and executed the Amendment in August 2020.

Consistent with the overall milestone payments of USD 30 million in the original agreements, each milestone and timeline has been adjusted as follows: (a) completing engineering verification and technology transfer of the next-generation product before the end of December 2020 for USD 2.5 million; completing design verification of the next-generation product before the end of June 2022 for USD 1 million; (b) completing FDA cGMP audit before the end of June 2021 for USD 2 million; obtaining U.S. FDA PMA approval for the product before the end of December 2021 for USD 6 million; (c) submitting the PMA application for the next-generation product before December 2022 for USD 3 million; obtaining FDA PMA approval for the next-generation product before the end of December 2023 for USD 7 million; (d) launching the next-generation product before December 2023 for USD 4 million; reaching a sales target of 12,500 and 25,000 units within 3 years from product launch for USD 2 million respectively. Other clauses remain unchanged except for the amendments described above. The Amendment has been approved by the Board of Directors on August 6, 2020.

However, the U.S. FDA might postpone overseas on-site audits due to the impact of the COVID-19 pandemic. Considering both parties have cooperated in good faith to move the project forward and to acknowledge the achievements of the project up to now, both parties agreed to divide the first item of milestone payment (b) in the aforementioned amendment into the following two payments: (i) completing the preparation for the U.S. FDA cGMP audit before the end of June

2021 for USD 1 million; (ii) completing the U.S. FDA cGMP on-site audit for USD 1 million (no due date specified). Except the adjustments stated above, other milestone payments and corresponding requirements stipulated in the first Amendment remain unchanged. The Amendment has been approved by the Board of Directors on December 24, 2020.

B. The representations and warranties provided by the Company to Terumo, under this agreement, includes:

(a) The Company is a validly existing legal entity, which is warranted indefinitely. In case of violation, the liability cap of the Company for the breach of this warranty is equal to the transaction price.

(b) The intellectual property warranty which shall remain in effect until the first anniversary of the FDA PMA approval of the next generation product, but no later than July 2023. The liability cap of the Company for the breach of this warranty is initially $2.5 million and will increase with an amount equal to 37.5% of the total receivable milestone payments.

(c) The warranties, except for (a) and (b), shall become effective from the closing and remain valid for a period of 18 months, and the liability cap of the Company for the breach is initially USD 2.5 million and will increase with an amount equal to 12.5% of the total receivable milestone payments.

The maximum amount of liability for the breach of warranties specified above shall not exceed USD 13.75 million unless any of such losses and damages is arising from intentional breach or fraud.

C. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Medical Device Development Department	Medical Device Components Manufacturing and Sales Department		
2020	Revenue from research and development	Sales Revenue	Others	Total
Revenue by region				
America	$ 123,056	$ 526,191	$ 1,597	$ 650,844
China	-	3,056	-	3,056
Total segment revenue	$ 123,056	$ 529,247	$ 1,597	$ 653,900
Timing of revenue recognition				
At a point in time	$ 111,896	$ 529,247	$ 1,597	$ 642,740
Over time	11,160	-	-	11,160
	$ 123,056	$ 529,247	$ 1,597	$ 653,900

2019	Medical Device Development Department: Revenue from research and development services	Medical Device Development Department: Sales Revenue	Medical Device Components Manufacturing and Sales Department: Sales Revenue	Others	Total
Revenue by region					
America	$ 106,416	$ 4,295	$ 338,221	$ 3,973	$ 452,905
Taiwan	-	55	-	-	55
China	-	-	803	-	803
Total segment revenue	$ 106,416	$ 4,350	$ 339,024	$ 3,973	$ 453,763
Timing of revenue recognition					
At a point in time	$ -	$ 4,350	$ 339,024	$ 3,973	$ 347,347
Over time	106,416	-	-	-	106,416
	$ 106,416	$ 4,350	$ 339,024	$ 3,973	$ 453,763

D. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities – current	$ 11,132	$ 17,653	$ 78,896

Contract liabilities classified by nature as follow:

	December 31, 2020	December 31, 2019
Contract relating to research and development services	$ 2,494	$ 12,069
Others	8,638	5,584
	$ 11,132	$ 17,653

(a) As of December 31, 2020, other contracts of the group are shorter than one year.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	$ 15,498	$ 61,243

(17) Expenses by nature

	Year ended December 31, 2020		
	Classified as operating costs	Classified as operating expense	Total
Employee benefit expense	$ 93,316	$ 228,017	$ 321,333
Depreciation charges on property, plant and equipment	28,681	4,204	32,885
Depreciation charges on right-of-use assets	12,414	12,424	24,838
Amortisation charge	1,164	25,387	26,551

	Year ended December 31, 2019		
	Classified as operating costs	Classified as operating expense	Total
Employee benefit expense	$ 89,535	$ 227,947	$ 317,482
Depreciation charges on property, plant and equipment	24,461	6,024	30,485
Depreciation charges on right-of-use assets	6,161	15,874	22,035
Amortisation charges	1,100	25,633	26,733

(18) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	$ 287,417	$ 285,171
Labour and health insurance fees	19,341	15,402
Pension costs	6,412	6,235
Directors' remuneration	2,156	2,259
Other personnel expenses	6,007	8,415
	$ 321,333	$ 317,482

A. In accordance with the Articles of Incorporation of the Company, the distributable profit of the current year, after covering accumulated losses, shall be reserved no less than 1% for employees compensation and no more than 2% for directors remuneration.

B. For the years ended December 31, 2020 and 2019, no employees compensation and directors remuneration were accrued due to accumulated deficit of the Company. Information about employees compensation and directors and supervisors remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	$ 10,025	$ 17,638

(20) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposals of property, plant and	$ -	($ 43)
Net foreign exchange gains losses	(29,640)	($ 14,405)
Others	5,879	2,771
	($ 23,761)	($ 11,677)

(21) Income tax

A. Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the year	$ 58,778	$ 28,990
Tax on undistributed surplus earnings	723	-
Prior year income tax (over) underestimation	(1,787)	16
Total current tax	57,714	29,006
Deferred tax:		
Origination and reversal of temporary differences	(1,782)	(357)
Total deferred tax	(1,782)	(357)
Income tax expense	$ 55,932	$ 28,649

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	($ 50,927)	($ 76,677)
Effect on income tax expense by tax regulation	(5,608)	(1,380)
Prior year income tax (over) underestimation	(1,787)	16
Temporary differences not recognised as deferred tax assets	22,866	22,276
Taxable loss not recognised as deferred tax assets	83,367	80,347
Tax on undistributed earnings	723	-
Separate taxation	5,281	4,067
Others	2,017	-
Income tax expense	$ 55,932	$ 28,649

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

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
－Deferred tax assets:			
Allowance for loss on inventory	$ 806	$ 311	$ 1,117
Allowance for excess of bad debt losses	88	(88)	-
No vacation bonus	352	55	407
Unrealized exchange loss	1,093	1,504	2,597
Total	$ 2,339	$ 1,782	$ 4,121

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
－Deferred tax assets:			
Allowance for loss on inventory	$ 510	$ 296	$ 806
Allowance for excess of bad debt losses	48	40	88
No vacation bonus	111	241	352
Unrealized exchange loss	26	1,067	1,093
Unpay rent expense	327	(327)	-
Tax losses	960	(960)	-
Total	$ 1,982	$ 357	$ 2,339

D. As of December 31, 2020, details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

Qualifying items	Year incurred	Total deductible amount	Unused tax credits	Expiry year
Research and development	2013	$ 5,059	$ 5,059	Note
Research and development	2014	6,144	6,144	Note
Research and development	2015	14,860	14,860	Note
Research and development	2016	24,158	24,158	Note
Research and development	2017	29,625	29,625	Note
Research and development	2018	30,369	30,369	Note
		$ 110,215	$ 110,215	

Note: Under the Regulations Governing Application of Investment Tax Credits to the Funds Invested in Research and Development and Personnel Training by a Biotech and New Pharmaceuticals Company, the Company is entitled to the investment tax credits, which can be used to offset against the income tax payable starting from the time when the

Company is subject to corporate income tax. Any unused tax credit is available for the following four years.

Due to the uncertainty of its realization, the aforementioned unused research and development deductible is not recognized as deferred tax assets.

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

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	$ 210,408	$ 59,169	$ 59,169	2026
2017	243,238	215,412	215,412	2027
2018	47,645	47,645	47,645	2028
2019	233,125	233,125	233,125	2029
2020	215,982	215,982	215,982	2030
	$ 950,398	$ 771,333	$ 771,333	

F. For the year ended December 31, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

Both Delta Asia International Corporation and Prodeon Medical Corporation. have been assessed and approved by the Tax Authority till 2018.

G. There were no tax payables for the years 2020 and 2019 due to losses in the US subsidiaries, and related deferred tax assets have not been recognized due to the deductible temporary differences and the uncertainty of future realisation caused by unused tax loss. As of December 31, 2020, the total amount of unused tax deduction of the US subsidiaries is USD 6,693 thousand. According to the revised US Federal Tax Law, income tax is deductible for future profit year, and according to the California Tax Law, deductible profit loss can be used up to 10 years.

(22) Losses per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 192,735)	66,250	($ 2.91)

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 261,985)	66,084	($ 3.96)

Due to loss in 2020 and 2019, potential ordinary stocks are excluded since such stocks are anti-dilutive. Therefore, it is the same as basic losses per share.

(23) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary and the second-tier subsidiary.

Subsidiaries, Delta Asia International Corporation and Prodeon Medical Corporation, as well as second-tier subsidiary Aquedeon Medical, Inc. of the Group increased its capital by issuing new shares on December and September, 2020, respectively. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest by 6.54%, increased by 3.75% and by 2.79%, respectively. The transactions decreased non-controlling interest by $253,207 and increased the equity attributable to owners of parent by $253,207.

B. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On December, 2019, the Group disposed of 3% of shares of its subsidiary—Delta Asia International Corporation for a total cash consideration of $46,440. The carrying amount of non-controlling interest in Delta Asia International Corporation was $178,339 at the disposal date. This transaction resulted in an increase in the non-controlling interest by $9,429 and an increase in the equity attributable to owners of the parent by $37,011.

(24) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	$ 23,510	$ 45,665
Add: Opening balance of payable on equipment	264	1,057
Ending balance of prepayment on equipment	1,618	2,797
Property, plant and equipment transferred to expense	-	149
Prepaid equipment transferred to intangible assets	280	-
Less: Ending balance of payable on equipment	(2,712)	(264)
Opening balance of prepayment on equipment	(2,797)	(506)
Cash paid during the year	$ 20,163	$ 48,898

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of intangible assets	$ 1,271	$ 2,430
Less: Prepaid equipment transferred to intangible assets	(280)	-
Cash paid during the year	$ 991	$ 2,430

7. Related Party Transactions

(1) There was no significant transactions in the Group during 2020 and 2019.

(2) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	$ 84,519	$ 95,257
Share-based payments	55	1,589
Total	$ 84,574	$ 96,846

8. Pledged Assets

None.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

As of December 31, 2020 and 2019, the other significant commitments of the Group are as follows:

A. As of December 31, 2020 and 2019, capital expenditure contracted for at the balance sheet date but not yet incurred are $0 and $925, respectively.

B. Information relating to the profit distribution of the commercialization of research products according to the intangible asset transfer contract signed between the Company and Shen De Biodesign, Inc. is provided in Note 6(7).

C. Information relating to the commitment stipulated in the Assets Purchase Agreement along with the Master Service Agreement and Supply Agreement for XPro^{TM} Suture-Mediated Vascular Closure Device system signed with Terumo is provided in Note 6(16).

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On January 28, 2020, the Board of Directors approved the capital increase of MedeonBio, Inc. with a full subscription of 1,000,000 shares and a total amount of USD 2,000,000.

12. Others

(1) Capital management

The Company's objectives when managing capital at this stage are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital, and to provide stable returns for shareholders after the future operation become profitable. To achieve the aforementioned targets, the Company maintains or adjusts its capital structure through, but not limited to, cash capital increase to repay or replenish working capital, dividend distribution, capital reduction and others. The Company monitors and manages capital on the basis of the debt-to-equity ratio. The ratio is calculated as 'net debt' divided by 'total equity'. The net debt is calculated as 'total liability' less cash and cash equivalents. 'Total equity' is calculated as 'total equity' as shown in the balance sheet.

During the year ended December 31, 2020 and 2019, the Group's total liabilities are less than cash and cash equivalents, thus, the debt-to-equity ratio is 0%.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortised cost/loan and receivables		
Cash and cash equivalents	$ 1,128,125	$ 472,059
Financial assets at amortised cost	1,058,078	1,328,202
Accounts receivable	164,806	72,408
Other receivables	3,497	6,164
Guarantee deposits paid	9,309	5,967
	$ 2,363,815	$ 1,884,800
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable	$ 28,264	$ 25,718
Other accounts payable	91,911	80,811
Long-term borrowing	12,935	-
	$ 133,110	$ 106,529
Lease liability	$ 479,828	$ 118,327

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to coordinate with the Group treasury to hedge the overall foreign exchange risk.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

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

	December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 21,373	28.48	$	608,703
Financial liabilities				
Monetary items				
USD:NTD	82	28.48		2,335

	December 31, 2019			
	Foreign currency amount (In thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 17,494	29.98	$	524,470
Financial liabilities				
Monetary items				
USD:NTD	259	29.98		7,765

v. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to $29,640 and $14,405, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 6,087	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	23	-

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 5,245	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	78	-

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only rated parties with a good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

iii. The Group considers the historical experience, the default occurs when the contract payments are past due over 180 days.

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

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Group classifies customers' accounts receivable in accordance with credit rating of customers. The Group applies the simplified approach using provision matrix to estimate expected credit loss.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~60 days past due	61~90 days past due	Over 90 days	Total
At December 31, 2020						
Expected loss	0.03%~0.48%	0.03%~1.40%	0.03%~2.82%	%	0.03%~25%	
Total book value	$ 155,646	$ 8,713	$ 953	$ -	$ -	$ 165,312
Loss allowance	$ 367	$ 121	$ 18	$ -	$ -	$ 506

	Not past due	Up to 30 days past due	31~60 days past due	61~90 days past due	Over 90 days	Total
At December 31, 2019						
Expected loss	0.03%~0.47%	0.03%~1.38%	0.03%~2.82%	%	0.03%~25%	
Total book value	$ 42,092	$ 20,177	$ 315	$ 9,088	$ 1,570	$ 73,242
Loss allowance	$ 179	$ 253	$ 9	$ -	$ 393	$ 834

ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020
	Accounts receivable
At January 1	$ 834
Reversal of impairment loss	(328)
At December 31	$ 506

	2019	
	Accounts receivable	
At January 1	$	238
Provision for impairment		596
At December 31	$	834

(c) Liquidity risk

i. Cash flow forecasting is performed by the Group. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and research needs.

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

Non-derivative financial liabilities

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	$ 28,264	-	-	-
Other payables	91,911	-	-	-
Lease liability	32,667	41,991	103,505	386,430
Long-term borrowings	-	13,064	-	-

Non-derivative financial liabilities

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	$ 25,718	-	-	-
Other payables	80,811	-	-	-
Lease liability	23,481	17,929	46,532	40,480

(3) Fair value information

The management of the Company has determined that the book value of financial assets and liabilities that does not use fair value is approximate to fair value, including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid, other financial assets and other payables.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to Table 2.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Table 3.

14. Segment Information

(1) General information

The main services of the Group are the research and development of medical devices, manufacturing and sale of injection molding and components of medical devices. The Board of Directors of the Group evaluates the performance of each operating department based on the operating outcome categorized by function presented in the consolidated financial statements.

(2) Measurement of segment information

The accounting policy of operating departments and the summary of significant accounting policy stated in Note 4 of the consolidated financial in the same. Evaluation of the performance of operating departments is based on after-tax operating income of each operating department.

(3) Information about segment profit or loss, assets and liabilities

A. The after tax profit and loss presented to the operation decision maker is under the same evaluation method of the consolidated income statement. Therefore, there is no need for adjustment.

B. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Medical Device Development Department	Medical Device Components Manufacturing and Sales Department	Write-offs	Total
Revenue from external	$ 123,056	$ 530,844	$ -	$ 653,900
Inter-segment revenue	-	23,470	(23,470)	-
Operatingt revenue	$ 123,056	$ 554,314	($ 23,470)	$ 653,900
Segment income (loss)	($ 442,236)	$ 182,396	$ 90,254	($ 169,586)
Segment income (loss), including the following				
Depreciation expense	$ 21,059	$ 36,664	$ -	$ 57,723
Amortisation expense	$ 9,414	$ 17,137	$ -	$ 26,551
Interest revenue	$ 9,610	$ 415	$ -	$ 10,025
Expense of income tax	$ 5,281	$ 50,651	$ -	$ 55,932

	Medical Device Development Department	Medical Device Components Manufacturing and Sales Department	Write-offs	Total
Revenue from external	$ 110,766	$ 342,997	$ -	$ 453,723
Inter-segment revenue	-	40,375	(40,375)	-
Operatingt revenue	$ 110,766	$ 383,372	($ 40,375)	$ 453,723
Segment income (loss)	($ 460,056)	$ 98,010	$ 79,326	($ 282,720)
Segment income (loss), including the following				
Depreciation expense	$ 19,791	$ 32,729	$ -	$ 52,520
Amortisation expense	$ 9,951	$ 16,782	$ -	$ 26,733
Interest revenue	$ 17,188	$ 450	$ -	$ 17,638
Expense of income tax	$ 4,067	$ 24,582	$ -	$ 28,649

(4) Information on products and services

Revenue from external customers is mainly from the research and development services and the manufacture and sale of medical device components.

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ -	$ 812,064	$ 55	$ 479,821
US	650,844	69,101	452,905	81,429
China	3,056	-	803	-
Total	$ 653,900	$ 881,165	$ 453,763	$ 561,250

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
	Revenue	Revenue
A	$ 338,020	$ 267,088
B	123,056	106,416
C	64,628	47,316

MEDEON BIODESIGN, INC.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets
0	Medeon Biodesign, Inc.	Delta Asia International Corporation	1	Operating expense	$ 9,757	Agreed by both parties	1.49
0	Medeon Biodesign, Inc.	Delta Asia International Corporation	1	Operating cost	14,919	Agreed by both parties	2.28
0	Medeon Biodesign, Inc.	Delta Asia International Corporation	1	Other payables- related parties	4,146	Agreed by both parties	0.13
0	Medeon Biodesign, Inc.	MedeonBio, Inc.	1	Operating expense	53,261	Agreed by both parties	8.15
0	Medeon Biodesign, Inc.	MedeonBio, Inc.	1	Other payables- related parties	9,519	Agreed by both parties	0.29
0	Medeon Biodesign, Inc.	Medeon International, Inc.	1	Other payables- related parties	6,356	Agreed by both parties	0.19
0	Medeon Biodesign, Inc.	Prodeon Medical Corporation	1	Other income	8,592	Agreed by both parties	1.31
0	Medeon Biodesign, Inc.	Aquedeon Mediacal, Inc.	1	Other income	3,019	Agreed by both parties	0.46
0	Medeon Biodesign, Inc.	Aquedeon Mediacal, Inc.	1	Accounts receviable- related parties	451	Agreed by both parties	0.01
1	MedeonBio, Inc.	Prodeon Medical Corporation	3	Operating revenue	92,837	Agreed by both parties	14.20
1	MedeonBio, Inc.	Prodeon Medical Corporation	3	Accounts receviable- related parties	9,853	Agreed by both parties	0.30
1	MedeonBio, Inc.	Aquedeon Mediacal, Inc.	3	Operating revenue	24,203	Agreed by both parties	3.70
1	MedeonBio, Inc.	Aquedeon Mediacal, Inc.	3	Accounts receviable- related parties	6,267	Agreed by both parties	0.19

NOTE1： The above transactions between the Company and its subsidiaries and those between the subsidiaries have been wrote-off in the consolidated financial reports.

NOTE2： The numbers for the company in respect of inter-company transactions are as follows：

Medeon Biodesign, Inc.：0

MedeonBio, Inc.：1

Medeon International, Inc.：2

Delta Asia International Corporation：3

Prodeon Medical Corporation：4

Panther Orthopedics, Inc.：5

Aquedeon Mediacal, Inc.：6

NOTE3： Relationship between transaction company and counterparty is classified into the following three categories：

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

MEDEON BIODESIGN, INC.

Information on investees

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2020	Initial investment amount: Balance as at December 31, 2019	Shares held as at December 31, 2020: Number of shares	Shares held as at December 31, 2020: Ownership (%)	Shares held as at December 31, 2020: Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
Medeon Biodesign, Inc.	Delta Asia International Corporation	Taiwan (R.O.C)	Manufacturing and sales of medical device components	$ 310,895	$ 310,895	10,839,508	52.25	$ 693,728	$ 182,396	$ 106,780	Note 4
Medeon Biodesign, Inc.	Prodeon Medical Corporation	Taiwan (R.O.C)	Manufacturing and development of medical devices	292,798	192,790	8,228,500	73.54	40,174	(109,458)	(78,545)	
Medeon Biodesign, Inc.	Yi Chuang Biodesign, Inc.	Taiwan (R.O.C)	Sales of medical devices	100	-	10,000	100.00	100	-	-	
Medeon Biodesign, Inc.	MedeonBio, Inc.	US	Manufacturing and development of medical devices	103,512	103,512	1,900,000	100.00	44,321	(8,063)	(8,063)	
Medeon Biodesign, Inc.	Medeon International, Inc.	Samoa	Equity investment and commerce of medical devices	451,037	334,654	14,910,000	100.00	110,021	(110,426)	(110,426)	
Medeon International, Inc.	Panther Orthopedics, Inc.	US	Manufacturing and development of medical devices	142,400	149,900	3,500,000	66.04	32,135	(48,286)	(31,888)	Note 1 and 3
Medeon International, Inc.	Aquedeon Medical, Inc.	US	Manufacturing and development of medical devices	215,309	107,928	4,400,000	95.65	70,120	(83,243)	(78,332)	Note 2 and 3
Medeon International, Inc.	Jaguar Orthopedics, Inc.	US	Manufacturing and development of medical devices	-	-	2,000,000	50.00	(474)	(492)	(246)	Note 5

Note 1：It is originally 5 million US dollars, using the exchange rate at the balance sheet day to convert.
Note 2：It is originally 7.56 million US dollars, using the exchange rate at the balance sheet day to convert.
Note 3：Preferred stock.
Note 4：The profit and loss of investee excludes the amortisation of intangible assets generated by business merger.
Note 5：It is established by the spun-off of Panther Orthopedics, Inc.

MEDEON BIODESIGN, INC.
Major shareholders information
December 31, 2020

Table 3

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Center Laboratories, Inc.	19,772,252	29.73
Taiwan Global Biofund	11,557,134	17.37
Medeon, Inc. (Cayman Island)	7,540,392	11.33