Stock Code：4737

Information ReportWebsite：http://mops.twse.com.tw

Company Website：http://www.bionime.com.tw

BIONIME

Bionime Corporation

2018 Annual Report

Published on 1 May, 2019

1. Company Spokesman:

Spokeman

Name: Huang Chu-Mu

Title: Chairman

Tel: (04) 2369-2388

Email: investor@bionime.com

Acting spokeman

Name: Chen Hui-Zhen

Title: Chief Financial Officer

Tel: (04) 2369-2388

Email: investor@bionime.com

2. Address and telephone number of the Company:

Address: No. 100, Section 2, Daqing Street, Southern District, Taichung

Tel: (04)2369-2388

Fax: (04)2261-7586

3. Name, address and telephone number of the stock transfer agency:

Name: Stock Agency Department, China Trust Commercial Bank

Address: 5th Floor, No. 82, Section 1, Chongqing South Road, Taipei

Website: www.chinatrust.com.tw

Tel: (02) 6636-5566

4. CPAs certifying the latest financial statements

Names of CPAs: Zhang Zi-Xing, Huang Hai-Ning

Name of CPA firm: KPMG Taiwan

Address: 68th Floor, No. 7, Section 5, Xingyi Road, Xingyi District, Taipei

Website: www.kpmg.com.tw

Tel: (02) 8101-6666

5. Venue for trading the Company's listed overseas securtities and inquiry method for such overseas securities: Nil

6. Company website: http://www.bionime.com.tw

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I. Letter to Shareholders

(1)2018 Business result: （Unit: NT$ thousand）

Annual	2018	2017	Increase/Decrease	Percentage
Net Operating Revenue	2,007,222	1,820,267	186,955	10.27%
Gross Profit	916,999	795,773	121,226	15.23%
Operating Expenses	676,448	546,702	129,746	23.73%
Operating Income	240,551	249,071	(8,520)	-3.42%
Income after Tax	127,892	149,608	(21,716)	-14.52%

(2) The analysis of 2017 and 2018 financial structure and profitability:

Items / Annual		2018	2017
Financial Structure	Debts ratio(%)	56.57	52.51
	Long Term Funds to Fixed Assets(%)	115.53	103.99
Profitability	Return on Assets(%)	3.39	3.73
	Return On Equity(%)	6.28	6.41
	Profit Margin(%)	6.37	8.21
	Earnings Per Share	2.23	2.52

(3) Budget implementation: The execution of budget is not disclosed, as the 2018 financial forecast was not publicly released.

(4) Status of research and development:

(1) The ratio of research and development fee in net amount of revenue and the result of research and development in last 3 years

Annual / Items	2018	2017	2016
R&D Expenses	201,186	159,960	140,385
Net income ratio	10.02%	8.79%	8.07%

R&D Achievements	GM702 POCT is on the market. GM236 Blood Glucose Monitor with Bluetooth is on the market.	GM761 POCT is on the market. GM700SB Blood Glucose Monitor with Bluetooth is on the market. IOT Blood Glucose Management APP is on the market.	GM291 IOT Blood Glucose Monitor is on the market. GM292 Blood Glucose Monitor is on the market. GE333 Blood Glucose Monitor with Bluetooth is on the market.

(2)Machine types expected be developed in 2019:
A. New type of High-Speed Lancing Device
B. Blood Glucose Monitor
C. New type of Strips for Monitors
D. Continuous blood glucose monitor

2. 2019 Business Plan

Looking ahead to 2019, Bionime is dedicated to enhance its competitiveness and carry through social responsibility in order to achieve corporate sustainable development. We not only place emphasis on production improvement of automation and skills and quality, but push for refined management via modify procedure and business process to reduce cost effectively. Management strategy will continue to highlight focus on innovating products and developing IOT. A few clients had been our main source of revenue in 2018. Bionime will continue to reinforce our development with new markets, new approaches and new clients. We will expand business growth, improve operational performance and magnify Bionime's competitive advantage.

3. The Expected Development Strategy

(1) Orientation of Strategic Branding: With the price-performance advantage of blood glucose monitor and our dedication to the IOT service system in the past two years, we re-oriented our brand strategy of blood glucose management and structure global brand authorization plan. Apart from replacing the brand awareness of blood glucose monitor of the past, distinguish the difference from other competitors and strengthen Bionime’s unique competitive advantages, we target on arrange the transformation of IOT industrial model in response.
(2) Enhance Media Exposure: In 2018, Bionime Rightest blood glucose management service and resolution was recognised by the International Innovation Award and the Taiwan Excellence Award. In addition to capturing greater international media exposure, we are determined to alter our role from a product provider to a resolution provider. We will continue to seize chances on related awards and media exposure in 2019.
(3) Related New Products Development in Diabetes Care: Invest in developing diabetes care medical equipment.

4. External competition environment, Legislation and the influence of Overall Management

(1) External competition environment
According to the report by TIER, the medical device market is expected to rise steadily with growing demand from the ageing society, growth of chronic disease, and raised awareness on

health issue. The scale of medical device market is expected, by ITRI, to reach USD389.1 billion. The increasing requirement in chronic disease monitor system by reason of global ageing population and emerging countries keep strengthening medical infrastructure. Mainland China has started to implement its strategic policy of "2030 Healthy China", underscoring its devotion in replacing or optimizing the facilities of medical institution in second and third-tier cities. The resulted increase in demand for basic medical equipment and facilities will facilitate the growth of medical supplies sales growth, though intensifying the competition between medical suppliers.

It is estimated by expert reports that the growth rate of continuous blood glucose monitor, or CGM, will be the highest in the market of blood glucose monitoring. Product development will be more in more sensitive and wearable. Also, Blood glucose monitor related products, Insulin Pump, will develop in faster, smaller and humanized, and even combine with CGM, integrated equipment become the main direction in development monitor and treatment. Suppliers may alter relevant business strategy and R&D to align with the trend.

(2) Legislation
The EU is expected to execute its new Medical Devices Regulation in 2020. The new regulation requires constant upgrade on examination standard with the technical level of the product. There will be stricter request on product safety, performance evaluation, clinical trial and clinical. The impact of the regulation should not be underestimated, since the EU has been one of our main source of revenue.

(3) The influence of Overall Management
Export has been our key mode of product sales. The recent trade war between US and China, increase on international tariff, and fluctuation of exchange rate all constitute as factors that may impact overall selling market, supply chain and profit.

We would like to thank our colleagues, for your persistent efforts in upholding the strategic goal of the company, and the shareholders, for your supports and encouragements. Looking ahead, through augmented hard-work and competitiveness, we relish the sustainable prospect of our business playing the international leading role in the industry of medical measurement devices. We shall not fail your expectation and concern.

Best Regards.

Chairman and General Manager: Huang, Chun-Mu

Accounting Supervisor: Liao, Chen-Yu

II. Company Profile

1. Company Profile

(1) Date of Establishment: April 14, 2003

(2) Address and telephone number of the head office branch office and factory

No. 100, Sec. 2 Daqing Street, South District, Taichung.

Head office telephone number: (04)2369-2388

Da-Wei factory address: No. 34, Da-Wei Road, Dali District, Taichung

Da-Wei factory telephone number: (04) 2406-5558

(3) Company History

2003	April	"BIONIME" was founded
2004	November	The Subsidiary BVI was set up - BIONIME INCORPORATED
2005	April	The Subsidiary BIONIME GmbH Switzerland was set up
	June	Passed Taiwan GMP Certification
2006	February	The Subsidiary BIONIME (ShenZhen) was set up
	June	Obtained the structure of disposable electrochemical test piece from the United States and Taiwan and the patent for its production
2007	July	Passed TNO Certification: BIONIME blood glucose detection system Rightest passed the European TNO Certification, Report Number CERTI 06.20578
2008	February	American subsidiary - BIONIME USA Corporation was set up.
2009	January	Cash increased by NT$13,281 thousand, and the paid-in capital increased to NT$278,844 thousand
	September	Capital surplus transferred to capital was NT$27,884 thousand, dividend and employee dividends were converted into common stock of NT$43,757 thousand, employee stock option certificates were converted into common stock of NT$1,871 thousand, and the paid-in capital increased to NT$352,356 thousand

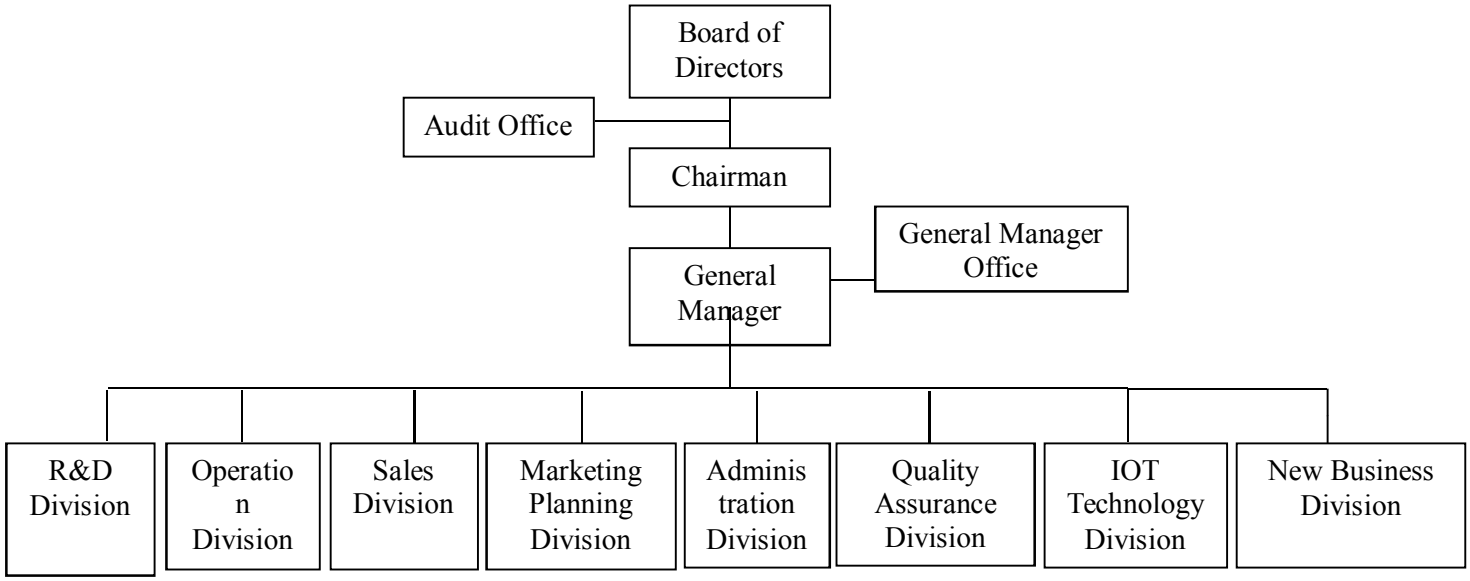
2010	February	Employee stock option certificates converted to common stock of NT$10,000 thousand, paid-in capital increased to NT$362,356 thousand.
2010	February	Australian subsidiary - Bionime Australia Pty Ltd. was set up
	August	Approved to apply a high-tech list company by Industrial Development Bureau, Ministry of Economic Affairs.
	September	Won the highest award of Taipei Biotech competition – Technical Commoditization Gold Award
	December	Cash increased and was officially listed
2011	March	Strategic global cooperation with GE during term of Licensing Agreement in diabetes technology
	July	Purchase of land property for extending operation
	July	Passed Taiwan AEO Certification –for import and export industry and manufacturing industry
	September	Passed certification of OHSAS 18001 (Occupational Health and Safety Assessment Series)
	December	Won the Innovation Award from Taiwan Ministry Economic Affair
2012	January	The first domestic unsecured convertible corporate bond issuance completed
	January	The new plant broke ground
	January	Officially launched the blood glucose meter GE100 in North America
	February	The first domestic private placement of unsecured convertible corporate bonds
	December	New product “Mylife Unio” shipped to European Market
2013	March	New building & factory completion

	March	Mylife Unio won Reddot Design Award
	September	The new plant Daqing factory passed Taiwan GMP certification
	September	The blood collection pen GD500 won the Silver Award of National Invention Award
	October	The new blood glucose meter GM720 won the praise of the Ministry of Economics for industrial innovation achievements
2014	January	GM720 won the Taiwan Excellence Award
	June	Members of the Diplomatic and Economic Representatives based in Taiwan visited Bionime for exchange of international business.
	November	Won the silver medal of 2014 Invention Creation Award
2015	December	Private placement of securities of NT$1.14billion
2016	August	Certified by Brazil's National Health Surveillance Agency and received ANVISA Certificate
2017	February	GM700 Pro GM700 won the Taiwan Excellence Award
2018	March	Established Malaysian subsidiary – Bionime (Malaysia) SDN BHD
	November	Rightest smart blood glucose management won the 27th Taiwan Excellence Award in 2019

III. Corporate Governance Report

1. Organization System

(1) Organization Structure (01/01/2019)



(2) Division Functions

Division	Functions
General Manager	Abide by the resolutions of the shareholders' meeting and the board of directors, and orders from the board of directors, concerning all matters with the Company.
Audit Office	Report to the Board and Administration Division to take in the extent to which the operational effectiveness and efficiency objectives have been achieved as well as the reliability of the financial statements and relevant laws and regulations to comply with the relevant internal controls. Point out internal control deficiencies and any suggestions as well as abnormal matters tracking improvement.
R&D Division	Responsible for blood glucose meter, test strip software and hardware design for new product development
Operation Division	In charge of the Company's production and outsourcing processing, and achieve the Company's annual production plans and goals.
Sales Division	In charge of the Company's product business sales and customer service.
Marketing Planning Division	1. Responsible for the market development and promotion. 2. Search market information, plan market development and new product development plans.
Administration Division	Responsible for the Company's administrative affairs, human resources management, information management, financial management and

	accounting.
Quality Assurance Division	Independently responsible for company quality management matters.
IOT Technology Division	Apply innovate software technology to build a diabetes health care Cloud system.
New Business Division	Research evaluation and development design of new products.

2. Information of Directors, Supervisors, General Managers, Deputy General Managers, Assistant General Managers and other Departments and Branch Managers

(1) Information of Directors and Supervisors

April 22, 2019; Unit: share

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Elected Date	Term	Date First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Current Shareholding		Current Shareholding in the name of others		Experience (Education) (Note3)	Current Positions at the Company and other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relations
Chairman	Taiwan	Huang,Chun-Mu	Male	2/5/2016	3	4/14/2003	2,405,492	3.79%	2,405,492	4.04%	1,120,380	1.88%	-	-	National Taipei University of Technology MS Tech General Manager	General Manager of the Company	-	-	-
Director	Taiwan	HUA ENG WIRE&CABLE CO.,LTD	-	2/5/2016	3	3/25/2010	7,807,900	12.31%	7,807,900	13.12%	0	0.00%	-	-			-	-	-
		Representative：Lin,Ming-Hsiang	Male	2/5/2016	3	3/25/2010	0	0.00%	0	0.00%	0	0.00%	-	-	Department of Business at Kaohsiung Commercial High School Examination Yuan Level B Financial Executive Qualification Deputy general manager at Hua Eng Wire & Cable Co., Ltd	Director at Hua Eng Wire & Cable Co., Ltd Director at First Copper Technology Co., Ltd. Director atChina Ecotek Corporation Director at Wafer Works Corp. Managing Supervisor at Asia Pacific Telecom Co., Ltd. Director at Co-Tech Development Corporation Director at Savior Lifetec Corporation Director at Pixon Technologies Deputy General Manager at Hua Eng Wire & Cable Co., Ltd	-	-	-

Director	Taiwan	Chiang,Tai-Hsiung	Male	2/5/2016	3	10/17/2007	807,657	1.27%	807,657	1.36%	6,280	0.01%	-	-	Graduate Institute of Law from Chinese Culture University Deputy general manager at Microlife	Executive deputy manager of the Company Director at ONBO Electronic (Shenzhen)	-	-	-
Director	Mainland China	TONGHUA DONGBAO Pharmaceutical CO., LTD.	-	2/5/2016	3	2/5/2016	12,000,000	18.91%	12,000,000	20.17%	0	0.00%	-	-			-	-	-
Independent Director	Taiwan	Tsai ,Gan-Ren	Male	2/5/2016	3	11/24/2009	0	0.00%	0	0.00%	0	0.00%	-	-	PhD in Biochemistry and Molecular Biology from Wayne State University, USA Professor, Department of Medical Laboratory and Biotechnology at Chung Shan Medical University	-	-	-	-
Independent Director	Taiwan	Kuo, Li-Jen	Female	2/5/2016	3	11/24/2009	0	0.00%	0	0.00%	0	0.00%	-	-	Doctor of Business Administration from National Taipei University Assistant Professor of Department of Business Administration at National Taipei University Assistant Professor of Department of Business Administration at Chung Yuan Christian University	Independent Director at Sunnic Technology & Merchandise Inc.	-	-	-
Independent Director	Taiwan	Lu,Hsueh-Yu	Male	2/5/2016	3	6/28/2013	0	0.00%	0	0.00%	129,246	0.22%	-	-	Department of Mechanical Engineering at National Cheng Kung University Deputy General Manager at Microlife General Manager at Microlife General Manager at ONBO Electronics (Shenzhen)	General Manager at Vega Technologies Inc.	-	-	-

Supervisor	Taiwan	Tai,Tsung-Kai	Male	2/5/2016	3	5/15/2007	405,236	0.64%	405,236	0.68%	22,003	0.04%	-	-	Department of Physics at Tunghai University Director at UNIVACCO Technology Inc. General Manager at UNIVACCO Inc. Vacuum Materials (Dongguan)	-	-	-	-
Supervisor	Taiwan	Su,Chin-Pin	Male	2/5/2016	3	2/5/2016	1,087,817	1.71%	1,087,817	1.83%	0	0.00%	-	-	Department of International Grade at Soochow University	General Manager at Maxhealth Corporation	-	-	-
Supervisor	Taiwan	Lin,Chien-Hsing	Male	2/5/2016	3	6/28/2013	12,501	0.02%	12,501	0.02%	2,000	0.00%	-	-	Department of Finance and Taxation at National Chengchi University		-	-	-

Note 1: The corporate shareholders shall list the names of the corporate shareholder and the name of the representative of the corporate shareholder (if a representative, the names of the corporate shareholder shall be listed) separately and shall be stated in the following Table 1.

Note 2: If there is an interruption during the first elected term of the directors or supervisors, it shall be stated.

Note 3: The experience related to the current position, has held a position at the accounting firm or its affiliates before disclosure, the titles and responsibilities shall be stated.

Table 1: Major Shareholders of Institutional Shareholders

April 22, 2019

Name of Institutional Shareholder (Note 1)	Major Shareholders(Note 2)
Hua Eng Wire & Cable Co., Ltd.	First Copper Technology Co., Ltd.(32.96%), Huahong Investment Co., Ltd. (5.21%), Wang Yang Bi-E (3.49%), Wang Feng-Shu (2.50%), Wang Wen-Ling (2.20%), Wang Hong-Ren (2.12%),Wang Yu-Fa (1.75%), Wang Hong-Ming (1.46%), Chen Kun-Rong (0.81%), Wang Wu Li-Yan (0.80%)
Tonghua Dongbao Pharmaceutical Co., Ltd.	Dongbao Industrial Group Co., Ltd. (38.95 %), HKEX(6.41%), China Universal Asset Management Co., Ltd.－Social Security Fund 1103 (1.45%), China Universal Asset Management Fund－Industrial Bank－Shanghai Xingyin Fund Co., Ltd. (1.43%), National Council for Social Security Fund 117(1.36%)、GIC PRIVATE LIMITED (1.28%), China Universal Asset Management Fund－Construction Bank－China Life Insurance－China Life Insurance hosting China Universal Asset Management Fund Mixed Combination (1.23%), Bank of China－Huaxia reward securities investment fund (1.11%), Autoridade Monetaria De Macau－Private capital(1.03%), National Security Fund 403(0.98%)

Note 1: If the Director or Supervisor is the representative of a corporate shareholder, please fill in the name of the corporate shareholder.

Note 2: Please fill in the name of the major shareholder of the corporate shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a corporate shareholder, please also fill in Table 2.

Table 2: Major shareholders of the major shareholders in Table 1 who are Institutional shareholders

April 22, 2019

Name of Institutional Shareholder	Major Shareholder
First Copper Technology Co., Ltd.	Hua Eng Wire & Cable Co., Ltd(37.98%), Wang Yu-Fa (7.98%), Mega Bank hosting Mitsubishi Shindoh Co., Ltd. Investment Account(5.00%), Huahong Investment Co., Ltd. (4.60%), Wang Yang Bi-E(2.52%), Wang Wen-Ling (1.82%), Wang Feng-Juan(0.67%), International Shipbreaking Company(0.50%)、Wang Feng-Shu (0.43%), Citi hosting DFA Emerging Market Core Securities Investment Account (0.42%)
Huahong Investment Co., Ltd.	Hong Kong Gongsheng Industrial Company (79.79%), Wang Wen-Ling (3.19%), Wang Feng-Juan (3.19%), Wang Feng-Shu (3.19%), Wang Hong-Ren (3.19%), Wang Hong-Ming (2.87%), Wang Yu-Ting(2.13%), Wang Yu-Fa (1.07%), Wang Feng-Chin (0.85%), Wang Yang Bi-E (0.53%)
Dongbao Industrial Group Co., Ltd.	Li Yi-Kui (12.24%), Li Chia-Wei (10.77%), Li Chia-Hong (10%), Wang Dian-Duo (8.31%), Tsao Fu-Bo(7.98%), Tsui Zheng-Long (7%), Cheng Jian-Hua (7%), Sun Shiao-Ling(6.69%), Cheng Jian-Chiu (6.4%), He Ming-Li (6.35%)

Note 1: If the major shareholder in Table 1 is a corporate shareholder, please fill in its name.

Note 2: Please fill in the name of the corporate shareholder's major shareholder (top 10 in shareholding) and the shareholding ratio.

Professional Qualifications and Independence Analysis of Directors and Supervisors:

Criteria / Name (Note 1)	Meet one of the Following Professional Qualification Requirements, together with at Least Five Years Work Experience			Independence Attribute (Note 2)										Number of holding concurrent independent director position in other public companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Huang,Chun-Mu	-	-	V	-	-	-	V	V	V	V	V	V	V	-
Chiang,Tai-Hsiung	-	-	V	-	-	-	V	V	V	V	V	V	V	-
Hua Eng Wire & Cable Co., LtdRepresentative: Lin Ming-Xiang	-	-	V	V	-	-	V	-	V	V	V	V	-	-
Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Li Chong	-	-	V	V	-	-	V	-	V	V	V	V	-	-
Tsai ,Gan-Ren	V	-	V	V	V	V	V	V	V	V	V	V	V	-
Kuo, Li-Jen	V	-	V	V	V	V	V	V	V	V	V	V	V	1
Lu,Hsueh-Yu	-	-	V	V	V	V	V	V	V	V	V	V	V	-
Su,Chin-Pin	-	-	V	V	-	-	V	V	V	V	V	V	V	-
Tai,Tsung-Kai	-	-	V	V	-	V	V	V	V	V	V	V	V	-
Lin,Chien-Hsing	-	V	V	V	-	V	V	V	V	V	V	V	V	-

Note 1: The number of fields is adjusted according to the actual number.

Note 2: The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates.

(2) Not a Director or Supervisor of the Company or its affiliates (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary are set up according to this Act of local country ordinances).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.

(5) Not a director, supervisor, or employees of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of the Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

(8) Not having a marital relationship with, or a relative within the second degree of kinship of any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Information of General Managers, Deputy General Managers, Assistant General Managers and other Department and Branch Managers:

May 1, 2019; Unit: Share

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Children Shareholding		Current Shareholding in the Name of others		Experience (Education)	Current Positions at the Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Share	Ratio	Share	Ratio	Share	Ratio			Title	Name	Relations
Chairman as well as General Manager	Taiwan	Huang,Chun-Mu	Male	7/9/2010	2,405,492	4.04	1,120,380	1.88	-	-	National Taipei University of Technology MS Tech General Manager	None	-	-	-
Deputy General Manager of Administrative Division	Taiwan	Chiang,Tai-Hsiung	Male	10/17/2007	807,657	1.36	6,280	0.01	-	-	Graduate Institute of Law from Chinese Culture University Deputy general manager at Microlife	Director at ONBO Electronic (Shenzhen)	-	-	-
Deputy General Manager	Taiwan	Lian De-Long	Male	1/8/2016	107,000	0.18	0	0.00	-	-	National Kaohsiung University Assistant General Manager of R&D at Johnson Health Tech	None	-	-	-

Assistant General Manager of Operation Division	Taiwan	Hsiu You-Ren	Male	2/1/2016	210	0.00	1,954	0.00	-	-	Master of Bio-Industry Mechanical and Electrical Engineering Institute from National Chung Hsing University	None	-	-	-
Assistant General Manager of R&D Division	Taiwan	Chen Bi-Hsuan	Female	2/1/2016	28,582	0.05	0	0.00	-	-	Master of Biotechnology from National Cheng Kung University	None	-	-	-
Assistant General Manager of New Business Division	Taiwan	Chen Chieh-Shing	Male	5/14/2018	4,250	0.01	1,489	0.00	-	-	Department of Electronics at National Chin Yi University of Technology Consultant at GIO Optoelectronics Consultant at MS Tech Consultant at Acewell International Co., Ltd.	None			
Assistant General Manager of IOT Technology Division	Taiwan	Ye Zhi-Long	Male	11/7/2018	5,000	0.01	0	0.00	-	-	Department of Information Management at Chaoyang University of Technology Software Engineer at Johnson Health Tech Software Engineer at Hong Lue Enterprise	General Manager at Shanghai Juyi Medical Network Technology Co., Ltd.			

Assistant General Manager of Sales Division	Taiwan	Shi Cheng-Hong	Male	11/7/2018	0	0.00	0	0.00	-	-	Department of Financial Management at National Sun Yat-Sen University International Sales and Purchasing Manager at Phoenitron Holdings Special Assistant to the Chairman at Acter Special Assistant to the General Manager at Bionime Corporation	None			
Assistant General Manager of Marketing Planning Division	Taiwan	Zhang Ming-Lun	Male	11/7/2018	0	0.00	0	0.00	-	-	Master of Design Computing from National Yunlin University of Science and Technology Research at Lion Travel Group Researcher at Moremote Inc.	None			
Chief Financial Officer	Taiwan	Chen Hui-Zhen	Female	11/6/2017	39,391	0.07	0	0.00	-	-	Department of Business Administration at Feng Chia University Accountant at CGS International Inc.	None	-	-	-
Manager of Accounting	Taiwan	Liao Zhen-Yu	Male	11/6/2017	0	0.00	0	0.00	-	-	Graduate Institute of Accounting from Feng Chia University Deputy Manager at KPMG Taiwan	None	-	-	-

Note 1: Information of General Managers, Deputy General Managers, Assistant General Managers and other Department and Branch Managers, and where the

position is equivalent to General Manager, Deputy General Manager or Assistant General Manager, regardless of the title shall be disclosed regardless of the title.

Note 2: The experience related to the current position, has held a position at the accounting firm or its affiliates before disclosure, the titles and responsibilities shall be stated.

(3) Remuneration for Directors (including Independent Directors), Supervisors, General Managers, Deputy General Managers

i. Most Recent (2018) Traveling Expenses and Remuneration of the Directors

Unit: NT$ thousand

Title	Name	Directors Compensation								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (Note 10)		Compensation paid from an invested company other than the company's subsidiary
		Base Compensation (A) (Note2)		Severance Payment (B)		Directors Compensation (C) (Note 3)		Directors Compensation (C) (Note 4)				Salary, Bonuses and Allowances (E) (Note 5)		Severance Payment(F)		Employee Compensation (G) (Note 6)						
																The Company		All companies in the consolidated financial statement (Note 7)				
		The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	Cash	Stock	Cash	Stock	The Company	All companies in the consolidated financial statement (Note 7)	
Chairman	Huang,Chun-Mu	-	-	-	-	2,80	2,800	185	185	2.33%	2.33%	5,625	5,625	-	-	1,422	-	1,422	-	7.84%	7.84%	-
Director	Hua Eng Wire & Cable Co., LtdRepresentative: Lin Ming-Xiang																					

Director	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative :Li Chong																				
Director	Chiang,Tai-Hsiung																				
Independent director	Tsai ,Gan-Ren																				
Independent director	Kuo, Li-Jen																				
Independent director	Lu,Hsueh-Yu																				
The remuneration to all the directors served for all the companies within the consolidated financial statement (such as a consultant not an employee) in the most recent fiscal year: None.																					

Range of Remuneration

Range of Remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of ((A+B+C+D+E+F+G)	
	The Company (Note 9)	All Companies in the Consolidated Financial Statement (Note 10) I	The Company (Note 9)	All Companies in the Consolidated Financial Statement (Note 10) J
Under NT$ 2,000,000	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Hua Eng Wire & Cable Co., Ltd, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Hua Eng Wire & Cable Co., Ltd, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.
NT$2,000,000 (included) ～ NT$5,000,000 (excluded)			Chiang,Tai-Hsiung Huang,Chun-Mu	Chiang,Tai-Hsiung Huang,Chun-Mu
NT$5,000,000 (included) ～ NT$10,000,000(excluded)				
NT$10,000,000 (included)～ NT$15,000,000(excluded)				
NT$15,000,000 (included)～ NT$30,000,000(excluded)				
NT$30,000,000 (included) ～ NT$50,000,000(excluded)				
NT$50,000,000 (included) ～ NT$100,000,000(excluded)				
Over NT$100,000,000				
Total	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd., Ltd.

Note 1: The Directors' names should be listed separately (if a corporate shareholder, the corporate name and the representative's name should be listed separately), and the payments should be consolidated for disclosure. The amount of cash payment is disclosed in a summary. If the director is also the general manager or deputy general manager, this table and the following table (3-1) or (2-2) shall be filled in.

Note 2: The Director's remuneration for the most recent year (including salary, job allowances, Retirement Pension, various bonuses and incentives).

Note 3: The latest amount of Director's remuneration as passed by the board of directors.

Note 4: The latest annual business execution expenses of the Director (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The latest salary, job allowances, Retirement Pension, various bonuses, incentives, car expenses, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions for the Director's other jobs (including the positions of General Manager, Deputy General Manager, Manager and other positions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 6: If a Director receives employee remuneration (including stock and cash) on his/her other job(s) (including the positions of General Manager, Deputy Manager, Manager and other positions) in the latest year, please disclose the amount of employee remuneration as passed by the board of directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Director.

Note 8: The total remuneration paid by the Company to each Director; the Director’s name should be disclosed in the respective tier.

Note 9: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Directors should be disclosed, and the Director's name s should be disclosed in the respective tier.

Note 10: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 11: a. In this field the amount of remuneration paid to the Director by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the Director receives remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column I of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Director for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

ii. Remunerations of the Supervisors:

Unit: NT$ thousand

Title	Name (Note 1)	Remunerations of the Supervisors						Ratio of Total Remuneration (A+B+C) to Net Income (Note 8)		Remuneration from Reinvested Businesses other than Subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Business Execution Expenses (C) (Note 4)				
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	
Supervisor	Tai,Tsung-Kai	-	-	1,200	1,200	55	55	0.98%	0.98%	None
Supervisor	Lin,Chien-Hsing									
Supervisor	Su,Chin-Pin									

Range of Remuneration

Range of Remuneration Paid to The General Managers and Deputy General Managers	Name of Supervisor	
	Total Amount of the First Three Remunerations (A+B+C)	
	The Company (Note 6)	Companies in the Consolidated Financial Statements (Note 7) D
Under NT$ 2,000,000	Tai,Tsung-Kai、Lin,Chien-Hsing、Su,Chin-Pin	Tai,Tsung-Kai、Lin,Chien-Hsing、Su,Chin-Pin
NT$2,000,000 (included)～NT$5,000,000 (excluded)		
NT$5,000,000 (included) ～ NT$10,000,000(excluded)		
NT$10,000,000 (included)～ NT$15,000,000(excluded)		
NT$15,000,000 (included)～ NT$30,000,000(excluded)		
NT$30,000,000 (included) ～ NT$50,000,000(excluded)		
NT$50,000,000 (included) ～ NT$100,000,000(excluded)		
Over NT$100,000,000		
Total	Tai,Tsung-Kai, Lin,Chien-Hsing, Su,Chin-Pin	Tai,Tsung-Kai, Lin,Chien-Hsing, Su,Chin-Pin

Note 1: The Supervisors' names should be listed separately (if a corporate shareholder, the corporate name and the representative's name should be listed separately), and the payments should be consolidated for disclosure.

Note 2: The Supervisor's remuneration for the most recent year (including salary, job allowances, Retirement Pension, various bonuses and incentives).

Note 3: The latest amount of Supervisor's remuneration as passed by the board of directors.

Note 4: The latest annual business execution expenses of the Supervisor (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Supervisor.

Note 6: The total remuneration paid by the Company to each Supervisor; the Supervisor’s name should be disclosed in the respective tier.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Supervisors should be disclosed, and the Supervisor's name should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 9: a. In this field the amount of remuneration paid to the Supervisor by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the Supervisor receives remuneration from the Company's re-invested businesses other than t he subsidiaries, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Supervisor for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

iii. Most Recent (2018) Remunerations of the General Manager and Deputy General Manager (Including Independent Director):

Unit: NT$ thousand

Title	Name	Salary (A) (Note 2)		Severance Payment (B)		Bonus and Special Fees (C) (Note 3)		Employee Remuneration (D) (Note 4)				The Sum of A, B, C and D as a percentage of After-tax Net Profit (%) (Note 8)		Employee Stock Option Certificate Warrants (Note 5)		Restricted Stock Award Warrants (Note 11)		Remuneration from Reinvested Business other than Subsidiaries (Note 10)
								The Company		Companies in the Consolidated Financial Statements (Note 6)								
		The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	Cash	Stock	Cash	Stock	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	
General Manager	Huang, Chun-Mu	7,677	7,677	-	-	40	40	1,997	-	1,997	-	7.60	7.60	-	-	-	-	None
Deputy General Manager	Chiang ,Tai-Hsiung																	
	Lian De-Long																	

Range of Remuneration

Range of Remuneration (NT$)	Name of General Manager and Deputy General Manager	
	The Company (Note 7)	Companies in the Consolidated Financial Statements (Note 8)
Under NT$ 2,000,000		
NT$2,000,000 (included)～NT$5,000,000(excluded)	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long
NT$5,000,000 (included)～NT$10,000,000 (excluded)		
NT$10,000,000 (included)～NT$15,000,000 (excluded)		
NT$15,000,000 (included)～NT$30,000,000 (excluded)		
NT$30,000,000 (included)～NT$50,000,000 (excluded)		
NT$50,000,000 (included)～NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long

Note 1: The General Managers and Deputy General Managers' names should be listed separately, and the payments should be consolidated for disclosure. If the Directors are also General Managers or Deputy General Managers, this table and the table above (1-1) or (1-2) shall be filled in.

Note 2: The latest amount of the General Manager's and the Deputy General Managers' remunerations (including salary, job allowances and severance payment).

Note 3: The latest annual business execution expenses of the General Manager and the Deputy General Managers (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from

participation in cash capital increase.

Note 4: The employee remuneration (including stock and cash) distributed to the General Manager or Deputy General Manager as passed by the board of directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's General Manager and Deputy General Managers.

Note 6: The total remuneration paid by the Company to each General Manager and Deputy General Manager; the General Manager's and the Deputy General Managers' names are to be disclosed in the respective tiers

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's General Manager and Deputy General Managers should be disclosed, and the General Manager's and the Deputy General Managers' names should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 9: a. In this field the amount of remuneration paid to the General Manager or the Deputy General Managers by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the General Manager and Deputy General Managers receive remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's General Manager or Deputy General Manager for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

iv. Managers with Employee Remuneration Distribution

Unit: NT$ thousand; Date: April 30, 2019

Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Chairman as well as General Manager	Huang,Chun-Mu	-	4,697	4,697	3.67%
Deputy General Manager	Chiang,Tai-Hsiung				
	Lian De-Long				
Assistant General Manager	Hsiu You-Ren				
	Chen Bi-Hsuan				
	Chen Chieh-Shing				
	Shi Cheng-Hong				
	Ye Zhi-Long				
	Zhang Ming-Lun				
Chief Financial Officer	Chen Hui-Zhen				
Manager of Accounting	Liao Zhen-Yu				

Note 1: The names and titles should be listed separately, and the remuneration distribution may be consolidated for disclosure.

Note 2: The latest amount of the manager's employee remuneration as passed by the board of directors (including shares and cash) in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 3: The definition of manager, as governed by the letter of the SFC on March 27, 2003 with a reference no. of Tai-Tsai-Cheng III 0920001301, is as follows:

(1) General Manager and equivalent.

(2) Deputy General manager and equivalent.

(3) Associate and equivalent.

(4) Head of financial department.

(5) Head of accounting department

(6) Other people who have the right to manage the company's affairs and are the company's authorized signatories.

Note 4: If the Directors, General Managers and Deputy General Managers have received employee compensation (including stocks and cash), rather than filling in Table 1 (2), they should fill in this table again.

(4) Analysis of the Proportion of the Total Remuneration o Directors, Supervisors, General Managers And Deputy General Managers of the Company Paid the Company and all Companies in the Consolidated Financial Statement to Net Profit After Tax in Individual Financial Statements of the Recent Two Years. Explanation of Remuneration Policies, Standards and Packages, the Procedure for Determining Remuneration, and its Linkage to Operating Performance and Future Risk Exposure:

i. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid the Company and all companies in the consolidated financial statements to net profit after tax in individual financial statements of the recent two years:

Proportion of the Total Remuneration of Directors, Supervisors, General Managers and Deputy General Managers	2017		2018	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
	11.90%	11.90%	10.91%	10.91%

ii. Explanation of remuneration policies, standards and packages, the procedure for determining remunerations, and its linkage to operating performance:

A. Directors and Supervisors

Remuneration to directors includes traveling expenses, director compensation and business compensation. The directors' compensation is thoroughly stated in the Company's article of association.

B. General Managers and Deputy General Managers

Remuneration to general managers and deputy general managers includes wages, various bonuses and employees' compensation. The remuneration is handled in accordance with the provisions of Article 29 of the Company Law.

iii. Linkage to Future Risk: The performance of the Company's important decisions refers the Company's profitability, so there is a positive correlation between the remuneration to directors, supervisors and managers.

3. Implementation of Corporate Governance

(1) Operation of the board meeting

A total of 4 board meeting were held in 2018, and the attendance of Directors (including independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of Meetings Attended (B)	No. of Meetings with Entrusted Attendance	Actual Attendance Rate (%) 【B/A】(Note 2)	Remarks
Chairman	Huang,Chun-Mu	4	0	100%	
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Lin Ming-Shiang	4	0	100%	
Director	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Li Chong	3	1	75%	
Director	Chiang,Tai-Hsiung	4	0	100%	
Independent Director	Tsai ,Gan-Ren	4	0	100%	
Independent Director	Kuo, Li-Jen	4	0	100%	
Independent Director	Lu,Hsueh-Yu	4	0	100%	
Supervisor	Tai,Tsung-Kai	4	0	100%	
Supervisor	Lin,Chien-Hsing	3	0	75%	
Supervisor	Su,Chin-Pin	4	0	100%	

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the resolution, the opinions of all independent directors and the Company's handling of the opinions of the independent directors:

(1) Matters listed in Article 14-3 of the Securities Exchange Act.

4 Board meetings were held in the year of 2018. The contents of the resolution are on pages xx to xx of the annual report. All independent directors had no objections to the matters listed in Article 14-3 of the Securities Exchange Act.

(2) Other than the aforementioned matters, the board resolutions which independent directors object to or have reservations about and there are records or written statements for them: None.

2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded:

8/10/2018 Board meeting – Motion: Distribution of Employee Compensation through the Company Managers in 2017. Motion: The Chairman as well as General Manager Huang,Chun-Mu and Director Tsai ,Gan-Ren avoided conflict of interest and did not participate in voting process. Tsai ,Gan-Ren acted as Chairman with the Board's agreement. The remaining Directors present approved the motion with no dissenting opinion.

3. The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.): None.

Note 1: If a director or supervisor is a legal entity, please disclose the name of the corporate shareholder and of its representative.

Note 2: (1) If there is a director or supervisor leaving the company before the end of the year, please indicate the date of departure in Remarks field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) If there is a director or supervisor election before the end of the year, please list both the new and the old directors and supervisors, and indicate in the Remarks field whether the director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meeting held and the actual number of meeting attended during the tenure.

(2) Supervisors' Participation in the Operation of Board of Directors Meetings:

A total of 4 board meeting were held in 2018, and the attendance of Supervisors is as follows:

Title	Name	Actual no. of Meetings Attended (B)	Actual Attendance Rate 【B/A】 (Note)	Remarks
Supervisor	Tai,Tsung-Kai	4	100%	
Supervisor	Lin,Chien-Hsing	3	75%	
Supervisor	Su,Chin-Pin	4	100%	

Other matters to be recorded

1. Composition and responsibilities of Supervisors:

(1) Communication between Supervisors and Company employees and shareholders

Have better understanding of Company's profitability during board meetings or telephone enquiry.

(2) Communication between Supervisor and the Head of Internal Audit and the accountant:

The Audit produces a monthly audit report which is presented to the supervisor at the end of the following month or by email.

2. If Supervisors state their opinions in a board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the results of the board resolution and the Company's handling of the Supervisors' opinions: None.

Note: If there is any supervisor leaving the Company before the end of the year, please indicate the date of departure in the Remarks field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

If there is a supervisor election before the end of the year, please list both the new and the old supervisors, and indicate in the Remarks field whether the supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(3) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure:

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?		V		N/A.
2. Shareholding structure & shareholders' rights	V		(1) The Company has spokespersons, legal and shareholder personnel and other relevant departments to deal with shareholders' suggestions, disputes and other issues.	
(1) Has the company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(2) With the management of dedicated personnel, the Company is able to keep track of the major shareholders and the relationship with them remains sound.	No difference.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(3) The Company has established relevant systems in the internal control system in accordance with the law.	No difference.
(3) Has the company established and implemented risk management and firewall mechanisms with its affiliates?			(4) The Company has established "Procedures for Handling Material Inside Information" in order to avoid improper disclosure of information.	No difference.
(4) Has the Company established internal rules against insiders trading with				No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
undisclosed information?				
3. Composition and Responsibilities of the Board of Directors	V			No difference.
(1) Has the Board developed and implemented a diversified policy for the composition of its members?		V	(1) The Company has seven independent directors, including three independent directors, one of whom is a female. The professional background to the members covers business management, finance, accounting and law. The board members have a diverse background in industry, profession and knowledge, and provide professional advice from difference perspectives with their experiences, which shall greatly enhance the Company's business performance and management efficiency. The Company has established "Regulations of the Board of Directors" and "Regulations on the Election of Directors and Supervisors".	
(2) Has the company voluntarily establishes other functional committees in addition to the Remuneration Committee and the Audit Committee?	V	V	(2) Except for Compensation Committee, there are no other functional committees yet as there is currently no requirement.	(2)(3) will be determined according the operation status and scale in the future.
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?				

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
(4) Does the Company regularly evaluate the independence of CPAs?			(3) The Company has yet set up relevant standards. (4) The certified accountants appointed by the Company is one of the worlds' four largest accounting firms, and has avoided its direct or indirect interest, which is fully independent.	No difference.
4. Has the TWSE/TPEx listed company set up a dedicated (or concurrent) corporate governance unit or appointed personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, handling corporate registration and change of corporate registration related matters and taking the minutes of board meetings and shareholders' meetings)?	V		The Company has dedicated personnel who are responsible for related matters regarding corporate governance, including providing the directors and supervisors with required information to carry out their business, handling matters related to board of directors and shareholders according to the law, handling corporate registration and change of corporate registration related matters, taking the minutes of board meeting s and shareholders' meetings. The Company has set up "Standard Operating Procedures for Handling Directors' Requirements."	No difference.
5. Has the Company established communication channels and dedicate section for stakeholder (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues	V		The Company's website has a stakeholder section, and dedicated personnel responds to important corporate social responsibility concerns.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
of corporate social responsibility concerns?				
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		In 2008, the Company appointed Chinatrust Commercial Bank as the stock agency to handle shareholders' related affairs.	No difference.
7. Disclosure of information (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information on collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V V		(1) The Company has set up both Chinese and English websites to provide information related to financial business and corporate governance. The website: http://www.bionime.com.tw; Dedicated personnel is responsible for maintenance of the website and immediate updates are available for shareholders and interest parties. (2) The Company has spokespersons and acting spokespersons according to the regulations. It has appointed dedicated personnel to collect company information and put onto MOPS on a regular basis.	No difference. No difference.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the	V		1. The status of directors and supervisors' further training: It has been disclosed in the "Corporate Governance Section of the MOPS". 2. The Company has purchased Liability Insurance for Directors, Supervisors and Important Managers to strengthen the protection of shareholder's equity.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?				
9. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved (not applicable if not included as a company to be evaluated). The Company carries out self-evaluation of corporate governance according to the regulations of the competent authorities, and gradually improves the corporate governance, in order to enhance the corporate governance image: (1) The Company uploads the annual report 14 days before shareholders' meeting. (2) The results of proposals on shareholders' meeting are decided by voting. The results of the consent, objection and waiver of each propel shall be recorded in the proceedings. (3) On the day after the shareholders' meeting, the results of the consent, objection and waiver of each propel shall be put on to the designated Internet information reporting system.				

Note1: It shall be specified in the Description field regardless of whether "Yes" or "No" is checked.

Note 2: The so-called self-evaluation report on corporate governance refers to the self-assessment based on corporate governance, which is self-assessed and explained by the Company. The report includes the current operation and implementation of the Compnay.

(4) If the Company has a Remuneration Committee, Please Disclose its Composition, duties and Operation:

i. Remuneration Committee Member Information

Identity (Note 1)	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Concurrent Compensation on Committee Position in other Publicly Listed Companies	Remarks
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related Departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8		
Independent Director	Tsai ,Gan-Ren	V		V	V	V	V	V	V	V	V	V	-	
Independent Director	Kuo, Li-Jen	V		V	V	V	V	V	V	V	V	V	-	
Independent Director	Lu,Hsueh-Yu			V	V	V	V	V	V	V	V	V	-	

Note 1: Fill in the Identity with directors, independent directors or others.

Note 2: All members comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in case where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee on a corporate shareholder who director holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

ii. Remuneration Committee Operation Status

A. The Company's Remuneration Committee is composed of three people.

B. Current member's tenure: From February 5, 2016 to February 4, 2019. In 2018, the Remuneration Committee held three meetings (A), and the member qualifications and attendance are as follows:

Title	Name	Actual No. of Meetings Attended (B)	No. of Meetings with Entrusted Attendance	Actual Attendance Rate (%) (B/A)	Remarks
Convener	Tsai ,Gan-Ren	3	0	100	
Member	Kuo, Li-Jen	3	0	100	
Member	Lu,Hsueh-Yu	3	0	100	

Other matters to be recorded:

1. If the board of directors did not adopt or amend the suggestion of the remuneration committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the Company's handling of the suggestion of the remuneration committee (if the remuneration passed by the board is better than the suggestion of the remuneration committee, please state the difference and the reasons): None.

2. If any member had objections or reservations about the resolution of the remuneration committee and there is a record or a written statement please indicate the date and session number of the remuneration committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: None.

Notes:

(1) If any remuneration committee member leaves the company before the end of the year, please state in the Remarks field the departure date, the actual attendance rate (%) calculated based on the number of remuneration committee meetings and the number of the actual meetings attended during the tenure.

(2) If there s a remuneration committee member election before the end of the year, please list both the new and the old members, and indicate in the Remarks field whether the member is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of remuneration committee meetings held and the atual number of meetings attended during the tenure.

(5) Corporate Social Responsibility: (The Company's systems and measures and implementation of environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility activities).

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
1. Implementation of Corporate Governance				
(1) Has the Company set up a corporate social responsibility policy or system and a review of the implementation effectiveness?		V	(1) Not yet formulated.	Depending on the Company's operating conditions and scale.
(2) Does the Company regularly conduct social responsibility education and training?		V	(2) Plan in progress.	
(3) Has the Company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the board of directors to be managed by the high-level management and reports to the board of directors?		V	(3) The Company organizes employee training from time to time to enhance the ethical concept of employees' ethics, and includes the number of class hours as a reference for employees' assessment, as to encourage them to grow together with the Company.	
(4) Has the Company formulated a reasonable r remuneration policy and combined the staff performance appraisal system with the corporate social responsibility police, and set up a clear and effective reward and punishment system?	V		(4) The Company has established a remuneration management method, a performance bonus management method and reward and punishment system to follow.	
2. Development of Sustainable Environment				
(1) Is the Company committed to improving	V		(1) The Company has a recycling area, which	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
the efficiency in the use of resources, and the use of recycled materials with low environmental impact?			regularly recycles re-usable resources, and has also set up wastewater and rainwater recycling for re-using.	
(2) Has the Company established an appropriate environmental management system according to its industrial characteristics?	V		(2) The Company has established environmental management related manuals and procedures to follow.	
(3) Is the Company aware of the impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction?	V		(3) Set up power-saving devices in the new plant and enhance the maintenance of the air-conditioning system; as well as implement an online signing system to reduce paper waste.	
3. Social welfare				
(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The Company has submitted the rules of work to be approved by the Labor Bureau.	No difference.
(2) Has the Company set up an employee complaint mechanism and channel, and properly handles employee complaints?	V		(2) The Company has set up employee Emails, and the human resources division is responsible for handling any complaints.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
(3) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?	V		(3) The Company regularly holds employee health checks.	No difference.
(4) Has the Company established a mechanism for regular employee communication and keep them informed in a reasonable manner of the changes in the operation which may have a significant impact on the employees?	V		(4) The Company has set up employee Emails, and announces Company's operating changes through Emails and internal corporate websites.	No difference.
(5) Ha the Company developed an effective training program for employees?	V		(5) The Company regularly exercises internal and external education and training for employees, and strengthen the functions of employees.	No difference.
(6) Has the Company formulated relevant policies and complaint procedures for the protection of consumers' rights in respect of R&D, procurement, production, operations and service processes?	V		(6) i. Bionime's warranty is only valid for original purchasers, and it provides warranty for the materials and assembly of the Rightest blood glucose meters for 5 years from the date of purchase. If damage is caused by human, alteration or improper use, it is not covered by the warranty. ii. Bionime only provides a warranty on the functionality of the Rightest blood	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
			glucose meters and the warranty of the Rightest test strips manufactured by Bionime. The Rightest blood glucose strips shall only be used on Rightest blood glucose meters. iii. Bionime's warranty is limited to the single obligation of the Rightest blood glucose meters for faulty products exchange, and there is no obligation to guarantee and comply with other aspects. Bionime does not guarantee any accidents or consequential injuries. xi. If desired to exchange goods, please contact the local Bionime authorized agent or deals for assistance. v. Bionime is dedicated to provide complete and appropriate communication and feedback from all customers. If there are any questions or suggestions, please freel free to give us a call or email us at info@bionime.com	No difference.
	V		(7) The Company has obtained domestic GMP and international ISO and CE certification,	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
(7) Does the Company comply with relevant laws and regulations and international standards for the marketing and labeling of products and services? (8) Does the Company check whether a supplier has any record of environmental and social impact before doing any business with the supplier? (9) Does the contract between the Company and its principal supplier contain the condition that the contract may be terminated at any time if the supplier is involved in a policy that violates its corporate social responsibility and has a significant impact on the environment and society?	V

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
No difference.				
6. Other important information to help understand the operation of corporate social responsibility: Bionime is committed to promoting people's quality and healthy living, as well as to research and development of home health medical equipment that is trusted by everyone. Therefore, professional-grade medical equipment is equipped with a user-friendly operating interface, so that high- medical meters have a simple operating interface, and people can easily check their own health at home.IN addition, due to changes in people's diet and living styles in recent years, the age group of people who have high blood pressure, high blood sugar, and high cholesterol have tendency to decrease year by year. In order to implement the business philosophy of improving people's quality and healthy life, we cooperate with the health education department of major hospitals and distributors to educate the public to understand the relevant diseases and their correct health care concepts, so people have a better understanding of better health care for themselves and their families.				
7. Please state if the Company's corporate social responsibility report passes the relevant verification agencies' verification criteria: The Company passed OHSAS 18001:2007 Occupational Health and Safety Management System Verification and TWAEO Quality Enterprise Citification.				

Note 1: Regardless of whether "Yes" or "No" is checked, it shall be specified in the Description field.

Note 2: The Company has compiled a corporate social responsibility report, and the Description indicates the method of reviewing the CSR report and the replacement of index page.

(6) Implementation of Integrity Management

Based on the concept of co-prosperity, the Company maintains friendly interaction and cooperation with suppliers and related stakeholders, and provides a good and effective communication channel and information transmission to establish long-term partnership and economic operation mode as the development direction.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Setting business integrity policies and programs (1) Does the Company express its commitment to the policies and practices of integrity management in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies?	V		(1) The Company has established employ code of practice, in which states that employees must not engage illegal interests with their job titles, and accept hospitality, gifts, kickbacks, embezzlement of public funds, or other illegal interests in hopes to prevent dishonesty that may affect business or trading relations.	No difference.
(2) Has the Company set up a program for the prevention of dishonesty as well as the procedures conduct gridlines and a system in various programs and implemented them?	V		(2) The Company has formulated employ code of practice to prevent dishonesty, as well as educates new employees.	
(3) Has the Company adopted precautionary measures in respect of business activities with a high risk of dishonesty in Article 7 (2) of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?		V	(3) Through the establishment of good corporate governance, risk control mechanisms and well set-up internal regulations, and prevention of dishonesty, each charitable donation and sponsorship has been reported to the authorized level for verification, in line with the relevant laws and regulations of the Company.	
2. Implementation of integrity management			●In compliance with Company Law, Stock	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
(1) Does the Company asses the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner? (2) Has the Company set up a dedicated (or concurrent) corporate integrity promotion unit under the board of directors which regularly reports to the board on its work? (3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them? (4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors? (5) Does the Company hold regular internal and external training on business integrity?	 V V	V V V	Exchange, Commercial Accounting Law, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Public Officer Conflict of Interest Avoidance Act, other relevant laws and regulations. As well as relevant internal regulation such as auditing and internal control, and considers the "Code of Integrity Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" as the basis for implementing integrity management. ●Established authorization management method limits trading authority and supervision and management mechanism. ●Regularly train and communicate with employees in order to prevent dishonest as well as protecting employees' interests. ●The opinions of employees can be reflected through multiple channels including management and human resources units, and shall be properly handled and communicated smoothly.	
3. Operation of the Company Reporting System (1) Has the Company set up specific reporting and	V		●Prevent dishonesty by establishing good corporate governance, risk control	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
reward systems and a convenient reporting channel, and does the Company assign appropriate personnel to investigate the person being reported?			mechanisms and well-established internal regulation in order to create a sustainable business environment for the Company.	
(2) Has the Company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?	V		●Rewards and punishments rules are set and the contents of rewards and punishments are announced throughout the Company.	
(3) Does the Company take measures to protect the reporter from improper treatment?	V			
4. Strengthening of Information Disclosure (1) Does the Company disclose the contents of its Code of Practice for Business Integrity and the effectiveness on its website and MOPS?	V		●The Company's performances of integrity management and adoption measures are disclosed on its website and annual reports.	No difference.
5. If the Company has its own Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", lease describe the difference between them: The Company has not set up Corporate Governance Best Practice Principles but is in compliance with Company Law, Stock Exchange, Commercial Accounting Law, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Public Officer Conflict of Interest Avoidance Act, other relevant laws and regulations. As well as relevant internal regulation such as auditing and internal control, and considers the "Code of Integrity Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" as the basis for implementing integrity management.				
6. Other important information that will help to understand the operation of the Company's integrity: (if the Company reviews and amends its established code of conduct, etc.), the Company keeps an close eye on the developments of relevant norms of integrity management at home and abroad in order to review and improve the Company's integrity management policy to enhance the effectiveness.				

Note 1: Regardless of whether "Yes" or "No" is checked, it shall be specified in the Description field.

(7) If the Company has adored corporate governance best-practice principles or related bylaws, disclose how there are to be searched:

Such rules can be searched on the Company's website, under the Investors/Corporate Governance page.

(8) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed: None.

(9) Implementation of the internal control system:

i. Statement of Internal Control System (refer to p.55)

ii. If the CPA was engaged to conduct a Special Audit of Internal Control System, provide its audit report: None.

(10) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

(11) Important resolutions of the shareholders' meeting and the board meetings during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Date／Meeting	Important Resolutions
6/20/2018 General Shareholders' Meeting	●Acknowledgement of the Company's 2017 business report and financial statements Implementation Status: Approved, and has been completed according to the resolution of shareholders' meeting ●Acknowledgement of the Company's 2017 profit distribution Implementation Status: Proposed 7/15/2018 as the record date, and 8/15/2018 as the payment date ●Approved handling cash for capital reserve Implementation Status: Proposed 7/15/2018 as the record date, and

	8/15/2018 as the payment date
3/16/2018 Board of Directors' Meeting	●Approved the compensation distribution plan for employees and directors of 2017 ●Approved business report and financial statements of 2017 ●Approved surplus earnings distribution of 2017 ●Approved handling cash for capital reserve ●Approved the details of managers' year-end bonuses of 2017 ●Approved the convening of the shareholders' meeting of 2018 ●Approved the relevant matters concerning the shareholders' proposals on shareholders' meetings ●Approved surplus earnings distribution of 2017 ●Approved the credit limit application with Shanghai Commercial and Saving Bank
5/14/2019 Board of Directors' Meeting	●Approved personnel promotion ●Approved the export financing credit application with Cathay World Commercial Bank ●Approved the comprehensive credit limit application with Chang Hwa Bank
8/10/2018 Board of Directors' Meeting	●Approved the compensation distribution plan for managers of 2017 ●Approved the remuneration of directors and supervisors of 2017 ●Approved the guarantee of the issuance of commercial promissory notes application with Grand Bills Finance Corp. ●Approved the guarantee of the issuance of commercial promissory notes application with Taiwan Cooperative Bills Finance Corporation ●Approved the comprehensive credit limit application with Chang Hwa Bank ●Approved the comprehensive credit limit application with Yuanta Bank
11/7/2018 Board of Directors' Meeting	●Approved personnel promotion ●Approved salary adjustment of 2018 ●Approved the audit plan of 2019 ●Approved the comprehensive credit limit application with Entie

	Commercial Bank ●Approved comprehensive credit limit application with Mega International Commercial Bank ●Approved the guarantee of the issuance of commercial promissory notes application with Mega International Commercial Bank
1/18/2019 Board of Directors' Meeting	●Approved the operation plan of 2019 ●Approved the additional notes of salary adjustment of 2018 ●Approved the details of managers' year-end bonuses of 2018 ●Approved the capital increase of Pingtan subsidiary ●Approved the comprehensive credit limit application with Taiwan Cooperative Bills Finance Corporation
3/11/2019 Board of Directors' Meeting	●Approved private common stocks for public offering and application listing ●Approved the compensation distribution plan for employees and directors 2018 ●Approved business report and financial statements of 2018 ●Approved surplus earnings distribution of 2018 ●Approved the amendments to the Company's Articles of Incorporation" ●Approved the amendments to the Company's "Handling Procedures for Acquisition or Disposition of Assets" ●Approved the Company's "Standard Operating Procedures for Handling Directors' Requirements" ●Approved the re-election of the Company's directors and supervisors ●Approved the lifting and non-competition restrictions on new directors ●Approved the convening of the shareholders' meeting of 2019 ●Approved the relevant matters concerning the shareholders' proposals on shareholders meetings of 2019 ●Approved the announcement of the nomination of candidates for independent directors at the shareholders' meeting of 2019 ●Approved the Company's "Internal Control System Statement" for

	2018 ●Approved the change of certified accountants due to the business adjustments at KPMG Taiwan ●Approved the comprehensive credit limit application with Chang Hwa Bank

(12) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a resolution approved by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer: None.

Bionime Corporation

Statement of Internal Control System

Date: March 11, 2019

The internal control system from January 1 to December 31, 2028, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reason assurance of accomplishing its three state objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluate the design and operating effectiveness of its internal control system Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evolution, the Company believes that, on December 31, 2018, it has maintained , in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report for the year 2017and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement was approved by the board of directors in the meetings held on March 11, 2019, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

BIONIME Corporation

Chairman: Huang,Chun-Mu

General Manager: Huang,Chun-Mu

4. Information on CPA Profession Fees

CPA Firm	Name of CPA		Audit Period	Remarks
KPMG Taiwan	Zhang Zi-Shin	Huang Hai-Ning	1/1/2018~ 12/31/2018	

Unit: NT$ thousand

Tier	Fee	Audit Fee	Non-audit Fee	Total
1	Below 2,000	-	340	340
2	2,000（included）～4,000	3,140	-	3,140
3	4,000（included）～6,000	-	-	-
4	6,000（included）～8,000	-	-	-
5	8,000（included）～10,000	-	-	-
6	Over 10,000（included）	-	-	-

Information on CPA Profession Fees

Unit: NT$ thousand

Accounting Firm	CPA Name	Audit Fee	Non-audit Fee					Audit Period	Remarks
			System Design	Business Registration	HR	Others (Note 2)	Sub-total		
KPMG	Zhang Zi-Shin Huang Hai-Ning	3,140	-	-	-	340	340	1/1/2018~ 12/31/2018	TP Report 340thousand

Note 1: If the Company has changed the accountant or accounting firm this year, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field and dislcouse the audit and non-audit profession fees and other information.

Note 2: If the non-audit fees paid to the CAP, the CPA's firm and the firm's affiliated businesses are more than 25% of the audit fees, please disclose the audit and non-audit fees and the non-audit services.

(1) The non-audit fee paid to the CPA, CPA's accounting firm and affiliated companies accounts for over 1/4 to audit fee: None.

(2) If there is a change of the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, please disclose the audit fees before and after the change and the reasons: None.

(3) If the audit fee is reduced more than 15% compared with the previous year the reduction in the amount of audit fees, the proportions, and reason (s) there for shall be disclosed: There is no reduction in the audit fees.

5. Change of Accountants

(1) About the former accountant

<table>
<tr><td>Date of Change</td><td colspan="4">March 2019</td></tr>
<tr><td>Reason for the Change and Explanation</td><td colspan="4">Due to the internal affair adjustments of the accountant firm, as of the first quarter of 2019, the accountants Zhang Zi-Shin and Huang Hai-Ning will be replaced by Zhang Zi-Shin and Wu Jun-Yuan.</td></tr>
<tr><td rowspan="3">Explain whether it was Due to the Appointer's or Accountant's Termination or the Accountant's Declination of the Appointment</td><td colspan="2">Party / Situation</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Appointment terminated automatically</td><td>N/A.</td><td>N/A.</td></tr>
<tr><td colspan="2">Appointment rejected (discontinued)</td><td>N/A.</td><td>N/A.</td></tr>
<tr><td>Issuance of Reports with Opinions other than Unreserved Opinions in the last two Years and the Reasons</td><td colspan="4">None.</td></tr>
<tr><td rowspan="6">Is there any disagreement with the issuer?</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Financial report disclosure</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Remarks</td></tr>
</table>

Other disclosures (those to be disclosed according to Article 10.6 (1-4) to (1-7) of the Guidelines)	None

(2) About Successor CPAs

Name of Accounting Firm	KPMG Taiwan
Name of CPA	Zhang Zi-Shin and Huang Hai-Ning
Date of Appointment	March 2019
Consultation Results and Opinions on Accounting Treatments or Principles with Respect to Specified Transactions and the Company's Financial Reports that the CPA Might Issue Prior to the Engagement	N/A.
Succeeding CPA's Written Opinion of Disagreement Towards the Former CPA	N/A.

(3) Reply Letter from the Former Accountant on the Matters in Article 10.6 (1) and (2-3) of the Guidelines: N/A.

6. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Auditing CPA Firm or its Affiliated Businesses in the Past Year, Name, Title as well as Serving Period of the Accounting Firm or its Affiliate shall be Disclosed: None.

7. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer; or Shareholder with a Stake of More than 10 Percent during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report:

(1) Changes of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the Company

Title	Name	2018		Current Year to April 22,	
		Shareholding Increase /Decrease	Pledged Shares Increase /Decrease	Shareholding Increase /Decrease	Pledged Shares Increase /Decrease
Chairman as well as General Manager	Huang,Chun-Mu	0	0	0	0
Director as well as Deputy General Manager	Chiang,Tai-Hsiung	0	0	0	0
Director	Hua Eng Wire & Cable Co., Ltd Representative: Lin Ming-Xiang	0	0	0	0
More than 10% shares of shareholders	Hua Eng Wire & Cable Co., Ltd				
Director (concurrent) holding more than 10% shares of shareholders	Tonghua Dongbao Pharmaceutical Co., Ltd.	0	0	0	0
Independent Director	Tsai ,Gan-Ren	0	0	0	0
Independent Director	Kuo, Li-Jen	0	0	0	0
Independent Director	Lu,Hsueh-Yu	0	0	0	0
Supervisor	Tai,Tsung-Kai	0	0	0	0
Supervisor	Su,Chin-Pin	0	0	0	0
Supervisor	Lin,Chien-Hsing	0	0	0	0
Deputy General Manager	Lian De-Long	0	0	0	0
Assistant General Manager	Hsiu You-Ren	0	0	0	0
Assistant General Manager	Chen Bi-Hsuan	0	0	0	0
Assistant General Manager	Liu Jia-Shun (Date of appointment: January 1, 2017) (Date of dismissal May 1, 2018)	(2,000)	0	0	0
Assistant General Manager	Chen Chieh-Shing (Date of appointment: May 14, 2018)	0	0	0	0
Assistant General Manager	Shi Cheng-Hong (Date of appointment: November 7, 2018)	0	0	0	0
Assistant General Manager	Ye Zhi-Long (Date of appointment: November 7, 2018)	0	0	0	0
Assistant General Manager	Zhang Ming-Lun (Date of appointment: November 7, 2018)	0	0	0	0

Chief Financial Officer	Chen Hui-Zhen	0	0	0	0
Manager of Accounting	Liao Zhen-Yu	2,000	0	0 (2,000)	0

Note 1: Shareholders with more than 10% of the Company's shares shall be listed as major shareholders, and shall be listed separately.

Note 2: If the counterparties of equity transfer are related parties, please specify in below.

(2) Information on equity transfer: None.

(3) Information on equity pledge: None.

8. Relationship Information, if among the Company's 10 Largest Shareholders any one is a Related Party or a Relative within the Second Degree of Kinship of another:

Name	Shareholding		Spouse & Minor Children Current Shareholding		Current Shareholding in the Name of others		Relationships among the Top Ten Shareholders, anyone who is a Related Party, Spouse, or Second-Degree Kinship of another: Name and Relation		Remarks
	Share	%	Share	%	Share	%	Title (Name)	Relation	
Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Leng Chun-Sheng	12,000,000	20.17%	-	-	-	-	-	-	-
Hua Eng Wire & Cable Co., Ltd. Representative: Wang Hong-Ming	7,807,900	13.12%	-	-	-	-	-	-	-
Swiss Ypsomed Holding AG Representative: Willy Michel	3,836,250	6.45%	-	-	1,258,300	2.11%	The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	-	-
Huang,Chun-Mu	2,405,492	4.04%	1,120,380	1.88%	-	-	Shi Jin-Shiu Huang Shiu-Chin	Husband and wife Brother and sister	
Cathay Life Insurance Representative: Huang Tiao-Gui	1,461,000	2.46%							
The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	1,258,300	2.11%	-	-	-	-	-	-	-
Huang Shiu-Chin	1,133,869	1.91%	-	-	-	-	Huang,Chun-Mu	Brother and sister	-
Shi Jin-Shiu	1,120,380	1.88%	2,405,492	4.04%	-	-	Huang,Chun-Mu	Husband and wife	-
Su,Chin-Pin	1,087,817	1.83%	-	-	-	-	-	-	-
Eminent Venture Capital Corporation Representative: Huang	995,990	1.68%	-	-	-	-	-	-	-

Bai-Jian									

Note 1: The top ten shareholders shall be listed, and the corporate shareholders shall list the names of the corporate shareholder and the name of the representative of the corporate shareholder separately.

Note 2: The shareholding ratio refers to the calculation of the shareholding ratio in the name of the shareholder, spouse, minor children or shareholding in the name of others.

Note 3: The shareholders listed in the previous disclosure, including corporate shareholders and natural persons, shall disclose the relationship between them.

9. The Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, its Directors and Supervisors, Managers, and any Companies Controlled either Directly or Indirectly by the Company: None.

IV. Capital Overview

1. Capital and Shares

(1) Source of capital

Unit: NT$ thousand; 1000 shares

Year/ Month	Par Value	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
2003/4	10	750	7,500	750	7,500	Capital at establishment 7,500	None	Note 1
2003/6	10	1,500	15,000	1,500	15,000	Capital increase 7,500 by cash	None	Note 2
2003/11	10	4,500	45,000	4,500	45,000	Capital increase 30,000 by cash	None	Note 3
2004/7	10	11,000	110,000	9,000	90,000	Capital increase 45,000 by cash	None	Note 4
2005/1	30	11,000	110,000	10,000	100,000	Capital increase 30,000 by cash	None	Note 5
2005/3	30	15,000	150,000	11,000	110,000	Capital increase 30,000 by cash	None	Note 6
2005/7	15	15,000	150,000	12,000	120,000	Capital increase 15,000 by cash	None	Note 7
2005/9	30	15,000	150,000	13,500	135,000	Capital increase 45,000 by cash	None	Note 8
2006/4	31.5	50,000	500,000	16,500	165,000	Capital increase 63,000 by cash	Capital increase 31,500 by creditor's right	Note 9
2006/4	31.5	50,000	500,000	18,500	185,000	Capital increase 63,000 by cash	None	Note 10
2007/4	31.5	50,000	500,000	21,500	215,000	Capital increase 94,500 by cash	None	Note 11
2007/10	10/15	50,000	500,000	21,935	219,350	Employee stock option certificates 5,069	None	Note 12
2008/5	39	50,000	500,000	26,189	261,898	Capital increase 17,548 by capital surplus Capital increase 97,500 by cash	None	Note 13
2008/8	10	50,000	500,000	26,345	263,447	Employee stock option certificates NT$1,549 thousand	None	Note 14
2008/9	15	50,000	500,000	26,556	265,563	Employee stock option certificates 3,174	None	Note 15
2008/12	64	50,000	500,000	27,884	278,844	Capital increase 85,000 by cash	None	Note 16
2009/8	10/11.9	50,000	500,000	35,236	352,356	Capital increase 71,641 by earnings Employee stock option certificates 2,226	None	Note 17
2010/1	14.4	50,000	500,000	36,236	362,356	Employee stock option certificates	None	Note 18

Year/ Month	Par Value	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
						14,400		
2010/12	95	50,000	500,000	39,952	399,516	Capital increase NT$353,020 thousand by cash	None	Note 19
2011/8	10	50,000	500,000	43,947	439,468	Capital increase NT$39,952 thousand by capital surplus	None	Note 20
2014/12	38	70,000	700,000	51,447	514,468	Capital increase NT$285,000 thousand by cash	None	Note 21
2015/12	95	70,000	700,000	63,447	634,468	Capital increase NT$1,140,000 thousand by private placement	None	Note 22
2017/8	10	70,000	700,000	59,447	594,468	Capital increase NT$40,000 by treasury stock	None	Note 23

Note 1: The capital increase was approved by Ministry of Economic Affairs on April 14, 2003 No. 09231929030.

Note 2: The capital increase was approved by Ministry of Economic Affairs on June 19, 2003 No. 09232227670.

Note 3: The capital increase was approved by Ministry of Economic Affairs on November 27, 2003 No. 09233029400.

Note 4: The capital increase was approved by Ministry of Economic Affairs on August 26, 2004 No. 09332627270.

Note 5: The capital increase was approved by Ministry of Economic Affairs on February 25, 2005 No. 09431721640.

Note 6: The capital increase was approved by Ministry of Economic Affairs on May 13, 2005 No. 09432106330.

Note 7: The capital increase was approved by Ministry of Economic Affairs on September 16, 2005 No. 09432834870.

Note 8: The capital increase was approved by Ministry of Economic Affairs on October 5, 2005 No. 09432935950.

Note 9: The capital increase was approved by Ministry of Economic Affairs on May 5, 2006 No. 09532127100.

Note 10: The capital increase was approved by Ministry of Economic Affairs on May 17, 2006 No. 09532182970.

Note 11: The capital increase was approved by Ministry of Economic Affairs on May 14, 2007 No. 09632110580.

Note 12: The capital increase was approved by Ministry of Economic Affairs on October 22, 2007 No. 09632934410.

Note 13: The capital increase was approved by Ministry of Economic Affairs on June 20, 2008 No. 09732462450.

Note 14: The capital increase was approved by Ministry of Economic Affairs on August 8, 2008 No. 09732815110.

Note 15: The capital increase was approved by Ministry of Economic Affairs on October 22, 2008 No. 09733293140.

Note 16: The capital increase was approved by Ministry of Economic Affairs on January 6, 2009 No. 09831508980.

Note 17: The capital increase was approved by Ministry of Economic Affairs on September 10, 2009 No. 09833037820.

Note 18: The capital increase was approved by Ministry of Economic Affairs on February 22, 2010 No. 09931699410.

Note 19: The capital increase was approved by Ministry of Economic Affairs on January 4, 2011 No. 10031506780.

Note 20: The capital increase was approved by Ministry of Economic Affairs on August 25, 2011 No. 10032427660.

Note 21: The capital increase was approved by Ministry of Economic Affairs on January 8, 2015 No. 10301266680.

Note 22: The capital increase was approved by Ministry of Economic Affairs on January 12, 2016 No. 10401278900.

Note 23: The capital increase was approved by Ministry of Economic Affairs on August 29, 2017 No. 10601121050.

Unit: thousand shares

Type of Stock	Approved Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Common stock	59,501	10,499	70,000	

Note: Issued shares include 12,000 shares of private placement common stock; therefore, the listed shares are 47,501 thousand shares.

(2) Shareholder Structure

April 22, 2019

Shareholder Structure	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Domestic Natural Persons	Treasury Stock	Total
Number	0	1	20	28	2,437	1	2,487
Shareholding	0	1,461,000	11,533,780	18,140,792	26,365,222	2,000,000	59,500,794
%	0.00%	2.46%	19.38%	30.49%	44.31%	3.36%	100.00%

(3) Diffusion of Ownership

April 22, 2019

Shareholding Tiers	No. of Shareholders	Shareholding	%
1-999	443	73,175	0.12%
1,000-5,000	1,538	3,014,016	5.07%
5,001-10,000	190	1,440,218	2.42%
10,001-15,000	68	852,578	1.43%
15,001-20,000	59	1,064,966	1.79%
20,001-30,000	44	1,105,035	1.86%
30,001-40,000	26	927,491	1.56%
40,001-50,000	13	597,116	1.00%
50,001-100,000	43	3,028,894	5.09%
100,001-200,000	28	3,880,035	6.52%
200,001-400,000	17	4,619,289	7.76%
400,001-600,000	5	2,261,126	3.80%
600,001-800,000	1	722,200	1.21%
800,001-1,000,000	2	1,803,647	3.03%
Over 1,000,001	10	34,111,008	57.34%
Total	2,487	59,500,794	100.00%

Note: Face value of NT$10 per share.

(4) Major Shareholders

List all shareholders with a stake of five percent or greater, or the names of the top ten shareholders, specifying the number or shares and stake held by each shareholder on the list

April 22, 2019; Unit: Share

Name of Major Shareholders \ Shares	Shareholding	%
Tonghua Dongbao Pharmaceutical Co., Ltd.	12,000,000	20.17%
Hua Eng Wire & Cable Co., Ltd.	7,807,900	13.12%
Swiss Ypsomed Holding AG	3,836,250	6.45%
Huang,Chun-Mu	2,405,492	4.04%
Cathy Life Insurance	1,461,000	2.46%
The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	1,258,300	2.11%
Huang Shiu-Chin	1,133,869	1.91%
Shi Jin-Shiu	1,120,380	1.88%
Su,Chin-Pin	1,087,817	1.83%
Eminent Venture Capital Corporation	995,990	1.67%

(5) The Company's net worth per share, earnings per share, dividends per share, and related information

Unit: NT$; thousand shares

Item \ Year			2017	2018	Current year to March 31, 2019 (Note 8)
Market Price per Share (Note 1)	Highest		78.7	67.5	54.8
	Lowest		46.7	46.05	46.05
	Average		65.82	58.50	50.89
Net Worth per Share (Note 2)	Before Adjustment		36.17	34.66	34.89
	After Adjustment		-	-	-
Earnings per Share	Weighted Average Shares		59,365	59,447	59,759
	Earnings per Share (Note 3)		2.52	2.23	0.12
Dividend per Share	Cash Dividends	Before Adjustment	4.14	2.00 (Note9)	-
		After Adjustment	4.14	(Note9)	-
	Stock Dividends	Earnings per Share	-	-	-
		Stock Dividends Appropriated from Capital Surplus	-	-	-

	Accumulated Undistributed Dividends (Note4)	-	-	-
Investment Return Analysis	Price / Earnings Ratio (Note 5)	26.12	26.23	-
	Price / Dividend Ratio (Note 6)	15.90	29.25	-
	Cash Dividend Yield Rate (Note 7)	0.063	0.034	-

＊If there is capital increase by earnings or capital surplus, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued shall be disclosed.

Note 1: The highest and lowest market prices of common stock in each year and the average annual market price is calculated based on the annual turnover and volume.

Note 2: Based on the number of shares issued as of the end of the year, and in accordance with the resolution of the annual shareholders' meeting on earnings distribution.

Note 3: If there are retrospective adjustments due to stock dividends, the earnings per share before adjustment and after adjustment shall be listed.

Note 4: If there are provisions for equity securities of the year to be undistributed but accumulated to the year when there are earnings. It shall be disclosed separately to accumulated undistributed dividends of the year.

Note 5: Price / Earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash divined yield rate = cash dividend per share/ average closing price per share for the year.

Note 8: The net value per share and the earnings per share shall be filled in with the information of the account audited (reviewed) by the accountant in the most recent quarter of the annual report. The remaining fields shall be filled with the annual information as of the date of publication of the annual report.

Note 9: The distribution of earnings of 2018 has yet been approved by shareholders' meeting.

(6) Dividend Policy and Implementation Status

1. Dividend Policy:

The Company's dividend policy is based on current and future investment environment, capital needs, capital budget and changes in internal and external environment, as well as taking into account the interests of shareholders, balanced dividends and the long-term plans of the Company. The Company is in technology industry which is at growing stage; therefore, the Company's dividend policy is based on the principle of issuing cash dividends. The cash dividends distributed shall not be less than 5% of the total shareholder dividend of the year. The actual ratio of distribution shall be determined by the board of director based on the Company's funding status and capital budget.

2. Implementation Status

The Company's future dividend distribution process is stipulated by the Company Law. At the end of each business year, the chairman of the board of directors takes into account the Company's profitability and future operation needs, and drafts a proposal of profit distribution. Once the board of directors approves the resolution, it is submitted to the shareholders' meeting for approval.

The Company's surplus of 2018 was issued by the board of directors on March 11, 2019. The types and amounts of dividends were: (1) The cash dividends of shareholders were distributed by surplus and NT$2 was distributed per thousand shares, the total of NT$114,893,588 was distributed. Once the resolution of surplus distribution of 2018 is approved by the shareholders' meeting, the board of directors shall authorize the chairman to set the base date for distribution.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted this year:

The Company has no stock dividend; therefore they have no significant impact on the Company's business performance and earnings per share.

(8) Compensation of employees, directors, and supervisors

i. Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Article of Incorporation:

Article 28 of the Company's Article of Incorporation: The Company shall distribute the compensation of employees at a rate not less than 1.5% of the profitability of the current year and shall distribute the compensation of directors and supervisor at a rate not higher than 3% of the profitability of the current year. It shall make up the Company's accumulated losses if any. The Company shall deduct the benefits of the employees' compensation and the compensation of the directors and supervisors from the current year's pre-tax benefits.

ii. The estimated amount of compensation for employees, directors, and supervisors for the current period

A. Employee compensation of 10.76% B. Directors and Supervisor compensation of 2.29%

iii. Distribution of compensation approved by the board of directors:

On March 11, 2019, the board of directors of the Company approved to issue a compensation of NT$18,787,590 for employees and NT$4,000,000 for directors.

iv. The distribution of compensation for employees, directors, and supervisors in the previous fiscal year:

On March 16, 2017, the board of directors of the Company approved to issue a compensation of NT$18,962,084 for employees and NT$4,000,000 for directors.

(9) In accordance with the provisions of Article 28-2 “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”. The implementation of the Company’s share repurchase is as follows:

Buy-back Batch	First
Date of Board Meeting	March 13, 2017
Purpose of share buy back	Transfer to shares to employees
Type of Buy-back shares	Common Stock
Estimated Quantity of Buy-back Shares	2,000,000 shares
Estimated Buy-back Interval Price	NT$55 to NT$75 per share
Actual buy-back period	106.3.15~106.3.31
Actual Number of Buy-back Shares this Time	2,000,000 shares
The Actual Total Amount of Buy-Back this Time	NT$138,140,940
The Average Buy-back Price per Share this Time	69.07
Accumulated Number of Outstanding Shares	2,000,000 shares
Ratio of Accumulated Number of Outstanding Shares to the Total Number of Issued Shares (%)	3.15%
Reason for not Completing	N/A
Accumulated Number of Shares Retired and Transferred	-
Accumulated Number of Shares that have not been Retired and Transferred	2,000,000 shares

2. Corporate Bonds: None.

3. Preferred Shares: None.

4. Global Depository Receipts (GDR): None.

5. Employee Stock Warrants:

The employee stock option certificate of the Company that has not expired:

March 31, 2019

Types of Employ Stock Option Certificates (Note 2)	2017 Employ Stock Option Certificates	2018 Employ Stock Option Certificates
Date of Effective Registration from the Competent Authority	1/11/2017	1/11/2017
Issuing (handling) Date (Note 4)	1/13/2017	1/2/2018
Numbers of Units Issued	3,000,000	1,000,000
Ratio of Subscribable Shares to Total Issued Shares	5.05%	1.68%
Subscription Period	4 years	4 years
Exercise Method (Note 3)	By issuing new shares	By issuing new shares
Period and Ratio in which Subscription is Restricted (%)	Maturity of 2 years: 50% Maturity of 3 years: 50%	Maturity of 2 years: 50% Maturity of 3 years: 50%
Number of Shares that have been Obtained through Exercise of Subscription Rights	35,000 shares	0
NT$ Amount of the Shares Subscribed	NT$1,739,500	0
Number of Shares that have not been Subscribed	2,504,000	754,000
Subscription Price per Share of the Unsubscribed Shares	NTD49.7	NTD51.4
Ratio of the Number of Unsubscribed Shares to Total Issued Share	4.21%	1.27%
Effect on Shareholders' Equity	Little impact on the dilution of the original common stockholders' equity	Little impact on the dilution of the original common stockholders' equity

Note 1:The description of the status of employee stock warrants includes public placement and private placement of employee stock warrants. Public placement of employee stock warrants in the process of handling refers to effective by this meeting. Private placement of employee stock warrants in the process of handling refers to the approval made by the board meeting.

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: It shall list the issued shares or new shares.

Note 4: If the issuing (handling) date is different, it shall be listed separately.

Note 5: If private placement, it shall be marked in a noticeable method.

(2) Names and subscription status of managerial officers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock warrants acquired, cumulative to the date of publication of the annual report:

May 1, 2019

	Title (Note 1)	Name	Number of Shares Subscribed	Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)	Subscribed (Note2)				Unsubscribed (Note 2)			
					Number of Shares Subscribed	Price of Shares Subscribed (Note 5)	Amount of Shares Subscribed	Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)	Number of Shares Subscribed	Price of Shares Subscribed (Note 6)	Amount of Shares Subscribed	Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)
Managerial Officers	General Manager	Huang,Chun-Mu	557,000 247,000	0.94% 0.42%	0	0	0	0	557,000 247,000	49.7 51.4	27,682,900 12,695,800	0
	Deputy General Manager	Chiang,Tai-Hsiung										
		Lian De-Long										
	Assistant General Manager	Hsiu You-Ren										
		Chen Bi-Hsuan										
		Chen Chieh-Shing										
		Shi Cheng-Hong										
		Ye Zhi-Long										
		Zhang Ming-Lun										
	Financial Chief Officer	Chen Hui-Zhen										
	Accounting Manager	Liao Zhen-Yu										
es e	Employees	Chang Heng-Jia	386,000 135,000	0.65% 0.23%	0	0	0	0	386,000 135,000	49.7 51.4	19,184,200 6,939,000	0

		Chuang Shu-Ming										
		Lai Shuan-Yin										
		Liu Ying-Cho ng										
		Cheng Ren-Yu										
		Liu Ting-Yu										
		Huang Li-Gang										
		Chen Bi-Jun										
		Shie Hui-Hong										
		Lin Shi-Long										
		Lu Jing-Yi										
		Shiao Fang-Wei										

Note 1: Including managerial officers and employees (those who have been resigned or deceased shall be stated) shall disclose individual names and titles, but may be aggregated to disclose their acquisition and subscription status.

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: Employees obtained employee stock warrants that rank among the top ten refers to the employees other than managerial officers.

Note 4: The total number of issued shares refers to the number of shares listed in the Ministry of Economic Affairs' change of registration information.

Note 5: The employee stock warrants that have been subscribed shall disclose the price at the time of the subscription.

Note 6: The employee stock warrants that have not been subscribed shall disclose the adjusted subscription price which is calculated according to the issuance method.

(3) Private placement of employee stock warrants in the past three years: None.

6. New Restricted Employee Shares: None

7. Issuance of New Shares for Acquisition or Exchange of other Companies' Shares

8. Financing Plans and Implementation:

Previously issued or private placement securities have not been completed or have been completed in the last three years and profits have not yet been appeared:

(1) Private placement securities in 2015:

1. Contents of the plan

(1)Approval date and number of the competent authority: It was approved by Ministry of Economic Affairs on December 10, 2015 No. 10420718920.

(2) Total amount required for the plan: NT$1,140,000 thousand.

(3) Source of funds: Selecting specific persons in accordance with the relevant provisions of Securities Exchange Act. Private replacement: Tonghua Dongbao Pharmaceutical Co., Ltd.

(4) Project plan, scheduled progress and possible benefits: The Company plans that NT$684,000 shall be used to pay the bank loans, and the remaining shall be used in R&D, business expansion and productivity improvement. It is expected that the plan shall be completed within two years after the fund raising, to reduce the dependence on the bank financing and to meet the needs of future business growth and reduce the Company's financial operating risks, which shall also have positive benefits to shareholders' equity.

(5) The date of the designated information application by the Securities and Futures Bureau: August 6, 2015 and December 24, 2015.

2. Implementation status: As of the second quarter of 2018, NT$1,140,000,000 was used to pay the bank loans and enrich working capital. The balance of funds not yet used: NT$0.

3. Assessment of plan benefits: After the completion of fund raising of the fourth quarter of 2015, it shall repay part of the bank loans according to the funding plan. Not only shall it reduce the Company interest burden for the following years, it shall also increase the flexibility of financial scheduling in order to improve the financial structure and enhance the solvency. As for financial ratio, after the implementation of the use of raised funds, the debt ratio has been remarkably decreased, which has positive benefits for the financial structure and short-term solvency.

V. Operational Highlights

1. Business Activities

(1) Scopes of the business

i. Main contents of operating business of the Company

The business contents as stated in the Company's Articles of Association are as follows:

a. F108031 Wholesale of Medical Devices (limited to the Standard Industrial Classification of the Republic of China 4565 Wholesale of Watches and Glasses, 4571 Wholesale of Pharmaceutical and Medical Goods and 4649 Wholesale of Other Machinery and Equipment).

b. IG01010 Biotechnology Services (limited to the Standard Industrial Classification of the Republic of China 7210 Research and Experimental Development on Natural Sciences and Engineering).

c. F113030 Wholesale of Precision Instruments (limited to the Standard Industrial Classification of the Republic of China 4564 Wholesale of Household-type Photographic and Optical Goods, and 4649 Wholesale of Other Machinery and Equipment).

d. CF01011 Manufacture of Medical Instruments (limited to the Standard Industrial Classification of the Republic of China 2760 Manufacture of Irradiation and Electromedical Equipment, 3321 Manufacture of Eyeglasses and 3329 Manufacture of Other Medical Instruments and Supplies).

e. CC01101 Restrained Telecom Radio Frequency Equipment and Materials ((limited to the Standard Industrial Classification of the Republic of China 2721 Manufacture of Telephones and Cellular Phones, 2729 Manufacture of Other Communication Equipment, 2751 Manufacture of Measuring, Navigating and Control Equipment and 2760 Manufacture of Irradiation and Electromedical Equipment).

f. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import (limited to the Standard Industrial Classification of the Republic of China 4642 Wholesale of Electronic Equipment and Parts).

ii. The sales proportion of the main products of the business

Unit: NT$ Thousand

Item	2018	
	Amount	Percentage

Blood glucose meter	204,240	10.2%
Blood glucose test strips	1,749,489	87.1%
Others	53,493	2.7%
Total	2,007,222	100.00%

iii. Existing main products (services)

Blood glucose meter.

Blood glucose test strips.

iv. New products (services) development projects

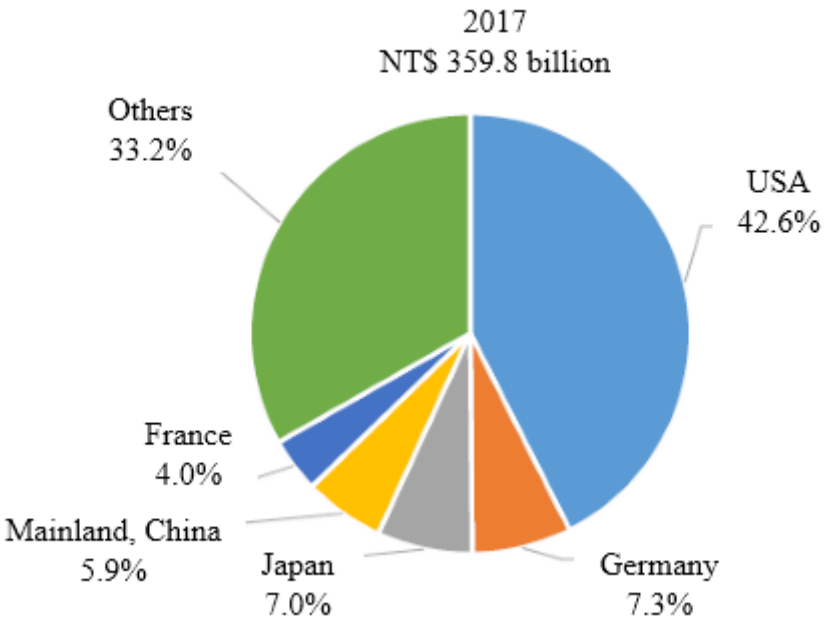
Cholesterol test kit, cholesterol test strip, uric acid assay kit, uric acid test strip.

(2) Industry Overview

i. Current status and development of industry

a. Current status and development of the global medical device market

According to the research report of BMI Research, the market size of the global medical device in 2017 is about $359.8 billion US dollars, and it is expected to grow to $425.3 billion US dollars in 2020. The compound annual growth rate (CAGR) for 2017-2020 is about 5.7%. It is mainly due to the United States government encourages industrial development through policies and promotes innovative and efficient solutions. The aging society in European countries is driving the medical industry. Moreover, in response to China's continuous promotion of medical policies and benefiting from the development goals of the 13th Five-Year Plan of Mainland, China to transform into a healthy China with national science and technology policies. Therefore, it is estimated that the growth of the global medical device market will be accelerated from the current medical device market through diversified smart health care products. The development of the global medical device market in recent years is illustrated as follows:



Source: BMI Research, IEK, 2018.

Diabetes is one of the world's most common non-communicable diseases, and it is top five leading causes of death in high-income countries. Similarly, diabetes also prevalent in developing countries and newly-industrialized countries. The population has diabetes is growing year by year in developing countries and in developed countries due to factors such as social urbanization, unhealthy living habits, and an increase in the elderly population

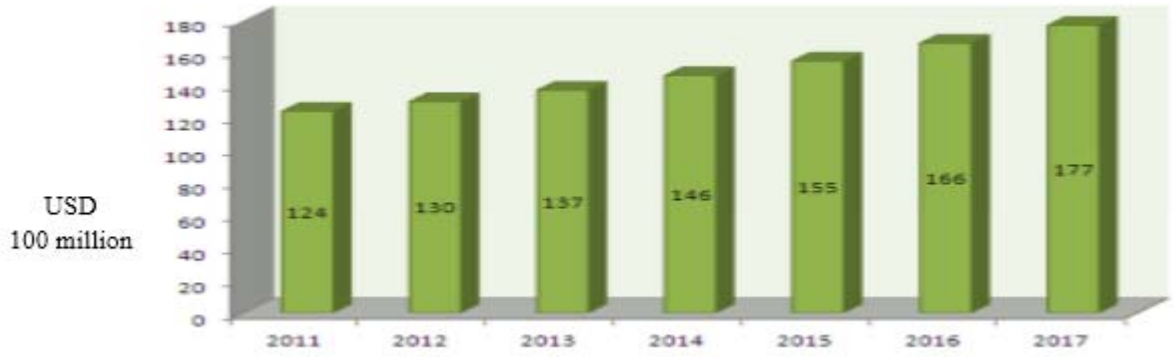
The prevalence of diabetes is high in the Asia-Pacific region due to the changes in living habits. In China, there are more than 100 million population has diabetes, and even 150 million people are potential diabetics, and one third of them will become diabetics in the future, however, for those who received proper care and attention is less than 8%. Diabetic patients are required to have blood glucose measurement at least three times a day, which is a self-monitoring of disease. However, in China, 80% of the blood glucose monitoring product market is monopolized by international brands, and the prices are relatively high, coupled with the blood glucose test strips are high price consumables. Under the condition that self-monitoring of disease is not common, Chinese patients use only one hundred test strips per year on average, compared with 400 test strips per year for European-American patients. This showed that the market penetration rate of blood glucose monitoring products in China is still low.

In many countries in the Asia-Pacific region, such as China, India, Indonesia, Vietnam, Malaysia and other countries, the rise of the middle class in those countries, not only have enough to eat and wear, but the awareness of life enjoyment and health care are gradually rising. In addition to the price considerations during the purchase of blood glucose meters, the expectations on the product quality and function are rising as well. The product focuses on the accuracy of the blood glucose meter. The acceptance level is reduced for a low-cost product with general quality or low quality. Therefore, in addition to price considerations, manufacturers who sell the products in the Asia-Pacific region are required to provide high-quality and high-precision blood glucose meters in order to meet the needs of the large middle class. Value-for-money

products are attractive in the Asia-Pacific region. In addition to providing home-based blood glucose measurements for diabetics, the multi-function measuring device also provides functions for the whole family or relatives to measure cholesterol and uric acid. It can win the favor of diabetics in the Asia-Pacific region if the price of a single-purpose blood glucose meter and the multi-purposes measuring device are comparable.

It is estimated that the market growth of continuous blood glucose monitoring (CGM) is the highest in the overall market, and the products will be developed in a direction of more sensitive and can use for longer time. Insulin Pump in medical devices of blood glucose treatment will also grow faster, and the product will head for smaller and more user friendly design development in future, and integrates with medical device of CGM to develop an integrated medical device with a combination of monitoring and treatment functions. The market size of the global blood glucose monitoring and treatment medical devices is illustrated as follows:

The market size of the global blood glucose monitoring and treatment medical devices



Source: Espicom; UBM TechInsights; IEK.

B. Current status and development of the domestic medical device market

The production value and sales value of the medical devices and manufacture of equipment in 2016 were increased by 7.40% and 6.72% respectively as compared with the same period of 2015 based on the statistics of the Industrial Production Statistics, Department of Statistics, Ministry of Economic Affairs. The growth was mainly driven by the continuous demand for blood glucose meter products in the European and American markets. For the sales growth rate, the annual growth rate of blood glucose test reagents was 14.37%, which were attributable to the demand for blood glucose meters in the European and American markets and the OEM of blood glucose meter for foreign manufacturers, which further drive the sales of blood glucose meters and the blood glucose related accessory products like blood glucose test strips, etc.

The overview of the manufacturing of medical devices and equipment

for the most recent five years of Taiwan is illustrated as follows:

The overview of the medical devices and manufacture of equipment for the most recent five years of Taiwan

Unit: NT $ 100 million, %

	2012	2013	2014	2015	2016
Production value	490.2	507.33	538.57	585.42	628.77
Annual growth rate	9.96	3.53	6.16	8.70	7.40
Sales value	485.22	485.99	501.82	551.12	588.15
Annual growth rate	10.02	0.16	3.26	9.82	6.72
Inventory value	25.56	36.62	48.90	64.28	88.99
Annual growth rate	-2.69	43.26	33.56	31.44	38.44
Export ratio	75.98	74.45	74.84	75.14	75.3

Source: Statistics of the Industrial Production Statistics, Department of Statistics, Ministry of Economic Affairs, Taiwan Industry Economics Services, February 2017

In terms of the major importing countries and imported products of medical devices and equipment industry in Taiwan for the most recent five years from 2012 to 2016, the United States is the largest importing country with its proportion of imports was 31.21% in 2016, and the main imported products are the other goods listed in other articles of heading No.9018 by the Customs Administration, Ministry of Finance. The amount of such goods imported from the United States is up to 25% of the total amount of the industry imported from the United States, followed by other diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents.

In terms of major export products in recent years, in the most recent two years, the diabetes test strip used in the blood glucose monitoring has accounted for 10.9% of export value in Taiwan, and most of the orders are mostly OEMs, and some manufacturers are developing their own brands. Diabetes test strips are mainly driven by the export of blood glucose meters, the demand for its consumables continues to increase. The main exporting countries are the United States and China, of which the United States accounts for up to 20% of the export

value of this item.

The industry relevance of upstream, midstream and downstream of the Company is due to the fact that the biotechnology industry covered extensive industries, and there are quite a few types of manufacturers involved in its upstream raw materials. Basically, the supply of upstream raw materials can be divided into two categories: reagents, consumables and components, while the downstream industries include domestic and foreign medical device importers and exporters, and distribution channels like medical device lines, medical institutions, distributors, pharmacy chains and warehouses. The purity and quality specifications of biochemical materials are subjected to stringent requirements in order to control the quality of the final product.

Therefore, if the model of outsourcing materials is adopted, the long-term cooperation an partnership are usually established in the form of contractual services once the upstream and downstream cooperation is successfully achieved, and continuous mentorship on the quality control of its production is provided to ensure the quality and quantity of its supply are in line with expectations. Also, the blood glucose meter and blood glucose test strips of the Company are own brand products. The Company develops its own downstream sales channels to enable more flexible and closer cooperation between the midstream and downstream companies.

iii. Development trends of products

The market has developed more than 20 years of research on non-invasive and low-invasive blood glucose meters, mainly to provide a solution to address the burden of frequent blood collection caused by the invasive blood glucose meters. However, the non-invasive blood glucose meter is derived from the indirect measurement, and the estimated value will vary from person to person, and the same person will vary from time to time, resulting in unstable measurement values, and even millions worth of desktop non-invasive blood glucose meter is still in this unstable stage. Therefore, the world's largest manufacturers still focus on the invasive blood glucose meter as the mainstream, but develop towards the main directions of low blood volume and painless blood sampling test.

The main requirements for the blood glucose testing products in the future market are as follow:

A. The blood is drawn using a lancing device, only a small drop of blood is required, almost painless.
B. In addition to blood collection by finger prick, the blood can be drawn from the palms and arms, and the same accurate test results can be obtained.
C. Emphasize on “absolute clean”, regardless of whether the test strip is inserted or removed, it can avoid blood stains on both hands.
D. The test response time is short, and the test result can be known quickly.
E. The test results are highly accurate, error-free, and reliable.
F. The test strip is thicker and stronger that gives better convenience to diabetic.
G. Equipped with blood glucose management software and transmission hardware which computerized blood glucose management to enable easier health management of patients.
H. After inserting the test strip, the blood glucose meter will activate automatically, and start measuring.
I. The LCD with large screen design that clearly displays the message.
J. The ergonomic design of the blood glucose meter which is more user-friendly.

The products of Bionime are quality-oriented, and always adhere to the principle of providing users with “safe to use” as the highest guiding principle for R&D and manufacturing, and high accuracy, low blood volume and fast response time are the competitive edges that will be used to compete in the future market. In view of the existing technology platform, the future new product development such as products of uric acid, cholesterol testing and hemoglobin A1c testing, in addition to increasing product diversity and market competitiveness, it can even increase the value of the company.

iv. Competitive landscape

The competitive situation in the blood glucose monitoring market has gradually shifted from the trend of the early four major manufacturers to the continuous investment of the world’s large and small medical device manufacturers, forming a great number of competing companies. By understanding the business

roadmap of international manufacturers and the practices of international manufacturers' M&A strategies, focusing on development is the key to limited resources and efficient solutions. Moreover, the smart healthcare with the continuous optimization of the care environment, the wireless medical appliances, the development of the Internet of Things, the combination of cloud computing and big data, Bionime has committed to pursue innovation, although at present, it only accounted for about 1% of the global market share. However, with the continuous launching of new products, it will accelerate the expansion of the Company.

(3) Technology and R&D Overview

i. Technology level and R&D status of operating business

The existing personal invasive blood glucose meters can be divided into two types, which are optical and electrochemical. As the electrochemical products is more stable, hence, it has become the mainstream in the market. The earliest commercialized electrochemical blood glucose meter is YSI 2300 from United States, which uses precious metal electrodes and unique sensing film technology to achieve 98% accuracy and stability of laboratory-grade instruments. Its measurement quality always been the benchmark for all blood glucose meters for more than 30 years. However, in view of the instrument is a high-priced product which costs hundreds of thousands of dollars and required operates by professional, therefore, it is not possible to enter the home healthcare market. How to reduce the cost and convenient operation of electrochemical blood glucose testing products, as well as take into account the accuracy of the test results have been the main axis of the R&D of Bionime's blood glucose meter products.

For the blood glucose test strip, the R&D team of Bionime has designed its own production technology which is fully automatic machinery equipment for test strip in addition to the unique embedded precious metal electrode sensor test strip, and used the computer to detect precious metal electrodes to enhance the accuracy of the test strip, and achieve the effects of time-saving and increase productivity. Along with the precious metal electrode material of the test strip, Bionime has the capability of self-design blood glucose meter, which added unique auxiliary functions that give better convenience to the users. Moreover, the products of Bionime have received favorable reviews from Science Citation Index (SCI) and journals of international seminar, which showed that Bionime has competitive edges.

In addition, its measurement accuracy and long-term stability, published in international journals in relevant clinical performance have been well-acclaimed by international research scholars, it has established a certain status in the blood glucose meter and test strip industry.

At present, most of the products of the major international manufacturers in the market are electrochemical blood glucose meters, but the test strips are mostly made by carbon printing and lamination. Bionime's patented structure technology enables nanometer-grade precious metal electrodes to be used in the disposable test strip structures with a low-cost structure and manufacturing processes, and integrated with technologies such as chemistry, electronics, software, mechanism and precision manufacturing, etc. to produce blood glucose meters and test strips of "achieving instrumental testing result at the cost of home blood glucose meter". In the future, the patented structure of this blood glucose test strip can also be used for other various disposable test strips, such as uric acid, cholesterol, etc.

ii. R&D personnel and their academic qualifications/experience

Unit: People

Year / Academic qualifications	2016	2017	2018
Ph. D.	3	4	4
Master	29	51	64
University	34	45	58
College	3	5	5
General and vocational high school	2	2	4
Total	71	107	135

iii. R&D expenses invested in the most recent five fiscal years

Unit: NT$ Thousand

Year	2014	2015	2016	2017	2018
R&D Expense	92,004	117,783	140,385	159,960	201,186
Operating revenue	1,524,669	1,609,718	1,740,309	1,820,267	2,007,222
Percentage of operating revenue for the fiscal year (%)	6.03	7.32	8.07	8.79	10.02

iv. Technology or product development accomplishments

Year of patent application	Technology or product development accomplishments

Apr, 2005	The “Structure of Disposable Electrochemical Sensor Test Strip and Its Manufacturing Method” acquired the US Invention Patent (US8187446) in 2012
Dec, 2005	The “Structure of Disposable Electrochemical Sensor Test Strip and Its Manufacturing Method” acquired the Korea Invention Patent (KR10-0805913) in 2011
Aug, 2005	The “Structure of Disposable Electrochemical Sensor Test Strip and Its Manufacturing Method” acquired the Japan Invention Patent (JP4611889) in 2011
Aug, 2007	The “Operation Method of Measuring Instrument and Measuring Instrument” acquired the US Invention Patent (US8236165) in 2012
May, 2007	The “Operation Method of Measuring Instrument and Measuring Instrument” acquired the Mainland Invention Patent (ZL200710103910.2) in 2013
Nov, 2007	The “Password Module, Biosensor and Its Operating System” acquired the US Invention Patent (I349105) in 2011
Jul, 2008	The “Password Module, Biosensor and Its Operating System” acquired the Germany Invention Patent (DE102008029715) in 2011
Feb, 2008	The “Puncture Device” acquired the Mainland Invention Patent (ZL200810081129.4) in 2011
Feb, 2008	The “Puncture Device” acquired the Taiwan Invention Patent (I357321) in 2012
Jul, 2008	The “Adjustable Accessories For the Puncture Device” acquired the Taiwan Invention Patent (I354548) in 2011
Apr, 2009	The “One of the Detection Methods to Determine the Occupancy Status of Sample” acquired the Taiwan Invention Patent (I388823) in 2013
Dec, 2009	The “Dry Container” acquired the Taiwan Invention Patent (I374841) in 2012
Oct, 2010	The “Dry Container” acquired the EU Invention Patent (EP2330053) in 2012
Nov, 2011	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D150081) in 2012
Jan, 2012	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL2012 3 0014486.6) in 2012
Nov, 2011	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D150082) in 2012
May, 2012	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL2011 30502397.1) in 2012
Nov, 2012	The “Analyte Measuring Instrument” acquired the US New Design Patent (D670812) in 2012
Jun, 2006	The “Methods of Encoding Modules, Biometers and Operational Biometers” acquired the US Invention Patent (US8594943) in 2013
Oct, 2008	The “Puncture Device” acquired the US Invention Patent (US8568434) in 2013
Feb, 2008	The “Electrochemical Sensing Method and Test Strip” acquired the Mainland Invention Patent (ZL200810081128.X) in 2013
Sep, 2008	The “Adjustable Accessories For the Puncture Device” acquired

	the Mainland Invention Patent (ZL200810215505.4) in 2013
Jul, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the Taiwan Invention Patent (I427291) in 2014
Sep, 2012	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D156156) in 2013
Oct, 2012	The “Analyte Measuring Instrument” acquired the US New Design Patent (D688146) in 2013
Dec, 2012	The “Battery Conductive Pad and Battery Connector of Electronic Device with Movable Battery Conductive Pad” acquired the Mainland New Design Patent (ZL 201220724073.1) in 2013
Jan, 2013	The “Biodetection System” acquired the Taiwan New Patent (M462094) in 2013
Apr, 2013	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL201330114219.0) in 2013
Jul, 2013	The “Analyte Measuring Instrument” acquired the EU New Design Patent (002277103) in 2013
Jul, 2013	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL201330339898.1) in 2014
Apr, 2012	The “Dry Container” acquired the US New Design Patent (D676747) in 2014
Jul, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the Taiwan Invention Patent (I427291) in 2014
Oct, 2010	The “Test Strip with Electrochemical Sensor” acquired the China Invention Patent (ZL201010501028.5) in 2014
Sep, 2010	The “Test Strip with Electrochemical Sensor” acquired the Taiwan Invention Patent (I439689) in 2014
Oct, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the US Invention Patent (US8702960) in 2014
Oct, 2013	The “Charging Cradle” acquired the China New Design Patent (ZL201330479661.3) in 2014
Oct, 2013	The “Battery Connector” acquired the Germany Invention Patent (202013009263.7) in 2014
Dec, 2013	The “Analyte Measuring Instrument” acquired the China New Design Patent (ZL201330609521.3) in 2014
Oct, 2013	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D162391) in 2014
Jan, 2013	The “Puncture Device” acquired the EU Invention Patent (602013000063.8) in 2014
Jul, 2008	The “Password Module, Biosensor and Its Operating System” acquired the China Invention Patent (ZL200810126588.X) in 2014
Jun, 2010	The “Dry Container” acquired the US Invention Patent (US8789692) in 2014
Sep, 2011	The “Test Strip with Electrochemical Sensor” acquired the US Invention Patent (US8845869) in 2014
Sep, 2012	The “Measurement Method and Sensor For Sample To Be Analyzed” acquired the US Invention Patent (US8840776) in 2014
Mar, 2012	The “Cover of Dry Container” acquired the Taiwan New Design Patent (D163003) in 2014

Sep, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the China Invention Patent (ZL201110319118.7) in 2014
Mar, 2012	The “Puncture Device” acquired the China Invention Patent (ZL201210087976.8) in 2014
May, 2014	The “Insulin Measurement Pen with Attached Biosensor” acquired the China New Design Patent (ZL201430156340.4) in 2014
Aug, 2011	The “Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data” acquired the Taiwan Invention Patent (I468687) in 2015.
Jun, 2011	The “Dry Container” acquired the US Invention Patent (US8919545) in 2015
May, 2014	The “Sensor Test Strip” acquired the China New Design Patent (ZL201430128747.6) in 2015
Jan, 2012	The “Puncture Device” acquired the Taiwan Invention Patent (I477256) in 2015
Jun, 2014	The “Analyte Measuring Instrument” acquired the China New Design Patent (ZL201430176747.3) in 2015
Mar, 2007	The “Password Module, Biosensor and Its Operating System” acquired the US Invention Patent (US9052306) in 2015
July, 2012	The “Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data” acquired the US Invention Patent (US9083862) in 2015.
Oct, 2011	The “Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data” acquired the China Invention Patent (ZL201110327937.6) in 2015.
Oct, 2012	The “Measurement Method and Sensor For Sample To Be Analyzed” acquired the China Invention Patent (ZL201210410841.0) in 2015
Jan, 2012	The “Puncture Device” acquired the Taiwan Invention Patent (I477256) in 2015
Dec, 2012	The “Icons Used In Blood Glucose Meter” acquired the US Design Patent (US735756) in 2015
Nov, 2012	The “Icons Used In Blood Glucose Meter” acquired the US Design Patent (USD734348) in 2015
Dec, 2013	The “Biosensor Test Strip” acquired the Taiwan Invention Patent (I493184) in 2015
Nov, 2013	The “Sensor Test Strip” acquired the US Design Patent (USD738526) in 2015
May, 2014	The “Sensor Test Strip” acquired the China Design Patent (ZL201430128747.6) in 2015
Dec, 2014	The “Analyte Measuring Instrument” acquired the Germany New Patent (202014106129) in 2015
May, 2014	The “Insulin Measurement Pen with Attached Biosensor” acquired the US Design Patent (USD723170) in 2015
Apr, 2015	The “Insulin Measurement Pen with Attached Biosensor” acquired the China New Patent (ZL201520201854.6) in 2015
Jun, 2014	The “Analyte Measuring Instrument” acquired the China Design Patent (ZL201430176747.3) in 2015
Jun, 2014	The “Analyte Measuring Instrument” acquired the US Design

	Patent (USD731067) in 2015
Apr, 2014	The “Analyte Measuring Instrument” acquired the Taiwan Invention Patent (I541040) in 2016
Mar, 2014	The “System and Method for Measuring Physiological Parameters” acquired the Taiwan Invention Patent (I559897) in 2016
Oct, 2013	The “Charging Cradle” acquired the Taiwan Design Patent (D174307) in 2016
Jan, 2014	The “Biodetection System” acquired the US Invention Patent (US9488658) in 2016
Jan, 2013	The “Biodetection System” acquired the China Invention Patent (ZL201310037684.8) in 2016
Sep, 2012	The “Puncture Device” acquired the US Invention Patent (US9386945) in 2016
Oct, 2012	The “Measurement Method and Sensor For Sample To Be Analyzed” acquired the Taiwan Invention Patent (I525322) in 2016
May, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the China Invention Patent (ZL201210135965.2) in 2016
May, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the US Invention Patent (US9339234) in 2016
Oct, 2005	The “Structure of Disposable Electrochemical Sensor Test Strip and Its Manufacturing Method” acquired the EU Invention Patent (EP1634066) in 2016
Apr, 2010	The “One of the Detection Methods to Determine the Occupancy Status of Sample” acquired the Europe Invention Patent (EP 2239563) in 2016
Mar, 2014	The “System and Method for Measuring Physiological Parameters” acquired the Taiwan Invention Patent (I559897) in 2016
May, 2006	The “Operation Method of Measuring Instrument and Measuring Instrument” acquired the Europe Invention Patent (EP1860432) in 2017
Apr, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the Taiwan Invention Patent (I569773) in 2017
Jun, 2015	The “Battery Conductive Pad and Battery Connector of Electronic Device with Movable Battery Conductive Pad” acquired the US Invention Patent (US9847521) in 2017
May, 2014	The “System and Method for Measuring Physiological Parameters” acquired the China Invention Patent (ZL201410200146.0) in 2017
Jan, 2015	The “System and Method for Measuring Physiological Parameters” acquired the US Invention Patent (US9600991) in 2017
Sep, 2016	The “One of the Analyte Measurement Modules” acquired the Taiwan Invention Patent (I607217) in 2017
Sep, 2016	The “One of the Analyte Measurement Modules” acquired the Taiwan Design Patent (D183912) in 2017

Sep, 2016	The “One of the Analyte Measurement Modules” acquired the China Design Patent (ZL201600534559.2) in 2017
Apr, 2017	The “Analyte Measuring Instrument” acquired the Taiwan Design Patent (D186862) in 2017
Oct, 2017	The “Part of Analyte Measuring Instrument” acquired the China Design Patent (ZL201730477448.7) in 2018
Sep, 2016	The “One of the Analyte Measurement Modules” acquired the Taiwan Invention Patent (I628438) in 2018
May, 2017	The “Physiological Parameter Monitoring System” acquired the Taiwan Invention Patent (I627940) in 2018
Jun, 2017	The “Graphical User Interface of Display Screen” acquired the Taiwan Design Patent (D194448) in 2018
Jun, 2017	The “Mobile Phone With Graphical User Interface” acquired the China Design Patent (ZL201730282807.33) in 2018
Dec, 2017	The “Graphical User Interface of Display Screen” acquired the Europe Design Patent (4566065) in 2018
Apr, 2018	The “Part of Physiological Patch” acquired the Taiwan Design Patent (D195429) in 2018
Apr, 2018	The “Part of Physiological Patch” acquired the China Design Patent (ZL201830129370.4) in 2018
Apr, 2018	The “Part of Physiological Patch” acquired the Japan Design Patent (1617961) in 2018
Apr, 2010	The “One of the Detection Methods to Determine the Occupancy Status of Sample” acquired the US Invention Patent (US10197523) in 2019

(4) Long-term and short-term business development plans

i. Short-term business development plans of the Company

a. Marketing strategies

(i) Actively develop customers in the US and Asia, support key customers, and align with company resources to pursue the Company’s maximum profit.

(ii) Expand product portfolio, and maintain product competitiveness.

(iii) Continue to strengthen the immediate and comprehensive technical support and services for customers to achieve business goals.

(iv) Signed a brand licensing contract with GE, and with its high brand awareness, the Company actively promote products to increase worldwide market share.

b. Research and development (R&D) aspect

(i) Integrate the design, and simplify the production cost of the blood glucose meter.

(ii) Develop new models which featured with minimum blood is required and measurement time is shorten.

(iii) Continue to apply for various R&D patents, protect intellectual property rights, and publish R&D results in renowned academic journals at home and abroad.

c. Production aspect

(i) Introduce automation equipment to save costs and increase production efficiency.

(ii) Maintain close partnership with domestic and foreign suppliers to ensure product delivery.

(iii) Strictly implement the quality policy of designing and manufacturing world-class quality and high accuracy blood glucose detecting instruments and test strips at low-cost to achieve the quality goal of 99.9% product yield.

(iv) Actively adopt advanced manufacturing processes, expand R&D of highly accurate biotechnology detecting instruments, and expand market share with its technology and cost advantages.

d. Operational and financial aspects

(i) Introduce KPI management system, establish a causal relationship between non-financial indicators and financial performance, clearly define the objectives of each department, and transform the information into information sharing. Through organizational cooperation and competition, it further enhances the overall execution of the Company and strengthens operating efficiency and effectiveness.

(ii) Align with the capital requirements for the Company's business development and R&D technology improvement, without prejudice to the profitability, timely capital increased by cash and proper use of financial leverage are made to issue bonds or borrow money from banks for the uses of operations.

ii. Long-term business development plans

a. Sales and marketing aspects

(i) The key marketing is focuses on the emerging country market to establish a close marketing network.

(ii) Establish brand image of BIONIME to balance against the own brand market and ODM customers.

(iii) Signed a brand licensing contract with GE, and it is expected to establish a global strategic partnership for biotechnology of blood glucose.

b. R&D aspect

(i) Develop the next generation of home-based uric acid and cholesterol test strips, and expand to complete the product lines.

(ii) Detection device integration to be used in home-based telecare system.

(iii) Actively nurture R&D talents, establish a strong R&D team, and knowledge building and transmission of experience to enhance the efficiency and performance of R&D.

c. Production aspect:

(i) Establish a lean supply chain and operating procedures in response to the changes in the medium and long-term market structure and corporate strategy.

(ii) More than 90% of the production line is automated to improve efficiency, product quality and profit.

d. Operational and financial aspects:

(i) Actively develop globally, develop international talents, and continue to expand the scale of operations to become a world-class company.

(ii) Acquire stable and low-cost global cost of capital as a capital support of the Company's rapid expansion of business scale to reduce operating costs and reduce operating risks.

2. Market and Sales Overview

(1) Market analysis

A. Sales regions of main products

Unit: NT$ Thousand

Year / Region	2017		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Europe	624,237	34.29	587,401	29
Asia	588,296	32.32	627,419	32
America	149,991	8.24	183,094	9
Others	457,743	25.15	609,308	30
Total	1,820,267	100	2,007,222	100

B. Product market share

Since the establishment of the Company for more than ten years, the blood glucose meters and test strips produced by the Company have become an excellent example of the balanced development of accuracy, stability and cost in the global industry under the continuous improvement of R&D and production technology, and have won wide recognition from the European-American customers. Although the current market share is still small, has yet to reach 1% of the global market share. However, after seven years of hard work, Bionime has actively expanded its overseas market under the promotion of the international marketing team. Its products have obtained the US FDA certification, the CE certification of EU and the accuracy of IDT specimen is well received by IDT, the Germany diabetes authoritative organization. The Company has an outstanding and high growth performance every year, for the coming series of product development and combination in the future are featured with excellent product quality and competitive pricing, which will create unlimited growth for the Company.

C. The future supply and demand situation and growth of the market

Physiological signal measurement equipment was only used in medical institutions in the early days. It is a medical professional measurement equipment, which is expensive, and its use and maintenance are complicated and required operates by professional. With the rapid development of sensing technology, the cost of medical electronic products has been greatly reduced, and the awareness of home health care has also been significantly improved. The market demand for physiological signal measuring equipment that can be operated by general users has shown a steady growth trend. It is coupled with modern people focus on “preventive medicine”, instruments that can be measured at any time can assist in early detection and early treatment for general users. In addition, in modern society where chronic disease of civilization becoming more serious, if chronic diseases such as diabetes has been diagnosed, the disease will no longer deteriorate only through disease control management, thereby gradually restoring health. Therefore, regardless of the prevention point of view or disease control, the market demand for future home medical measuring instruments will continue to grow.

Due to medical measurement is a cross-disciplinary and integration of inter-industry, the accuracy and stability of products have certain technical bottlenecks. It is coupled with the characteristics of medical equipment industry are

greatly affected by the government policies of the place of sale. As it involved personal health and safety, hence, the product verification system requirements are very stringent. The Company has unique patented technologies that enable it can achieve home-based blood glucose test strips with laboratory grade by using low-cost structure and manufacturing processes. It not only avoids the hundreds of patent restrictions of the existing international manufacturers, but also jumped out of the technical framework of international manufacturers, and achieving competitive advantages of high accuracy, high stability, low cost and enhanced competitiveness. It is qualified to cooperate with the world's largest manufacturers or has the competitive edge to compete globally. In the future, the Company will actively engage in R&D with the concept of biotechnology industry rooted in Taiwan, integrate domestic upstream, midstream and downstream industries to complete the manufacturing processes from autonomous production of raw materials to the final biotechnology products, and enhance the technical level of Taiwan's biotechnology industry. It also adopts the coexistence strategy of own brand and ODM, and actively expands the markets of emerging countries such as Southeast Asia, Mainland and Central and South America to increase the product market share.

D. Competitive Niches

a. Product and R&D technology are competitive:

The Company has mastered the whole process of technology from R&D to production. The structure and shape of the test strip are different from the existing commercial products. The product has the advantage of product differentiation of nanometer-grade precious metal electrodes, and the developed products have been patented. In addition, the rapid development of new products of the Company, and continuous improvement on quality, yield, manufacturing processes, cost, and active supply chain integration to enhance the technology of the third-party manufacturers.

Bionime's unique embedded precious metal electrode sensor test strip, was evaluated in 2009 by the IDT, Germany diabetes authoritative organization according to ISO15197 for rating of 27 blood glucose meters worldwide. As the model of GM101 and GM300 blood glucose meters have excellent performance which enable the technology of Bionime to keep pace with other world's largest

manufacturers, and its accuracy of the products have attained the first-class standards. In the future, Bionime will use this production technology in the blood lipids testing such as cholesterol and triglycerides for the cardiovascular diseases prevention to enhance its competitive advantages.

b. The management team has strong system integration capabilities across chemistry, electronics, software, institutions, precision manufacturing, and industrial management. The quality of the staff is even and the organizational responsiveness is efficient.

c. Government incentives and promotion:

The government has listed the biotechnology industry as a key driver in the 21st century and has offered a number of preferential measures. The Ministry of Economic Affairs also established the Biotechnology and Pharmaceutical Industry Task Force in 1995 to facilitate upgrading of industries, and to recruit talents from overseas to participate in the R&D of biotechnology development in order to improve the technical level and competitiveness of Taiwan's biotechnology industry.

In view of the surge in the population has diabetes, the government has reduced the financial burden of patients with type I diabetes (IDDM) and increased their willingness to measure blood glucose. As the pancreas of the patients with IDDM unable to secrete insulin by itself due to some reasons, the patients have to take insulin for life and monitor the efficacy of the treatment with blood glucose test strips. The Department of Health and the Ministry of the Interior currently plan to include Type I diabetes in the scope of major organ-disabled diseases that meet the issuance criteria of disability card. The Bureau of National Health Insurance also included the blood glucose test strips required for this type of patient in the NHI Payment on June 1, 2010, and subsidized four test strips per day to facilitate the blood glucose control of patients, reduce the risk of complications and the probability of dialysis, should be served several purposes at the same time.

d. Bionime has a strong international marketing team, and has developed a global distribution system, coupled with the publication of professional journals and clinical trial reports from renowned European and American hospitals or diabetes centers have enabled Bionime to become an own brand biosensor technology manufacturing company in Taiwan, BIONIME successfully

marketed worldwide.

e. Domestic living standards have improved, Taiwanese have attached great importance to the health and the domestic elderly population is increasing. It is estimated that the demand for preventive medical care will continue to increase; and the growth of the elderly population and the steady growth of home care product consumption in the world will facilitate business development.

f. American health care reform program

The health care reform program adopted by the United States in March 1999, it is expected to invest $634 billion US dollars (about NT$ 19 trillion) in the next decade, with the objective of providing basic equality of medical care, focusing on preventive medicine and encouraging imported cheaper generic drugs, high-reliability and low-cost medical device. It is expected that the orders of the originally bulk export of blood glucose meter and its test strips to the United States will be significantly increased, which is a great opportunity for Taiwanese medical device manufacturers who are known for their high quality and affordable prices.

g. Mainland China's health care system reform policy

The implementation of the health care system reform policy of the "Twelfth Five-Year Plan" in Mainland China will accelerate the rational allocation of medical resources. It is expected to significantly increase the sales opportunity of high-quality blood glucose meters.

E. Development outlook - favorable and unfavorable factors

Item	Favorable factors	Unfavorable factors	Countermeasures
Production technology	The unique test strip production technology has been protected by patents.	Biotechnology belongs to the high-tech industry, and related production technologies are strictly protected by patents regulations. The competitors of the Company are all large foreign manufacturers, which investing	Training is provided to the relevant technical personnel to enhance product competition and responsiveness, and seek other alternative technologies for production, and develop higher quality products. And actively seek and

		considerable capital and manpower for improvement and R&D in production technology. Therefore, the Company needs to conduct a comprehensive investigation or take an approach entirely different from them to develop its own production technology when developing new technologies to avoid patent infringement.	train upstream and downstream suppliers in order to produce products that are better than the quality of international manufacturers at lower cost.
R & D capabilities	The company has been leading the world's advanced countries by using unique technology to develop products with outstanding performance in accuracy and precision.	There is a lack of communication in relevant domestic industry information, and the transfer of outsourcing technology is not smooth; the training environment for R&D personnel needs to be improved, resulting in a slower transmission of experience.	Keep abreast of the development of international technology information, actively participate in international exhibitions, understand global market trends and used them as a reference for R&D, and actively arrange training courses for R&D personnel to acquire the latest knowledge. And the Company continues to develop new products as its research and development goals every year to improve the

			morale of R&D personnel.
Marketing capabilities	The Company's products have been certified by the US FDA and the European Union CE, and have passed ISO13485 and Taiwan GMP certification, which is a valuable sales tool. Also, the Company is the first own brand biochemical sensor manufacturing company in Taiwan, BIONIME successfully marketed worldwide.	The competitors are all international large manufacturers with abundant funds. They not only provide low-cost or free blood glucose meters in the market, but also cause industrial imbalances through mergers and acquisitions, which hinders the Company's sales in the market.	Actively participate in international exhibitions and journal publication to establish brand image awareness and enhance product credibility through regional and professional marketing. Provide marketing tools to regional distributors and build a complete distribution network to establish a closer "partnership" relationship with distributors.
Raw material supply	The main raw material of the Company's products is the plastic substrate of the test strip. The plastic substrate manufacturer and the Company has signed a contract, and the Company has maintained a long-term partnership with the supplier. 95% of the core raw materials are supplied by domestic manufacturers, and all of them have more than 2-3 suppliers as substitutable, therefore	The biotechnology industry is an emerging industry of two trillion and twin star in Taiwan. At present, the entire industry development is only in its infancy stage, and the satellite system has not yet been completed. Suppliers are not yet aware of the quality specifications of the biotechnology industry, but the quality requirements of the biotechnology industry have reached the nanometer	1. The core materials are self-made by the Company's production line. 2. Establish a professional supplier coaching team, and seek suppliers with the capabilities to manufacture high quality materials 3. The supplier coaching team actively invested in engineering resources to cultivate the concept of one of the Company's production lines, strengthen the guidance

	the satellite system in the supply chain is in a stable state.	specifications. General suppliers need a longer period of time to gear in, and learn from each other, and Bionime is responsible to coach the suppliers in order to lead its supply chain system into a highly competitive market.	of existing suppliers, improve their manufacturing process capability and management capabilities, and bring greater opportunities for the Company to create a win-win situation.
Regulatory standards	The blood glucose test strips of GM101 and GM300 of Bionime were evaluated in 2009 by the IDT, Germany diabetes authoritative organization for the evaluation of 27 blood glucose test strips. If the result of the evaluation is changed to the range of ±15% of the error, it still conforms to the ISO 15197 specification, hence, its quality is well-recognized.	As the quality of medical device is critical to human safety, governments have established strict regulations to manage them. Medical device manufacturers need to pass production quality certification or clinical trials in order to obtain relevant quality certifications in each country prior to the product selling. At present, the specification of blood glucose testing according to ISO 15197 will change the error range of current blood glucose test results above 75 mg/dL (inclusive) from ±20% to ±15%, which will	In the production process of its blood glucose meters and test strips, Bionime adopts high-standard manufacturing processes, quality control and stable accuracy requirements to meet the product requirements of medical device worldwide. And it continues to invest in R&D of product improvement to continuously improve its precision, accuracy and stability.

		improve the accuracy of blood glucose testing.	
Foreign exchange risk	The financial situation of Bionime is healthy, the cash position on the account is sufficient, and it has good relationship with financial institutions such as banks, etc., and there are sufficient resources to hedge the exchange rates. In the past, due to the Euro- and US dollar-denominated sales are equivalent, which imposed a natural hedging effect. However, in recent years, the international exchange market is dynamic, the Company has begun to adopt the asset and liability hedging methods by this year, and continued to review in response to fluctuations in the international exchange market.	The dependence on export is high, and it is vulnerable to exchange rate fluctuations and thereby affecting the level of profitability.	Continue to strengthen the concept of currency hedging of financial personnel, and strengthen the interaction with financial institutions in order to assess the trend of changes in exchange rates, and used as a reference for hedging. At the same time, try to pay the purchase expenses in the same currency with the sales revenues in order to achieve natural hedging effect. In addition, the Company also will consider the future exchange rate trend before provide quotation for new orders.

(2) Important use and production process of main products

A. Important use of main products

Name of product	Important uses and functions

Blood glucose meter	The main function of the Company's blood glucose meter is to measure the glucose concentration in the blood (referred to as blood glucose concentration) of users quickly and accurately. It provides a complete information to the users and the medical personnel, and further control the blood glucose changes in the body by measuring the level of blood glucose.
Blood glucose test strips	In addition to the blood glucose meter, it needs to pair with the blood glucose test strip in order it can measure the blood glucose concentration normally and correctly. Blood glucose test strip looks like a thin piece, and usually has an enzyme in biochemical sensor, such as glucose oxidase (GOD) in the blood area. This type of enzyme substance plays an important role in the blood glucose test strip by generating a specific biochemical reaction with blood glucose, and further generating a current that can be measured by the blood glucose meter, and thereby converting to the concentration value that can be interpreted by user.

B. Production process

A. Blood glucose meter

The blood glucose meter is an electronic product, which is divided into the following major production processes:

(a) PCBA processing process
Includes IC version processing and LCD screen processing.

(b) Pre-assembly process
Includes the assembly procedures of components like PCBA, upper and lower cover modules, LCD, button, etc., and the calibration check of the tester.

(c) Functional verification
Includes warm-up verification, current measurement verification, actual verification and reliability verification.

(d) Final-assembly process
Includes serial number printing, appearance parts assembly, appearance wiping, date and unit setting adjustment, test strip insertion and removal test, etc.

B. Blood glucose test strips

The manufacturing process of blood glucose test strip needs to cover the following three major production processes:

(i) Manufacturing process of overlay
Includes raw material processing, rubberize, printing, and exterior

punching.

(ii) Manufacturing process of precious metal electrodes

Includes exterior stamping and surface treatment.

(iii) Manufacturing process of plastic film

Includes exterior stamping and plastic injection.

(iv) Test piece assembly production process

Includes electrode assembly, reagent coating, and placement of overlay.

(v) Test piece stability quality control

Includes setting test piece formula, measurement precision, and balance stability.

(3) Supply situation of main raw materials

Name of raw material	Supplier	Supply situation
Enclosing cover of blood glucose meter	Company T	Good
Test piece container	Company C	Good

(4) Details of suppliers (customers) accounted for more than 10% of total procurement (sales) amount in either of the most recent two fiscal years

i. List of suppliers for procurement in the most recent two fiscal years

Unit: NT$ Thousand

	2017				2018				Current fiscal year up to previous quarter (Note 2)			
Item	Name	Amount	Percentage of annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases of current fiscal year up to previous quarter (%)	Relationship with the issuer
1	Company C	52,247	8.79	-	Hon Hai	40,194	6.5	-	Company C	14,800	9.06	-
2	Hon Hai	39,372	6.6	-	Company C	39,878	6.4	-	Hon Hai	10,766	6.59	-
	Others	503,083	84.61	-	Others	538,821	87	-	Others	137,827	84.35	
	Net purchase	594,702	100	-	Net purchase	618,893	100	-	Net purchase	163,393	100	-

Note 1: Details of suppliers accounted for more than 10% of total procurement amount in the most recent two fiscal years, where the company is prohibited by contract from revealing the name of a supplier, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the date of publication of the annual report, if there is any financial data for the most recent period audited and attested or reviewed by a CPA for a company whose stock is listed on the stock exchange or traded over the counter, it shall also be disclosed therewith.

Company C mainly supplies the test piece container, while Hon Hai mainly supplies gold salt of electrode for test piece. As blood glucose test strip is the main sales product of the Company, therefore company C and Hon Hai are the ranked first/second suppliers of the Company.

ii. List of customers for sales in the most recent two fiscal years

Unit: NT$ Thousand

	2017				2018				Current fiscal year up to previous quarter (Note 2)			
Item	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of net sales of current fiscal year up to previous quarter (%)	Relationship with the issuer
1	Tung Pao	384,737	22.11	Director	Company E	434,210	21.63	-	Company Y	87,702	24.08	-
2	Company Y	316,840	18.21	-	Tung Pao	360,446	17.96	Director	Company K	38,993	10.71	-
3	Company E	103,661	5.96	-	Company Y	257,369	12.82	-	-	-	-	-
	Others	935,071	53.72	-	Others	955,197	47.59	-	Others	237,496	65.21	-
	Net sales	1,740,309	100		Net sales	2,007,222	100		Net sales	364,191	100	-

Note 1: Details of customers accounted for more than 10% of total sales amount in the most recent two fiscal years, where the company is prohibited by contract from revealing the name of a customer, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the date of publication of the annual report, if there is any financial data for the most recent period audited and attested or reviewed by a CPA for a company whose stock is listed on the stock exchange or traded over the counter, it shall also be disclosed therewith.

Tung Pao is the only exclusive distributor of the Company in Mainland China and has successfully developed the Mainland market, therefore, it is the main customer of net sales of the Company. Company Y is a well-known foreign medical device manufacturer and has an existing marketing channel. It continues to promote the Company's products which in turn generate additional market demand, therefore, it is the second customer of Group's net sales of the Company. Also, Company E is the North African customer of the Company, as the customer considered the government will stop import due to policy factor in 2019, hence, the customer stocked up inventory in advance in 2018, therefore, the sales of company E increased in 2018.

(5) Production volume for the most recent two fiscal years

Unit: Thousand groups; thousand pieces; NT$ thousand

Year Production volume Main product	2017			2018		
	Capacity	Output	Output value	Capacity	Output	Output value
Blood glucose meter kit	1,100	1,026	361,505	1,200	1,177	404,926
Blood glucose test strips	490,000	484,677	605,997	530,000	523,162	627,208
Total	491,100	485,703	967,502	531,200	524,339	1,032,134

The increase in production volume compared with the previous year was due to the growth of industrial demand and the successful development of the Company's business.

(6) Sales volume for the most recent two fiscal years

Unit: Thousand groups; thousand pieces; NT$ thousand

Year Sales volume Main product	2017				2018			
	Domestic		Foreign		Domestic		Foreign	
	Output	Output value	Output	Output value	Output	Output value	Output	Output value
Blood glucose meter kit	36	8,981	1,060	166,859	44	12,220	1,239	192,002
Blood glucose test strips	13,837	80,728	470,129	1,539,987	16,968	100,833	501,759	1,648,091
Others	-	5,470	-	18,242	-	7,861	-	46,215
Total	-	95,179	-	1,725,088	-	120,914	-	2,007,222

3.The number of employees employed for the most recent two fiscal years, and during the current fiscal year up to the date of publication of the annual report

Year		2017	2018	April 30, 2019
Number of Employee	R&D personnel	107	135	129
	Management and sales personnel	185	214	214
	Manufacturing personnel	596	560	574
	Total	888	909	917
Average age		32.5	33.1	33.3
Average years of service		3.0	4.1	4.2
Academic distribution percentage	Ph. D.	0.68%	0.55%	0.65%
	Master	10.25%	12.21%	11.45%
	College	44.37%	45.77%	46.35%
	High School	42.45%	39.05%	39.37%
	Below high school	2.25%	2.42%	2.18%

Note: The number of people does not include temporary personnel.

4. Information on environmental protection expenditures

i. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

A. Daqing Plant: Water pollution prevention and control permit, no employment of wastewater treatment exclusive personnel is required.

B. Dawei Plant: Water pollution prevention and control permit, an exclusive personnel of Class B is employed.

ii. Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: None.

iii. The process undertaken by the company on environmental pollution improvement for the most recent two fiscal years and up to the date of publication of the annual report. If there had been any pollution dispute, its handling process shall also be described: None.

iv. The loss suffered by the company due to environmental pollution incidents occurred in the most recent two fiscal years and up to the date of publication of the annual report, the total

penalty/fine amount, as well as disclosing its future preventive policies and possible expenses to be incurred:

A factory staff of the Dawei plant found that the steel deck which decked over the effluent was stolen during the daily routine factory inspection on June 6, 2018. Although it was immediately covered in other ways to prevent the vehicles on the road from falling into the effluent sewer, however, its effect is limited. The Environmental Protection Bureau, Taichung City Government conducted on-site sampling of the water quality of effluent at about 10:20 on the same day in the Company's Dawei plant. The sampling result showed that the suspended solid (ss) was 46.1 mg/L, which exceeded the standard (the effluent standard limit: 30 mg/L). The Company received the penalty letter on August 27, 2018, and NT$60,000 is fined.

Explanation of improvement and future countermeasures: The improvement measure in response to the above-mentioned violation of the Article 40, paragraph 1 of the Water Pollution Prevention and Control Act, the old steel deck which is locked on one side is changed to the double lock on both sides which is buckled on ground wells, and to prevent from being stolen. The Company has set up a continuity monitor on the boundary wall to monitor the surrounding environment. The above two points are the strategies for improvement and countermeasures.

v. The current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming two fiscal years: None.

5. Labor relations

i. All employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

(i) Employee welfare measures: Talents are the most important assets of the Company. We carefully cultivate, treasure and care for each and every colleague in order they can achieve work-life balance. The Company also adheres to the principle of profit sharing and performance-oriented to develop compensation policies in order to provide a comprehensive welfare system and measures.

a. Labor insurance and National Health Insurance.

b. Annual festival bonus, quarterly performance bonus.

c. Employee stock ownership plan, Employee stock option certificates.

d. Regularly organize employee travel and various cultural and recreational and festival activities.

e. Festival gift vouchers, wedding gifts, maternity gifts, condolence gifts, birthday celebrations and birthday vouchers.

F. Employee overtime meal allowances.

(2) Employee continuing education, training: Based on the corporate culture of integrity, the Company is constantly striving towards the goal of sustainable management and maintaining market competitiveness. With the comprehensive education and training plan, each colleague can continuously improve work performance, develop self-potential, and achieve a win-win goal of enterprise development and self-growth in a working environment of right person in the right place.

a. **New employee orientation**: There will be an exclusive instructor guides the newcomers to familiarize the working environment, and also strengthen their recognition and understanding of the Company. In addition, all departments have planned new basic training related courses for newcomers to help them to learn work related knowledge.

b. **Professional training:** The Company is committed to nurturing challenging chemical and electronic design talents, and encourages colleagues to participate in external professional training courses to enhance personal expertise and skills. In addition, all departments will regularly conduct various professional training courses to achieve the goals of knowledge sharing and improvement of job function.

c. Management training: The Company arranges various management training program for each level of supervisors to establish their team's shared vision and operational consensus.

C. Retirement system and its implementation status:

Since the establishment of the Company, the "Supervisory Committee of Labor Pension" has been established for safeguarding the rights and interests of colleagues, taking care of the retirement life of colleagues and promoting labor relations. In addition, the Company makes a monthly pension to employees' individual pension fund accounts at the Bureau of Labor Insurance in order to provide greater protection to the retirement life of colleagues according to the Labor Pension Statutes since July 1994.

D. The status of agreements between labor and management:

(i) The establishment of the Employees' Welfare Committee: In addition to improve employee benefits, it also acts as an important channel for colleagues to participate in the

development of the Company's employee welfare policy. Since its establishment, colleagues have been willing to dedicate themselves to the full play of their functions, and
create a win-win situation for both colleagues and the Company.

(ii) Regularly monthly meeting: As an important channel for the Company to make public announcement for various information, as well as an important channel for colleagues to
express their opinions and two-way communication.

(iii) Mailbox for exchange of views: It is a complaint channel for colleagues which managed by dedicated personnel. It encourages colleagues to express various suggestions, which will be used as a reference for the continuous improvement of corporate policies.

B. The loss suffered by the company due to labor disputes occurring in the most recent two fiscal years and up to the date of publication of the annual report, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures:
The Company has no serious labor dispute in the most recent two fiscal years. However, 2017 to date, there has been a dispute arising from the resignation, and mediation in labor disputes was established and case closed. The above-mentioned labor dispute is not serious and the Company has strengthened the improvement of labor-management communication. Although there have been labor disputes, it has not suffered losses due to labor disputes.

6. Important contracts

Nature of Contracts	Contracting parties	Commencement dates and expiration dates of contracts	Major content	Restriction clause
Trademark licensing contract	GE Trademark Licensing, Inc	2011.3.15-2020.12.31	GE Trademark licensing	Exclusive license
Sales contract	Y001	2008.10.1-2019.3.1	Product sales in Europe region	Exclusive models and future products OEM
Sales contract	B04	2008.10.1-2020.12.31	Italian product ODM contract	Exclusive models and future derivative products
Sales contract	D03	2016.1.1-2020.12.31	Product sales in China region	Exclusive distributorship contract

Sales contract	K03	2016.8.1-2021.7.31	Indian product ODM contract	Exclusive model OEM

VI. Financial Overview

1. Summary financial data for the most recent five fiscal years

(1) Condensed balance sheet and consolidated income statement- International Financial Reporting Standards (IFRS)

i. Condensed balance sheet (This sheet is prepared in consolidated financial statements)

Unit: NT$ Thousand

Year / Item		Financial data for the most recent five financial years (Note 1)					Current fiscal year and up to March 31, 2019 Financial data (Note 3)
		2014	2015	2016	2017	2018	
Current assets		1,541,883	1,541,770	1,745,884	1,489,277	1,769,945	1,623,586
Property, plant and equipment (Note 2)		2,840,582	2,842,724	2,729,685	2,707,104	2,689,666	2,680,835
Intangible assets		32,172	25,779	16,565	11,759	8,550	10,259
Other assets (Note 2)		252,467	156,971	154,397	166,776	121,243	130,760
Total assets		4,667,104	4,567,244	4,646,531	4,374,916	4,589,404	4,445,440
Current liabilities	Before distribution	1,606,814	691,866	1,264,285	1,559,285	1,481,422	1,370,519
	After distribution	1,655,174	780,692	1,425,440	1,559,285	Note 6	-
Non-current liabilities		1,713,118	1,333,498	795,430	738,029	1,114,874	1,067,246
Total liabilities	Before distribution	3,319,932	2,025,364	2,059,715	2,297,314	2,596,296	2,437,765
	After distribution	3,368,292	2,114,190	2,220,870	2,297,314	Note 6	-
Equity attributable to the parent company		1,347,172	2,541,880	2,586,816	2,077,602	1,991,237	2,005,784
Capital stock		514,468	634,468	634,468	594,468	594,468	596,208
Capital reserves		709,592	1,731,881	1,693,813	1,532,096	1,314,899	1,320,060

Retained earnings	Before distribution	117,151	167,421	257,890	97,771	225,511	232,331
	After distribution	68,791	78,595	96,735	97,771	Note 6	-
Other Equity		5,961	8,110	645	(8,592)	(5,500)	(4,674)
Treasury stock		-	-	-	(138,141)	(138,141)	(138,141)
Non-controlling interest		-	-	-	-	1,871	1,891
Equity Total	Before distribution	1,347,172	2,541,880	2,586,816	2,077,602	1,993,108	2,007,675
	After distribution	1,298,812	2,453,054	2,425,661	2,077,602	Note 6	-

Note 1: The financial data from 2014-2018 have been audited and attested by a CPA.

Note 2: Those who have applied for asset revaluation in the current fiscal year should be listed the date of processing and the reevaluation surplus.

Note 3: The financial data for the first quarter of 2019 is the consolidated financial data prepared in accordance with IFRSs, and is reviewed by a CPA.

Note 4: Please fill in the above after distribution figures according to the resolution of the shareholders' meeting in the next fiscal year.

Note 5: For the financial data should be corrected or restated upon received the notification from competent authority, it should be compiled with corrected or restated figures, and indicate its status and reasons.

Note 6: The surplus earnings distribution of 2018 is subject to the resolution of the shareholders' meeting.

ii. Condensed balance sheet (This sheet is prepared in individual financial statement)

Unit: NT$ Thousand

Year / Item		Financial data for the most recent five financial years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		1,354,445	1,327,097	1,587,465	1,364,620	1,622,090
Property, plant and equipment (Note 2)		2,838,915	2,832,275	2,719,917	2,696,062	2,678,843
Intangible assets		32,172	25,779	16,565	11,759	8,223
Other assets (Note 2)		414,847	347,425	321,252	284,125	261,904
Total assets		4,640,379	4,532,576	4,645,199	4,356,566	4,571,060
Current liabilities	Before distribution	1,580,099	657,358	1,262,953	1,540,935	1,464,949
	After distribution	1,628,459	746,184	1,424,108	1,540,935	Note 5
Non-current liabilities		1,713,108	1,333,338	795,430	738,029	1,114,874
Total liabilities	Before distribution	3,293,207	1,990,696	2,058,383	2,278,964	2,579,823
	After distribution	3,341,567	2,079,522	2,219,538	2,278,964	Note 5
Equity attributable to the parent company		-	-	-	-	-
Capital stock		514,468	634,468	634,468	594,468	594,468
Capital reserves		709,592	1,731,881	1,693,813	1,532,096	1,314,899
Retained earnings	Before distribution	117,151	167,421	257,890	97,771	225,511
	After distribution	68,791	78,595	96,735	97,771	Note 5
Other Equity		5,961	8,110	645	(8,592)	(5,500)

Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Equity Total	Before distribution	1,347,172	2,541,880	2,586,816	2,077,602	1,991,237
	After distribution	1,298,812	2,453,054	2,425,661	2,077,602	Note 5

Note 1: The financial data from 2014-2017 have been audited and attested by a CPA.

Note 2: Those who have applied for asset revaluation in the current fiscal year should be listed the date of processing and the reevaluation surplus.

Note 3: Please fill in the above after distribution figures according to the resolution of the shareholders' meeting in the next fiscal year.

Note 4: For the financial data should be corrected or restated upon received the notification from competent authority, it should be compiled with corrected or restated figures, and indicate its status and reasons.

Note 5: The surplus earnings distribution of 2018 is subject to the resolution of the shareholders' meeting.

iii. Condensed consolidated income statement (This statement is prepared in consolidated financial statements) Unit: NT$ Thousand

Item \ Year	Financial data for the most recent five financial years (Note 1)					Current fiscal year up to March 31, 2019 Financial data (Note 2)
	2014	2015	2016	2017	2018	
Operating revenues	1,524,669	1,609,718	1,740,309	1,820,267	2,007,222	364,191
Gross profit	594,621	701,292	770,487	795,773	916,999	130,121
Operating income	149,306	189,784	258,402	249,071	240,551	117,437
Non-Operating revenues and expenditures	(63,420)	(66,555)	(44,471)	(59,615)	(78,588)	(5,848)
Net profit before tax	85,886	123,229	213,931	189,456	161,963	6,836
Net income from continuing operation	54,309	98,793	178,790	149,608	127,892	6,803
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	54,309	98,793	178,790	149,608	127,892	6,803
Other comprehensive income for the current period (net)	4,844	1,986	(6,960)	(9,154)	2,763	863
Total comprehensive income	59,153	100,779	171,830	140,454	130,655	7,666
Net income attributable to the parent company	54,309	98,793	178,790	149,608	128,032	6,820
Net income attributable to the non-controlling interest	-	-	-	-	(140)	(17)
Total comprehensive income attributable to the owner of the parent company	59,153	100,779	171,830	140,454	130,832	7,646
Total comprehensive income attributable to the non-controlling interest	-	-	-	-	(177)	20
Earnings per share	1.22	1.91	2.82	2.52	2.23	0.12

Note 1: The financial data from 2014-2017 have been audited and attested by a CPA.

Note 2: The financial data for the first quarter of 2019 is the consolidated financial data prepared in accordance with IFRSs, and is reviewed by a CPA.

Note 3: The loss from discontinued operations is stated in net amount after the income tax has been deducted.

Note 4: For the financial data should be corrected or restated upon received the notification from competent authority, it should be compiled with corrected or restated figures, and indicate its status and reasons.

iii. Condensed consolidated income statement (This statement is prepared in individual financial statements)

Unit: NT$ Thousand

Item \ Year	Financial data for the most recent five financial years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenues	1,323,201	1,410,182	1,676,590	1,800,555	1,946,211
Gross profit	442,779	570,090	726,745	782,534	861,992
Operating income	92,984	152,577	281,217	294,674	206,593
Non-Operating revenues and expenditures	(26,988)	(36,530)	(67,565)	(106,169)	(54,728)
Net profit before tax	65,996	116,047	213,652	188,505	151,865
Net income from continuing operation	54,309	98,793	178,790	149,608	128,032
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	54,309	98,793	178,790	149,608	128,032
Other comprehensive income for the current period (net)	4,844	1,986	(6,960)	(9,154)	2,800
Total comprehensive income	59,153	100,779	171,830	140,454	130,832
Net income attributable to the parent company	-	-	-	-	-
Net income attributable to the non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to the owner of the parent company	-	-	-	-	-
Total comprehensive income attributable to the non-controlling interest	-	-	-	-	-
Earnings per share	1.22	1.91	2.82	2.52	2.23

Note 1: The financial data from 2014-2018 have been audited and attested by a CPA.

(2) The name of the CPAs and the auditor's opinion for the most recent five fiscal years

Year	CPA	Name of accounting firm	Audit opinion
2014	Jun-Man Chen, Shi-Hua Guo	KPMG	Unqualified opinion
2015	Jun-Man Chen, Shi-Hua Guo	KPMG	Unqualified opinion
2016	Zi-Xin Zhang, Shi-Hua Guo	KPMG	Unqualified opinion
2017	Zi-Xin Zhang, Hai-Ning Huang	KPMG	Unqualified opinion
2018	Zi-Xin Zhang, Hai-Ning Huang	KPMG	Unqualified opinion

2. Financial analyses for the most recent five fiscal years

(1) Financial Analyses - IFRS (this statement is prepared in consolidated financial statements)

Analysis item \ Year (Note 1)		Financial analyses for the most recent five fiscal years					Current fiscal year up to March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debts ratio	71.13	44.34	44.32	52.51	56.57	54.83
	Long-term funds to property, plant and equipment ratio	107	136.20	123.87	103.99	115.53	114.59
Solvency (%)	Current ratio	95	222.84	138.09	95.51	119.47	118.46
	Quick ratio	74	170.81	113.04	71.59	90.99	82.90
	Times interest earned	2	3.13	10.55	9.40	6.57	1.72
Operating capacity	Accounts receivable turnover ratio (times)	4.97	4.99	4.59	3.52	2.78	1.93
	Average collection days	73	73.14	79.52	103.69	131.29	189
	Inventory turnover ratio (times)	2.60	2.48	2.70	2.78	2.62	2.00
	Accounts payable turnover ratio (times)	7.62	6.06	6.75	6.14	7.08	5.43
	Days' sales in inventory	140	147	135.18	131.29	139.31	182
	Property, plant and equipment turnover ratio (times)	0.53	0.56	0.62	0.66	0.74	0.54
	Total assets turnover ratio (times)	0.33	0.34	0.37	0.40	0.44	0.32
Profitability Profitability	Return on total assets (%)	2.36	3.17	4.28	3.73	3.39	1.27
	Return on equity (%)	4.49	5.08	6.97	6.41	6.28	1.36
	Pre-tax net profit to paid-in capital ratio (%) (Note 7)	16.69	19.42	33.71	31.87	27.24	4.58
	Profit margin (%)	3.56	6.13	10.27	8.21	6.37	1.86
	Earnings per share (NT)	1.22	1.91	2.82	2.52	2.23	0.12
Cash flow	Cash flow ratio (%)	22.39	28.96	36.21	1.89	8.22	5.13
	Cash flow adequacy ratio (%)	19.35	25.02	62.00	94.64	97.79	77.44
	Cash flow reinvestment ratio (%)	8.14	3.44	8.18	-5.92	-2.90	1.75
Leverage	Degree of operating leverage	4.78	4.29	3.58	3.96	4.3	15.41
	Degree of financial leverage	1.78	1.44	1.09	1.10	1.13	3.90

Explanations of reasons for change in the financial ratios for the most recent two fiscal years: (If the increase or decrease is less than 20%, it can be exempted from analysis)

i. Increase in the current ratio and quick ratio: It was mainly due to the increase in current assets, and the decrease in current liabilities.

ii. Decrease in accounts receivable turnover ratio: Due to the increase in accounts receivable.

iii. Decrease in profit margin: Due to decrease in net profit for the current period.

iv. Increase in cash flow ratio: Due to increase in the operating cash, and decrease in current liabilities, hence, the overall cash flow ratio is increased.

v. Increase in cash flow reinvestment ratio: Mainly due to the increase in working capital.

Note 1: The financial data from 2014-2018 have been audited and attested by a CPA.

Note 2: As of the date of publication of the annual report, if there is any financial data for the most recent period audited and attested or reviewed by a CPA for a company whose stock is listed on the stock exchange or traded over the counter, it shall also be analyzed therewith.

Financial Analyses - IFRS (this statement is prepared in individual financial statements)

Analysis item \ Year (Note 1)			Financial analyses for the most recent five fiscal years				
			2014	2015	2016	2017	2018
Financial structure (%)	Debts ratio		70.96	43.91	44.31	52.31	56.43
	Long-term funds to property, plant and equipment ratio		107	136	124	104	115.93
Solvency (%)	Current ratio		85	201	125	88	110.72
	Quick ratio		66	151	102	65	84.18
	Times interest earned		2	3	10	9	6.4
Operating capacity	Accounts receivable turnover ratio (times)		3.35	3.66	4.05	3.36	2.99
	Average collection days		108	99	90	108	122
	Inventory turnover ratio (times)		2.81	2.58	2.85	2.94	2.79
	Accounts payable turnover ratio (times)		6.84	5.41	6.13	6.13	6.14
	Days' sales in inventory		129	141	128	124	130
	Property, plant and equipment turnover ratio (times)		0.46	0.49	0.60	0.6	0.72
	Total assets turnover ratio (times)		0.28	0.30	0.36	0.4	0.43
Profitability Profitability	Return on total assets (%)		2.36	3.19	4.3	3.72	3.39
	Return on equity (%)		4.49	5.08	6.97	6.41	6.29
	Paid-in capital ratio	Operating profit	18.07	24.04	44.32	49.56	34.75
		Income before tax	12.82	18.29	33.67	31.7	25.54
	Profit margin (%)		4.10	7.00	10.66	8.3	6.57
	Earnings per share (NT)		1.22	1.91	2.82	2.52	2.23
Cash flow	Cash flow ratio (%)		19.55	28.45	39.88	5.86	6.96
	Cash flow adequacy ratio (%)		15.34	21.01	56.24	90.86	99.04
	Cash flow reinvestment ratio (%)		6.68	3.15	9.34	-4.24	-3.41
Leverage	Degree of operating leverage		6.53	4.63	3.17	3.29	4.58
	Degree of financial leverage		3.40	1.60	1.08	1.08	1.15

Explanations of reasons for change in the financial ratios for the most recent two fiscal years: (If the increase or decrease is less than 20%, it can be exempted from analysis)

i. Increase in current ratio, quick ratio: Mainly due to the increase in current assets, and the decrease in current liabilities.

ii. Decrease in times interest earned: Mainly due to the decrease in income before tax, and increase in interest expenses.

iii. Decrease in profitability Mainly due to the decrease in operating profit and net profit before tax, hence, the overall profitability is decreased.

iv. Increase in cash flow reinvestment ratio: Mainly due to the increase in working capital.

v. Increase in degree of operating leverage: Mainly due to the decrease in operating profit.

Note 1: The financial data from 2014-2018 have been audited and attested by a CPA.

Note 2: As of the date of publication of the annual report, if there is any financial data for the most recent period audited and attested or reviewed by a CPA for a company whose stock is listed on the stock exchange or traded over the counter, it shall also be analyzed therewith.

3. Report audited by supervisors (see page 119)

4. Annual financial statements of 2018 (refer to page 198-284)

5. A consolidated financial statement for the parent company and its subsidiaries for the most recent fiscal year, audited and attested by a CPA: (refer to page120-197)

6. If the company or its affiliates have experienced financial difficulties during the most recent fiscal year or the current fiscal year and up to the date of publication of annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

BIONIME CORPORATION

Supervisors' Review Report

Appropriate

The Board of Directors made the Company's 2018 business report, consolidated financial statements, parent company only financial statements and appropriation of earnings, among which the consolidated financial statements and the parent company only financial statements were certified by the accountants who are KPMG International Cooperative Tzu-Hsin Chang and Haining Huang and issued a verification report. The above-mentioned business report, financial statements and appropriation of earnings are approved by the Audit Committee, and it is considered that there is no disagreement, and in accordance with Article 219 of the Company Act made a report, please review it.

Supervisor: Tai,Tsung-Kai

Supervisor: Lin,Chien-Hsing

Supervisor: Su,Chin-Pin

Mar 11, 2019

Representation Letter

The entities that are required to be included in the combined financial statements of Bionime Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Bionime Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Bionime Corporation and Subsidiaries
Chairman: HUANG, CHUN-MU
Date: March 11, 2019

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Independent Auditors' Report

To the Board of Directors of Bionime Corporation:

Opinion

We have audited the consolidated financial statements of Bionime Corporation and its subsidiaries (" the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicted in our report.

1. Revenue recognition

   The accounting principle of revenue recognition, refer to consolidated financial statements Note 4 (n); The accounting estimation and assumption uncertainty of allowance for sales returns and discounts, refer to consolidated financial statements Note 5 (a); the explanation about allowance for sales returns and discounts, refer to consolidated financial statements Note 6 (t).

Description of key audit matters:

Parts of the Group's sales transactios are based on the contracts that offer client rebate and chargebacks. The management of the Group estimates the rebates, chargeback and returns as reductions of revenues. Therefore, the test on revenue recognition is one of our key audit matters.

How the matter was addressed in our audit

Our principal audit procedures included： testing the Group' s internal controls surrounding revenue recognition; observing the related sales contracts; evaluating the sales returns and discounts accounting treatment and disclosure; as well as ssessing the revenue with significant components, which included the analysis of top 10 customers.

2. Assessment of Inventory

The accounting principle of inventory, refer to consolidated financial statements Note 4 (h)"inventory", the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5 (b); the explanation of inventory assessment refers to consolidated financial statements Note 6 (e).

The explanation of key audit matters:

The Group's inventories are measured at the lower of cost and net realizable value. Howerver, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit

Our principal audit procedures included: assessed the Group's allowance amount of inventory according to its characteristics; conducting sampling to examine accuracy of inventory aging; assessed the Group' s inventory decline or rationality of debt ratio; examine accuracy of allowance amount of inventory past years, and compare with this period. Assessed whether estimation method this period present fairly.

3. Assessment of Accounting Receivable

The accounting principle of Accounts Receivable refers to consolidated financial statements Note 4 (g) " Financial instruments"; Accounting receivable of Accounting Assumptions, Judgments and Estimation Uncertainty, refers to consolidated financial statements Note 5 (c) ; The explanation of accounting receivable refer to consolidated financial statements Note 6 (c) and 6 (d) " Notes and Account Receivable, Account Receivable-related parties and Other Receivables".

The explanation of key audit matters:

The Group' s accounts receivable are concentrate among certion customers. Allowance evaluation on accounts receivable contains management' s subjective judgment. Therefore, the assessment on accounts receivable is one of the key audit matter.

How the matter was addressed in our audit:

Our principal audit procedure included: analyse aging of accounts receivable, receive records and customers' credit risk concentration. Assessed whether estimation method and the amount of accounts receivable this period present fairly.

Other Matter

Bionime Corporation has prepared its parent-company-only-financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Hsin Chang and Haining Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2019

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

BIONIME CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents (note 6 (a))	$ 433,631	9	174,348	4
Notes receivable, net (note 6 (c))	7,941	-	9,188	-
Accounts receivable, net (note 6 (c))	633,185	14	521,050	12
Accounts recivable-related parties, net (note 6 (c) and 7)	183,868	4	76,939	2
Other receivables (note 6 (d))	13,630	-	6,641	-
Current income tax assets	18,543	-	-	-
Inventories (note 6 (e))	412,423	9	364,390	8
Prepayments	9,551	-	8,440	-
Other current assets (note 6 (h))	18,585	1	16,001	-
Other current financial assets (note 6 (b) and 8)	38,588	1	312,280	8
	1,769,945	38	1,489,277	34
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	30,100	1	-	-
Non-current financial assets at cost, net (note 6 (b))	-	-	30,100	1
Property, plant and equipment (note 6 (f) and 8)	2,689,666	59	2,707,104	62
Intangible assets (note 6 (g))	8,550	-	11,759	-
Deferred tax assets (note 6 (o))	4,370	-	23,254	1
Prepayments for business facilities	82,840	2	56,155	1
Guarantee deposits paid	3,341	-	2,878	-
Defined benefit assets, net (note 6 (n))	12	-	229	-
Other non-current assets (note 6 (h))	580	-	54,160	1
	2,819,459	62	2,885,639	66
Total assets	**$ 4,589,404**	**100**	**4,374,916**	**100**

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term borrowings (note 6 (j) and 8)	$ 659,385	14	899,449	21
Short-term notes and bills payable (note 6 (i))	259,748	6	159,837	4
Notes payable	14	-	19	-
Accounts payable	162,828	4	144,799	4
Other payables	267,165	6	225,108	5
Other payables-related parties (note 7)	19,294	-	6,168	-
Payable on machinery and equipment	14,564	-	26,101	-
Current income tax liabilities	6,229	-	27,322	-
Other current liabilities (note 6 (k) and 7)	7,153	-	8,152	-
Long-term borrowings, current portion (note 6 (l) and 8)	85,042	2	62,330	1
	1,481,422	32	1,559,285	35
Non-Current liabilities:				
Long-term borrowings (note 6 (l) and 8)	1,114,514	24	737,576	17
Deferred tax liabilities (note 6 (o))	360	-	453	-
	1,114,874	24	738,029	17
Total liabilities	2,596,296	56	2,297,314	52
Equity attributable to owners of parent:(note 6 (p))				
Ordinary share	594,468	13	594,468	14
Capital surplus	1,314,899	29	1,532,096	35
Retained earnings	225,511	5	97,771	2
Other equity interest	(5,500)	-	(8,592)	-
Treasuny shares	(138,141)	(3)	(138,141)	(3)
Total equity attributable to owners of parent:	1,991,237	44	2,077,602	48
Non-controlling interests	1,871	-	-	-
Total equity	1,993,108	44	2,077,602	48
Total liabilities and equity	**$ 4,589,404**	**100**	**4,374,916**	**100**

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , except for earnings per share)

	2018		2017	
	Amount	%	Amount	%
Net operating revenues (note 6 (s), (t) and 7)	$ 2,007,222	100	1,820,267	100
Operating costs (note 6 (e), (n) and (u))	1,090,223	54	1,024,494	56
Gross profit from operations	916,999	46	795,773	44
Operating expenses (note 6 (n), (q),(u) and 7))				
Selling expenses	249,402	13	168,096	10
Administrative expenses	227,113	11	214,678	12
Research and development expenses	201,186	10	159,960	9
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	(1,253)	-	3,968	-
	676,448	34	546,702	31
Net operating income	240,551	12	249,071	13
Non-operating income and expenses(note 6 (v)) :				
Other income	6,648	-	21,103	1
Other gains and losses	(56,190)	(3)	(58,177)	(3)
Finance costs	(29,046)	(1)	(22,541)	(1)
	(78,588)	(4)	(59,615)	(3)
Profit before income tax	161,963	8	189,456	10
Less: income tax expense (note 6 (o))	34,071	2	39,848	2
Profit	127,892	6	149,608	8
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Gains (losses) on remeasurements of defined benefit plans (note (n))	(292)	-	83	-
	(292)	-	83	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	3,055	-	(9,237)	-
Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note 6 (o))	-	-	-	-
	3,055	-	(9,237)	-
Other comprehensive income (after tax)	2,763	-	(9,154)	-
Comprehensive income	**$ 130,655**	**6**	**140,454**	**8**
Profit (loss), attributable to:				
Owners of parent	$ 128,032	6	149,608	8
Non-controlling interests	(140)	-	-	-
Profit	**$ 127,892**	**6**	**149,608**	**8**
Comprehensive income (loss) attributable to:				
Owners of parent	$ 130,832	6	140,454	8
Non-controlling interests	(177)	-	-	-
Comprehensice income	**$ 130,655**	**6**	**140,454**	**8**
Earnings per share (NT dollars) (note 6 (r))				
Basic earnings per share	**$**	**2.23**		**2.52**
Diluted earnings per share	**$**	**2.20**		**2.49**

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owner of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 634,468	1,693,813	78,357	-	179,533	257,890	645	-	2,586,816	-	2,586,816
Profit for the year ended December 31, 2017	-	-	-	-	149,608	149,608	-	-	149,608	-	149,608
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	83	83	(9,237)	-	(9,154)	-	(9,154)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	149,691	149,691	(9,237)	-	140,454	-	140,454
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	17,879	-	(17,879)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(161,155)	(161,155)	-	-	(161,155)	-	(161,155)
Increase of treasury share	-	-	-	-	-	-	-	(423,717)	(423,717)	-	(423,717)
Retirement of treasury share	(40,000)	(96,921)	-	-	(148,655)	(148,655)	-	285,576	-	-	-
Employee stock options exercised	-	15,147	-	-	-	-	-	-	15,147	-	15,147
Cash dividends of capital surplus	-	(79,943)	-	-	-	-	-	-	(79,943)	-	(79,943)
Balance at December 31, 2017	**594,468**	**1,532,096**	**96,236**	**-**	**1,535**	**97,771**	**(8,592)**	**(138,141)**	**2,077,602**	**-**	**2,077,602**
Balance at January 1, 2018	594,468	1,532,096	96,236	-	1,535	97,771	(8,592)	(138,141)	2,077,602	-	2,077,602
Profit for the year ended December 31, 2018	-	-	-	-	128,032	128,032	-	-	128,032	(140)	127,892
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(292)	(292)	3,092	-	2,800	(37)	2,763
Comprehensive income for the year ended December 31, 2018	-	-	-	-	127,740	127,740	3,092	-	130,832	(177)	130,655
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	154	-	(154)	-	-	-	-	-	-
Special reserve	-	-	-	1,383	(1,383)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	-	-
Employee stock options exercised	-	20,633	-	-	-	-	-	-	20,633	-	20,633
Cash dividends of capital surplus	-	(237,830)	-	-	-	-	-	-	(237,830)	-	(237,830)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,048	2,048
Balance at December 31, 2018	**$ 594,468**	**1,314,899**	**96,390**	**1,383**	**127,738**	**225,511**	**(5,500)**	**(138,141)**	**1,991,237**	**1,871**	**1,993,108**

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 161,963	189,456
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	137,179	132,250
Amortization expense	14,156	13,547
Exected credit (gain)/Provison fro bad debt expense	(1,253)	3,968
Interest expense	29,046	22,541
Interest revenue	(1,694)	(1,610)
Share-based payments transactions	20,633	15,147
Gain from disposal of property, plan and equipment	(4,360)	-
Impairment loss on non-financial assets	57,866	60,000
Total adjustments to reconcile profit	251,573	245,843
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	1,247	(1,117)
Accounts receivable, net	(110,898)	(113,696)
Accounts receivable due from related parties	(106,929)	(76,939)
Other receivables	(6,459)	(4,710)
Inventories	(49,953)	(53,525)
Other operating assets	(8,056)	(16,581)
	(281,048)	(266,568)
Changes in operating liabilities:		
Notes payable	(5)	(19)
Accounts payable	18,029	(43,928)
Other payables	40,381	15,856
Other payables due from related parties	13,126	-
Other operating liabilities	(999)	(32,396)
	70,532	(60,487)
Total changes in operating assets and liabilities	(210,516)	(327,055)
Total adjustments	41,057	(81,212)
Cash inflow generated from operations	203,020	108,244
Interest received	1,164	1,276
Interest paid	(27,370)	(22,321)
Income taxes paid	(54,916)	(57,600)
Net cash flows from (used in) operating activities	121,898	29,599
Cash flows from (used in) investing activities:		
Acquisition of financial assets at cost	-	(30,100)
Acquisition of property, plant and equipment	(86,713)	(82,779)
Proceeds from disposal of property, plant and equipment	5,938	-
Decrease in refundable deposits	(463)	(288)
Acquisition of intangible assets	(9,544)	(8,741)
Decrease in other financial assets	273,692	87,720
Increase in prepayments for business facilities	(72,509)	(31,539)
Net cash flows from (used in) investing activities	110,401	(65,727)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,605,559	1,777,412
Decrease in short-term borrowings	(1,848,792)	(1,577,093)
Increase in short-term notes and bills payable	99,911	159,837
Proceeds from long-term borrowings	600,000	-
Repayments of long-term borrowings	(200,350)	(57,136)
Cash dividends paid	(237,830)	(241,098)
Cost of increase in treasury stock	-	(423,717)
Contribution by non-controlling interests	2,048	-
Net cash flows from (used in) financing activities	20,546	(361,795)
Effect of exchange rate changes on cash and cash equivalents	6,438	(16,606)
Net increase (decrease) in cash and cash equivalents	259,283	(414,529)
Cash and cash equivalents at beginning of period	174,348	588,877
Cash and cash equivalents at end of period	**$ 433,631**	**174,348**

See accompanying notes to consolidated financial statements.

(1) Company history

Bionime Corporation (the "Company") was incorporated in April 14, 2003 as a Company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in December 2010. The address of the Company registered office is No.100, Sec. 2, Daqing St., South Dist., Taichung City, Taiwan. The consolidated financial statements of the Group as of and for the year ended December 31, 2018, comprise the Company and subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group primarily is involved in the manufacturing and selling medical instruments, providing biotechnology services, examining pharmaceuticals, and selling precision instruments.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2019.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of Meter and Strips, products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The Group estimates that the adoption of IFRS 15 for consolidated report 2018 would not have any material impact.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group' s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4 (g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4 (g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  ― The determination of the business model within which a financial asset is held.

  ― The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  ― The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumes that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9		
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount	Note
Financial Assets					
Cash and equivalents	Loans and receivables	$ 174,348	Amortized cost	174,348	
Equity instruments	Financial assets measured at cost	30,100	FVOCI	30,100	(note1)
Trade and other receivables	Loans and receivables	613,818	Amortized cost	613,818	(note2)
Other financial assets (Guarantee deposits paid and time deposits)	Loans and receivables	315,158	Amortized cost	315,158	

Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 30,100	-	-	30,100	-	-
Amortized cost						
Beginning balance of cash and cash equivalents, trade and other receivables, and other financial assets)(IAS 39)	$ 1,103,324	-	-	1,103,324	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

(Continued)

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6 (z).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets and unrealized losses on debt instruments measured at fair value.

The Group estimated that the application of the amendments will not have any material impact on its consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16"Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(Continued)

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

－IFRS 16 definition of a lease to all its contracts; or

－ a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

－retrospective approach; or

－modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

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

－ adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

－ apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

－ exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

－ use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its warehouses. The Group estimated its right-of-use assets and the lease liabilities to increase by $19,733 and $19,733 respectively, as well as the retained earnings to decrease by $0 on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group estimated the application of the amendments will not have any significant impact on its deferred tax liabilities and retained earnings on January 1, 2019.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

1) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value.

2) The defined benefit liability (asset) is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

(Continued)

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

Investor	Subsidiary	Primary Business	Primary business December 31, 2018	Primary business December 31, 2017
The Company	Bionime Incorporated (B.V.I.)	Investing and holding	100 %	100 %
	Bionime GmbH	Merchandise trading	100 %	100 %
〃	Bionime USA Corporation	Merchandise trading	100 %	100 %
〃	Bionime Australial Pty Limited	Merchandise trading	100 %	100 %
〃	Bionime (Malaysia) Sdn Bnd	Merchandise trading	72 %	- % (Note 1)
Bionime Incorporated (B.V.I.)	Bionime (Shenzhen) Limited Company	Merchandise trading	100 %	100 %
Bionime(Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Manufacturing	100 %	100 %

Note1:On December 25, 2017, the Group approved the establishment of its Malaysian subsidiary, Bionime (Malaysia) sdn Bhd, to acquire new shares in cash amounting to US$ 180,000, totalling 72% of the shares, which has been included in its consolidated report from the date of acquisition.

(iii) Subsidiaries excluded from the consolidation financial statements: None.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(Continued)

1) Fair value through other comprehensive income (Available-for-sale) equity investment;

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

3) Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average rate.Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such (items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.)

(e) Classification of current and non-current assets and liabilities

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

(i) It is expected to be realized, or intended to be sold or consumed , in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be classified as other current and/or non-current financial assets.

(g) Financial instruments

(i) Financial assets (policy applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognizedonf, as applicable, using trade date accounting.

(Continued)

4) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 1 year past due or the borrower is unlikely to fully pay its credit obligations to the Group in full.

(Continued)

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

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

- significant financial difficulty of the borrower or issuer；
- a breach of contract such as a default or being more than 1 year past due；
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses.

(Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets, loans and receivables.

1) Availablefor sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operationg income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market. and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

(Continued)

Bad debt expenses and reversal of allowance for doubtful debts for trade receivables are recognized in general and administrative expenses while impairment losses and reversal of impairment for financial assets other than receivables are recognized under non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

(Continued)

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the property,plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(Continued)

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life, and therefore, is not depreciated.

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

1) buildings and structures:5~50 years
2) machinery and equipment:2~8 years
3) molding equipment:2~3 years
4) transportation equipment:5 years
5) leasehold improvements:2~8 years
6) office and other equipment:3~5 years

Buildings and structures constitutes mainly of building, wastewater treatment plant, and others. Each such part depreciates based on its useful life of 50 years, 30 years, and 5 years, respectively.

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in accounting estimates.

(j) Leases

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

(ii) Lessee

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

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

(Continued)

(k) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
2) The intention to complete the intangible asset and use or sell it.
3) The ability to use or sell the intangible asset.
4) How the intangible asset will generate probable future economic benefits.
5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitakized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortization

The amortizable amount is the cost of an asset or other amount substituted for cost, less its residual value.

Expect for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

(Continued)

1) Trademarks and patents: 5 years

2) Computer software: 1~5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as a changes in accounting estimates.

(l) Impairment of non-financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, assets arising from construction contracts, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’ s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’ s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under “capital reserve — treasury share transactions”. Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

(Continued)

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(n) Revenue

(i) Revenue from contracts with customers (policy applicable commencing January 1, 2018)

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

1) Sale of goods

The Group manufactures Meter and Strips and sells to pharmacy and hospital. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

2) Financing components

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

(Continued)

(ii) Revenue (Policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(Continued)

c) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings . Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(Continued)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or those recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(i) Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized expect for the following: Assets and liabilities that are initially recognized but are not related to the business combination, and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences, will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

(Continued)

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

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

(s) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

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

(Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Revenue recognition

The Group records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and evolution of technology could result in significant adjustments to the provision made.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6 (e) for further description of the valuation of inventories.

(c) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 504	578
Demand deposits	374,721	129,130
Time deposits	58,406	44,640
Cash and cash equivalents in the consolidated statement of cash flows	**$ 433,631**	**174,348**

Please refer to Note 6 (w) for the exchange rate risk, interest rate risk, sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

(b) Financial assets

(i) Other financial assets

	December 31, 2018	December 31, 2017
Other financial assets - current	$ 38,588	312,280

Other financial assets – current were restricted bank deposit, and time deposit which the term is more than three months. The other financial assets of the Group had been pledged as collateral for borrowings. Please refer to Note 8 for details.

The time deposits of the Group were not included in the depreciation in 2018 and 2017.

For information on time deposits, credits risk, and market risk, please refer note 6 (w).

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

	December 31, 2017
Equity investments at fair value through other comprehensive income	
Domestic unlisted common share- Bonraybio Co., Ltd.	$ 30,100

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as Financial assets measured at cost on December 31, 2017.

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

As of December 31, 2018, none of the financial assets of the Group had been pledged as collateral for borrowings.

(iii) Financial assets measured at cost

	December 31, 2017
Available-for-sale financial assets	
Domestic unlisted comomon shares	$ 30,100

The aforementioned investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company's management determined that the fair value cannot be measured reliably.

As of December 31, 2017, none of the financial assets measured at cost of the Group had been pledged as collateral for long-term borrowings.

(Continued)

(c) Note and trade receivable

	December 31, 2018	December 31, 2017
Note receivables from operating activities	**$ 7,941**	**9,188**
Trade receivables-measured as amortized cost	636,478	525,580
Trade receivables from related parties-measured as amortized cost	183,868	76,939
Less：Loss allowance	(3,293)	(4,530)
	$ 817,053	**597,989**
Other receivables	$ 13,630	6,798
Less : Loss allowance	-	(157)
	$ 13,630	**6,641**

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

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 573,772	- %	-
1 to 180 days past due	245,518	0.91 %	2,237
More than 180 days past due	1,056	100 %	1,056
	$ 820,346		**3,293**

As of December 31, 2017, the Group applied the incurred loss model to consider the loss allowance on provision for notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, as follows:

	December 31, 2017
Overdue 1 to 30 days	$ 105,272
Overdue 31 to 90 days	98,134
Overdue 91 to 180 days	1,634
	$ 205,040

(Continued)

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

	December 31, 2018	December 31, 2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 4,530	606
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	4,530	-
Impairment losses recognized	-	3,968
Impairment losses reversed	(1,253)	-
Foreign exchange gains/(losses)	16	(44)
Balance on December 31, 2018 and 2017	**$ 3,293**	**4,530**

An allowance for impairment of notes and accounts receivable was assessed based on the customers' historical payment behavior and their current financial situation to estimate their uncollectable amounts.

None of the receivables was discounted or pledged as collateral as of December 31, 2018 and 2017.

(d) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable	$ 13,630	6,798
Less: Loss allowance	-	(157)
	$ 13,630	**6,641**

As of December 31, 2017, the Group had no past due but non-impaired other receivables.

The movement in the allowance for other receivables was as follows:

	Collectively assessed impairment
Balance as of January 1, 2017 (T.e.Balance at December 31, 2017)	**$ 157**

For further credit risk information, please refers to note 6 (w).

(Continued)

(e) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 52,619	38,079
Less: Allowance for inventory valuation losses	(5,279)	(6,880)
	47,340	31,199
Work in progress	266,417	257,343
Less: Allowance for inventory valuation losses	(9,848)	(9,528)
	256,569	247,815
Raw materials	120,572	95,685
Less: Allowance for inventory valuation losses	(12,058)	(10,309)
	108,514	85,376
	$ 412,423	**364,390**

The detail of inventory write-downs as follows:

	For the years ended December 31	
	2018	2017
Provisions (reversal of provision) for inventory valuation and obsolescence	$ 463	(7,340)
Losses on disposal of scrap	8,863	18,526
Gains on physical inventory	(255)	(384)
Gains on disposal of leftover bits and pieces	(3,125)	(2,716)
Operating costs recognized	**$ 5,946**	**8,086**

For the years ended December 31, 2018 and 2017, the amounts of inventories that were charged to cost of sales, and the net of provisions (reversal of provision) that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $463 and $(7,340) , respectively.

As of December 31, 2018 and 2017, the Group did not provide any inventories as collateral for its loans.

(Continued)

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance on January 1, 2018	$ 1,420,840	844,128	604,701	110,717	1,193	12,400	496,268	3,490,247
Additions	-	22,275	12,245	27,212	720	1,556	11,168	75,176
Disposal	-	-	(2,065)	-	(325)	-	(596)	(2,986)
Reclassification	-	3,118	30,552	7,191	-	3,230	2,244	46,335
Effect of movements in exchange rates	-	(145)	(50)	164	-	4	102	75
Balance on December 31,2018	**$ 1,420,840**	**869,376**	**645,383**	**145,284**	**1,588**	**17,190**	**509,186**	**3,608,847**
Balance on January 1, 2017	$ 1,420,840	841,519	531,900	97,869	1,193	12,410	485,868	3,391,599
Additions	-	1,832	69,690	11,391	-	-	11,074	93,987
Disposal	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	845	12,017	1,856	-	-	1,110	15,828
Effect of movements in exchange rates	-	(68)	(78)	(399)	-	(10)	(366)	(921)
Balance on December 31, 2017	**$ 1,420,840**	**844,128**	**604,701**	**110,717**	**1,193**	**12,400**	**496,268**	**3,490,247**
Depreciation and impairment loss：								
Balance on January1, 2018	$ -	82,207	406,400	94,341	1,193	12,306	186,696	783,143
Depreciation for the year	-	20,303	63,213	14,578	120	1,133	37,832	137,179
Disposals	-	-	(487)	-	(325)	-	(596)	(1,408)
Effect of movements in exchange rates	-	(14)	(8)	162	-	4	123	267
Balance on December 31,2018	**$ -**	**102,496**	**469,118**	**109,081**	**988**	**13,443**	**224,055**	**919,181**
Balance on January1, 2017	$ -	63,187	351,158	84,375	1,193	11,775	150,226	661,914
Depreciation for the year	-	19,020	64,104	10,354	-	568	38,204	132,250
Disposal	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	-	-	-	-	(26)	26	-
Effect of movements in exchange rates	-	-	(34)	(388)	-	(11)	(342)	(775)
Balance on December 31,2017	**$ -**	**82,207**	**406,400**	**94,341**	**1,193**	**12,306**	**186,696**	**783,143**
Carrying amounts:								
Balance on December 31, 2018	**$ 1,420,840**	**766,880**	**176,265**	**36,203**	**600**	**3,747**	**285,131**	**2,689,666**
Balance on December 31, 2017	**$ 1,420,840**	**761,921**	**198,301**	**16,376**	**-**	**94**	**309,572**	**2,707,104**
Balance on January 1, 2017	**$ 1,420,840**	**778,332**	**180,742**	**13,494**	**-**	**635**	**335,642**	**2,729,685**

(Continued)

(i) Disclosures on pledges

As of December 31, 2018 and 2017, the property, plant and equipment of the Group had been pledged as collateral for borrowings; please refer to Note 8.

(ii) Property, plant and equipment under construction

For the years ended December 31, 2018 and 2017, capitalized borrowing costs related to the construction of the new plant amounted to $843 and $467, with a capitalization rate of 1.435% respectively.

(g) Intangible Assets

The costs, amortization, and impairment loss of intangible assets, of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Trademarks	Computer software	Total
Costs:			
Balance on January1, 2018	$ 62,360	29,229	91,589
Additions	-	9,544	9,544
Reclassification	-	1,409	1,409
Disposal	-	(8,269)	(8,269)
Effect of movements in exchange rates	-	(7)	(7)
Balance on December 31, 2018	**$ 62,360**	**31,906**	**94,266**
Balance on January1, 2017	$ 62,360	39,579	101,939
Additions	-	8,741	8,741
Disposal	-	(19,091)	(19,091)
Balance on December 31, 2017	**$ 62,360**	**29,229**	**91,589**
Amortization and Impairment Loss:			
Balance on January1, 2018	$ 56,392	23,438	79,830
Amortization for the year	5,968	8,188	14,156
Disposal	-	(8,269)	(8,269)
Effect of movements in exchange rates	-	(1)	(1)
Balance on December 31, 2018	**$ 62,360**	**23,356**	**85,716**
Balance on January1, 2017	$ 50,425	34,949	85,374
Amortization for the year	5,967	7,580	13,547
Disposal	-	(19,091)	(19,091)
Balance on December 31, 2017	**$ 56,392**	**23,438**	**79,830**
Carrying amounts:			
Balance on December 31, 2018	**$ -**	**8,550**	**8,550**
Balance on December 31, 2017	**$ 5,968**	**5,791**	**11,759**

(Continued)

	Trademarks	Computer software	Total
Balance on January 1, 2017	**$ 11,935**	**4,630**	**16,565**

Based on the resolutions approved by the Board of Directors' meeting, the Group signed a trademark license agreement with GE on March 16, 2011 for its operating plan, future development and strengthening of its competitiveness. The Group paid USD2,000 thousand (TWD 62,360) thousand for the right to use GE monogram trademark.

(i) Amortization

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

	2018	2017
Operating costs	**$ 87**	**-**
Operating expenses	**$ 14,069**	**13,547**

(ii) Disclosures on pledges

As of December 31, 2018 and 2017, none of the intangible assets of the Group had been pledged as collateral.

(h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

	December 31, 2018	December 31, 2017
Overpaid sales tax	$ 13,656	11,940
Temporary payments	4,001	2,951
Other current assets-other	928	1,110
	$ 18,585	**16,001**
Other non-current assets-other	$ 580	174,160
Less : accumulated impairment	-	(120,000)
	$ 580	**54,160**

(Continued)

For the years ended December 31, 2018 and 2017, the Group recognized the impairment loss of $57,866 and $60,000 to write down the carring amount of prepaid royalty of GE to the estimated recoverable value.

(i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2018		
	Guarantee or acceptance institution	**Range of interest rate (%)**	**Amounts**
Commercial paper payable	Taiwan Corperation Bank	1.18%	$ 100,000
Commeraial paper payable	Mega Bank	1%	60,000
Commeraial paper payable	Grand Bank	1.15%	100,000
Less: Dicount on short-term notes and bills payable			(252)
Total			**$ 259,748**

	December 31, 2017		
	Guarantee or acceptance institution	**Range of interest rate (%)**	**Amounts**
Commercial paper payable	Taiwan Corperation Bank	0.902%~1.2%	$ 100,000
Commeraial paper payable	Mega Bank	1.188%	60,000
Less: Dicount on short-term notes and bills payable			(163)
Total			**$ 159,837**

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2018	**December 31, 2017**
Unsecured bank loans	$ 268,440	598,002
Secured bank loans	390,945	301,447
	659,385	**899,449**
Unused credit line	**$ 1,146,709**	**1,462,373**
Range of Interest rates	**0.35%~5.655%**	**0.35%~4.8%**

For the collateral pledged for short-term borrowings, please refer to note 8.

(Continued)

(k) Other current liabilities

The other current liabilities were as follows:

	December 31, 2018	December 31, 2017
Contract liability	$ 2,010	-
Advanve payment	-	1,910
Temporary receipts	3,805	3,485
Other	1,338	2,757
	$ 7,153	**8,152**

(l) Long-term borrowings

The details were as follows:

	December 31, 2018			
	Currency	**Interest rates**	**Maturity year**	**Amount**
Secured bank loans	TWD	1.25%~1.72%	2023~2026	$ 1,199,556
Less: current portion				(85,042)
Total				**$ 1,114,514**
Unused credit line				**$ -**

	December 31, 2017			
	Currency	**Interest rates**	**Maturity year**	**Amount**
Secured bank loans	TWD	1.52%~1.72%	2026	$ 799,906
Less: current portion				(62,330)
Total				**$ 737,576**
Unused credit line				**$ -**

For the collateral for long-term borrowings, please refer to note 8.

(Continued)

(m) Operating Lease

Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 3,433	4,669
Between one and five years	3,437	6,997
	$ 6,870	**11,666**

(n) Employee Benefits

(i) Defined benefit plans

Reconcilliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 3,628	3,221
Fair value of plan assets	(3,640)	(3,450)
Net defined benefit liabilities (assets)	**$ (12)**	**(229)**

The Group's employee benefit liabilities were as follows:

	December 31, 2018	December 31, 2017
Short-term vacation liability	**$ 9,634**	**10,593**

The Group made defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirment benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $3,640 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

(Continued)

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

		2018		2017
Defined benefit obligation at January 1	$	3,221		3,272
Current service costs and interest cost		52		57
Remeasurements loss (gain):				
Actuarial loss (gain) arising from:				
－financial assumptions		355		(108)
Defined benefit obligation at December 31	**$**	**3,628**		**3,221**

3) Movements of defined benefit plan assets

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

		2018		2017
Fair value of plan assets at January 1	$	3,450		3,011
Interest income		58		56
Contributions paid by the employer		69		408
Remeasurements loss (gain):				
－Return on plan assets excluding interest income		63		(25)
Fair value of plan assets at December 31	**$**	**3,640**		**3,450**

4) Expenses recognized in profit or loss

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

	2018	2017
Net interest of net liabilities for the defined benefit obligation	**$ (6)**	**1**
Administration expenses	**$ (6)**	**1**

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

		2018		2017
Accumulated amount at January 1	$	(2,219)		(2,302)
Recognized during the period		(292)		83
Accumulated amount at December 31	**$**	**(2,511)**		**(2,219)**

6) Actuarial assumptions

(Continued)

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

	December 31, 2018	December 31, 2017
Discount rate	1.35 %	1.60 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $12.

The weighted average lifetime of the defined benefit plans is 21.6 years.

7) Sensitivity analysis

As of December 31, 2018, the impact on the present value of the defined benefit obligation,due to the change in actuarial assumption, was as follows:

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018	$ 1,015	(474)
Discount rate	(182)	194
Future salary increases rate	833	(668)

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2017	$ 927	(431)
Discount rate	(166)	175
Future salary increases rate	761	(606)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(Continued)

(ii) Defined benefit plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $19,100 and $17,151 for the years ended December 31, 2018 and 2017, respectively.

Other subsidiaries established their retirement plans in accordance with each local regulation. The Group recognized the pension costs of $5,441 and $4,154 in 2018 and 2017, respectively.

(o) Income Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

(i) Income Tax Expense

The components of income tax in the years 2018 and 2017 were as follows:

		2018	2017
Current income tax expense			
Current period	$	12,501	42,450
Adjustment for prior period		2,779	6,100
10% surtax on un-distributed earnings		-	26
		15,280	48,576
Deferred tax expense(gain)			
Origination and reversal of temporary differences		22,815	(8,728)
Adjustment in tax rate		(4,024)	-
		18,791	(8,728)
Income tax expense	**$**	**34,071**	**39,848**

The amount of income tax recognized in other comprehensive income for years 2018 and 2017 was as follows:

		2018	2017
Items that may be reclassified subsequently to profit or loss:			
Exchange differency on translation	**$**	**-**	**-**

(Continued)

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows.

	2018	2017
Profit excluding income tax	$ 161,963	189,456
Income tax using the Company's domestic tax rate	32,393	32,751
Effect of tax rates in foreign jurisdiction	5,879	9,589
Adjustment in tax rate	(4,024)	(901)
Non-deductible expenses	(124)	(187)
Tax-exempt income	(3,871)	(5,910)
Recognition of previously unrecognized taxes loss	(1,428)	(832)
Changes in unrecognized temporary differences	204	(788)
Prior years income tax adjustment	2,779	6,100
10% surtax on undistributed earnings	-	26
Income basic tax	2,263	-
	$ 34,071	**39,848**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 3,536	2,832
The carry-forward of unused tax losses	60,469	61,897
	$ 64,005	**64,729**

As the profitability of its subsidiaries is yet to stabilize, the tax losses is not recognized as deferred tax assets since it is not probable that it will be realized.

As at December 31 2018, the information of the subsidiaries unused tax losses, for which no deferred tax assets were recognized, are as follows:

Subsidiaries	Year of loss	Unused tax loss
Bionime USA Corporation	2009	$ 4,277
Bionime USA Corporation	2010	19,930
Bionime USA Corporation	2011	75,044
Bionime USA Corporation	2012	140,649
Bionime USA Corporation	2013	39,788
Bionime USA Corporation	2014	8,259
		$ 287,947

(Continued)

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at December 31, 2018 and 2017. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets. Details are as follows:

	December 31, 2018	December 31, 2017
Aggreated amount of temporary differences related to investments in subsidiaries	**$ 313,918**	**331,336**
Unrecognized deferred tax assets	**$ 62,784**	**56,327**

2) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the temporary differences associated with its investments in subsidiaries as at December 31, 2018 and 2017. Also the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 9,907**	**8,488**
Unrecognized deferred tax liabilities	**$ 1,981**	**1,443**

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Others	Total
Balance at January 1, 2018	$ 2,020	834	20,400	-	23,254
Recognized in profit or loss	560	956	(20,400)	-	(18,884)
Balance at December 31,2018	**$ 2,580**	**1,790**	**-**	**-**	**4,370**
Balance at January 1,2017	$ 2,808	1,479	10,200	43	14,530
Recognized in profit or loss	(788)	(645)	10,200	(43)	8,724
Balance at December 31, 2017	**$ 2,020**	**834**	**20,400**	**-**	**23,254**

Deferred Tax Liabilities:

(Continued)

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2018	$ 427	26	453
Recognized in profit or loss	(112)	19	(93)
Balance at December 31, 2018	**$ 315**	**45**	**360**
Balance at January 1, 2017	$ 457	-	457
Recognized in profit or loss	(30)	26	(4)
Balance at December 31, 2017	**$ 427**	**26**	**453**

(iii) Assessment of tax

The Company's tax returns for the years through 2015 were assessed by the Tax Authority.

(p) **Capital and Other Equity**

As of December 31 2018 and 2017, the numbers of authorized ordinary shares were 70,000 thousand shares for each year, with par value of $10 per share. The total value of authorized ordinary shares amounted to $700,000 (and of which $60,000, was reserred for the exercising of employee share options for each year). As of that date, 59,447(2017:59,447) of ordinary thousand shares amounting $594,468(2017:$594,468) were issued. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2018 and 2017 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2018	**2017**
Balance on January1	59,447	63,447
Cancellation of treasury stock	-	(4,000)
Balance on December 31	**59,447**	**59,447**

(i) Ordinary shares

The Company cancelled the treasury stock 4,000 shares which repurchased during April to July 2017, and reduced Capital surplus-premium of share capital and retained earnings $96,921 and $148,655 respectively.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Share capital	$ 1,202,582	1,440,412
Employee share options	26,771	11,703
Expired options	85,546	79,981
	$ 1,314,899	**1,532,096**

(Continued)

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

(iii) Retained Earnings

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

The Company's dividend policy depends on the Company's capital expenditure budget and reqiured working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend can not be less than 5% of the total dividends distributed.

1) Legal reserve

According to the amendment of the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity resulting from the first-time adoption of IFRSs and the carrying amount of special reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions

(Continued)

3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of the shareholders held on June 20, 2018 and June 22, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders				
Cash	$ -	-	2.54	161,155

The Company's general meeting of the shareholders resolved to distribute the captial surplus cash divedends of $237,830 and $79,943 on June 20, 2018 and June 22, 2017, repectively.

(iii) Treasury shares

On March 13, 2017, the Company's Board of Directors resolved to repurchase 2,000 thousand shares from March 14 to April 2, 2017, with a par value ranging from $55~$75 per share, treasury for employees to subscribe. If the market price is lower than the resolved price floor, the Company will continue to repurchase its shares. As of December 31, 2017, the Company had repurchased 2,000 thousand shares as treasury shares, with a total value of $138,141.

On March 13, 2017, the Company's Board of Directors resolved to repurchase 4,000 thousand shares from April 3 to May 12, 2017, as treasury shares with a par value ranging from $55~$75 per share in order to protect the Company's intergrity and shareholders equity. If the market price is lower than the resolved price floor, the Company continue implementing to repurchase its shares. As of December 31, 2017, the Company had repurchased 2,550 thousand shares, with a total value of $183,939. In August, the Company' s Board of Directors resolved to cancel 2,550 thousand treasury stock, wherein the related registration procedures had been completed.

On May 14, 2017, the Company's Board of Directors resolved to repurchase 1,450 thousand shares from April 5 to May 12, 2017 and from May 25 to July 23, 2017, as treasury shares with par value ranging from $55~$78 per share in order to protect the Company's intergrity and shareholders equity. If the market price is lower than the resolved price floor, the company continue implementing to repurchase its shares. As of December 31, 2017, the Company had repurchased 1,450 thousand shares, with a total value of $101,587. In August 2017, the Company's Board of Directors resolved to cancel treasury stock 1,450 thousand treasury stock, wherein the related registration procedures had been completed.

As of December 31, 2018, a total of 2,000 thousand shares have not yet been cancelled.

(Continued)

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of June 30, 2017, the Company could repurchase no more than 6,345 shares, with a total value of no more than $1,773,235.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

(iv) Other equity interests (net-of-taxes)

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2018	$	(8,592)
Exchange differences on foreign operations:		3,092
Balance at December 31, 2018	**$**	**(5,500)**
Balance at January 1, 2017	$	645
Exchange differences on foreign operations:		(9,237)
Balance at December 31, 2017	**$**	**(8,592)**

(q) **Share-Based Payment**

(i) Employee stock options

As of December 31, 2018, details of the Employee Stock Option Plans ("ESOP") were as follows:

	2017 ESOP	2018 ESOP
Grant date	2017.1.13	2018.1.2
Units issued	3,000,000	1,000,000
Term of grant	2017.1.13~2019.1.12	2018.1.2~2020.1.1
Grant object	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries
Vesting conditions	Services of the next two years	Services of the next two years

(Continued)

1) Determining the fair value of equity instruments granted

The Group used Hull&White, Ritchken model, Lattice model, in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2018	
	2017 ESOP	**2018 ESOP**
Fair value at grant date	$16.07~$17.35	$15.34~$16.56
Share price at grant date	56.9	55.4
Exercise price	49.7	51.4
Expected volatility(%)	40.70%	40.10%
Expected life (years)	four years	four years
Expected dividend	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%

	2017		
	2010 ESOP	**2012 ESOP**	**2017 ESOP**
Fair value at grant date	$26.485~$28.594	$11.135~$11.339	$16.07~$17.35
Share price at grant date	109	72.9	56.9
Exercise price	91.2	65.5	53.6
Expected volatility(%)	33.16%	22.01%	40.70%
Expected life (years)	five years	four years	four years
Expected dividend	1.5%	1.5%	-
Risk-free interest rate(%)	1.0731%	0.9015%	0.66%~0.70%

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Group determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, and they are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2018		2017	
(in dollars)	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	$ 53.60	2,724,000	-	-
Granted during the year (number)		1,000,000		3,000,000
Forfeited during the year (number)	-	(457,000)	-	(276,000)
Outstanding at December 31	**50.9**	**3,267,000**	**53.6**	**2,724,000**
Exercisable at December 31		**3,267,000**		**2,724,000**

(ii) Employee recognized in profit or loss

The Group incurred expenses and liabilities of share-based arrangements in 2018 and 2017 were as follows:

	2018	2017
Expenses resulting from granted employee share options	**$ 20,633**	**15,147**

(r) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31 2018 and 2017 were based on the profit attributable to ordinary shareholders of the Company of $128,032 and $149,608; respectively; and the weighted average number of ordinary shares outstanding of 57,447 thousand shares and 59,365 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

(Continued)

2) Weighted average number of ordinary shares

	2018	2017
Weighted-average number of ordinary shares at December 31	**57,447**	**59,365**
Basic earnings per share	**$ 2.23**	**2.52**

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2018 and 2017 were based on profit attributable to ordinary shareholders of the Company of $128,032 and $149,608, restecteively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,119 thousand shares and 60,031 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

2) Weight-average number of ordinary shares (diluted)

	2018	2017
Weighted-average number of ordinary shares (basic)	57,447	59,365
Effect of issuance of employee share options	204	255
Effect of employee share bonus	468	411
Weighted-average number of ordinary shares (diluted) at December 31	**58,119**	**60,031**
Diluted earnings per share	**$ 2.20**	**2.49**

(s) **Revenue from contracts with customers**

Disaggregation of revenue

	2018
Primary geographical markets	
Algeria	$ 434,210
China	413,653
United State	257,369
Switzerland	183,094
Other	718,896
	$ 2,007,222
Major products	
Meter and Strips	**$ 2,007,222**

For details on revenue for the year ended December 31, 2017, please refer to note 6 (t).

(t) **Revenue**

(Continued)

The details of revenue for the years ended December 31, 2017 was as follows:

	2017
Sale of goods	1,829,079
Sales returned	(2,794)
Sales discount	(6,018)
	$ 1,820,267

The Group estimated its sales returned and sales discount and less from the sales revenue, according to the historical experience and other reasons.

For details on revenue in 2018, please refer to note 6 (s).

(u) **Employee compensation, Directors' and supervisors' remuneration**

In accordance with the articles of incorporation the Company should contribute no less than 1.5% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $18,788 and $18,962 and directors and supervisors remuneration amounting to $4,000, and $4,000 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) **Non-operating Income and Expenses**

(i) Other income

The details of other income for the years 2018 and 2017 were as follows:

	2018	2017
Interest income:		
Interest income-bank deposits	$ 1,694	1,610
Others	4,954	19,493
	$ 6,648	**21,103**

(Continued)

(ii) Other gains and losses

The details of other gains and losses for the years 2018 and 2017 were as follows:

	2018	2017
Foreign exchange gains (losses)	$ (2,684)	1,823
Gains on disposals of property, plant and equipment	4,360	-
Impairment losses	(57,866)	(60,000)
	$ (56,190)	**(58,177)**

(iii) Finance costs

The details of financial costs for the years 2018 and 2017 were as follows:

	2018	2017
Interest expenses-bank loans	**$ 29,046**	**22,541**

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposule

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the consolidated balance sheet which were $1,272,255 and $788,166 respectively, as of December 31, 2018 and 2017.

2) Concemtration of credit risk

The major clients of Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the accounts receivable and recognizes an allowance for impairment. The impairment loss is within management' s expectation. As of December 31, 2018 and 2017, the Group received the concentrations of credit risk arising from Customer A and other counter parties, and it was below 42% and 36% (2017: 33% and 35%) of the total trade receivables respectively.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6 (c).

Other financial assets at amortized cost includes other receivables and time deposits (previously classified as Other finance assets-liquidity on December 31, 2017). For the details on loss allowance on December 31, 2017, please refer to note 6(b) and note 6 (d).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g).

(Continued)

The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables	Debt investments at amortized cost	Total
Balance on January 1 per IAS 39	$ 157	-	157
Adjustment on initial application of IFRS 9	(157)	157	-
Balance on January 1 per IFRS 9	-	157	157
Amount offset for unrecoverable this year	-	(157)	(157)
Balance on December 31	**$ -**	**-**	**-**

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 1,590,501	1,620,571	492,126	203,175	574,720	350,550
Unsecured bank loans	268,440	275,796	275,796	-	-	-
Short-term notes and bills payble	259,748	260,000	260,000	-	-	-
Notes and accounts payable	162,842	162,842	162,842	-	-	-
Other payables (including related parties)	168,224	168,224	168,224	-	-	-
Payable on machinery and equipment	14,564	14,564	14,564	-	-	-
	$ 2,464,319	**2,501,997**	**1,373,552**	**203,175**	**574,720**	**350,550**
December 31, 2017						
Non-derivative financial liabilities						
Secured bank loans	$ 1,101,353	1,126,386	376,124	63,402	190,207	496,653
Unsecured bank loans	598,002	610,201	610,201	-	-	-
Short-term notes and bills payable	159,837	160,000	160,000	-	-	-
Notes and accounts payable	144,818	144,818	144,818	-	-	-
Other payables(including related parties)	136,575	136,575	136,575	-	-	-
Payable on machinery and equipment	26,101	26,101	26,101	-	-	-
	$ 2,166,686	**2,204,081**	**1,453,819**	**63,402**	**190,207**	**496,653**

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

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
Financial assets						
Monetary items						
USD	USD 26,217	30.74	805,911	USD 18,901	29.76	562,494
EUR	EUR 2,593	35.22	91,325	EUR 3,342	35.55	118,808
Financial liabilities						
Monetary items						
USD	USD 28,842	30.74	886,603	USD 16,132	29.76	480,088
EUR	EUR 1,220	35.22	42,968	EUR 2,609	35.55	92,750

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2018 and 2017, would have increased (decreased) the net profit after tax by $129 and $450, respectively. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact resulting from the forecasted sales and purchases. The analysis is performed on the same basis for 2017 (prior year).

3) Foregin exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2018 and 2017, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(2,684) and $1,823, respectively.

(iv) Interest rate analysis

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

(Continued)

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5%, the Group's net income would have increased / decreased by $7,436 and $7,052 for the year ended December 31, 2018 and 2017, respectively with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available-for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	**$ 30,100**	-	-	30,100	30,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 433,631	-	-	-	-
Notes and trade receivable (including related parties)	824,994	-	-	-	-
Other receivables	13,630	-	-	-	-
Other financial assets-current	38,588	-	-	-	-
	$ 1,310,843	-	-	**30,100**	**30,100**
Financial liabilities at amortized cost					
Short-term borrowings	$ 659,385	-	-	-	-
Short-term notes and bills payable	259,748	-	-	-	-
Notes and trade payables, and other payables (including related parties)	331,066	-	-	-	-
Payable on machine and equipment	14,564	-	-	-	-
Long-term borrowings, including current portion	1,199,556	-	-	-	-
	$ 2,464,319	-	-	-	-

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at cost	**$ 30,100**	-	-	-	-
Loans and receivables					
Cash and cash equivalents	$ 174,348	-	-	-	-
Notes and trade receivables, and other receivables (including related parties)	613,818	-	-	-	-
Other financial assets-current	312,280	-	-	-	-
	$ 1,100,446	-	-	-	-
Financial liabilities					
Financial liabilities at amortized					
Short-term borrowings	$ 899,449	-	-	-	-
Short-term notes and bills payable	159,837	-	-	-	-
Notes and trade payables, and other payables (including related parties)	281,393	-	-	-	-
Payable on machine and equipment	26,101	-	-	-	-
Long-term borrowings, including current portion	799,906	-	-	-	-
	$ 2,166,686	-	-	-	-

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

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

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

3) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2018 and 2017.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2018(i.e. December 31, 2018)	**$ 30,100**

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

The Group’s financial instruments that use Level 3 inputs to measure fair value is “fair value through other comprehensive income (available-for-sale financial assets) – equity investments”.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Discounted Cash Flow Method	• Forecast annual revenue growth rate（December 31, 2018；9%~44%）	• the annual revenue growth rate were higher, the fair value were higher
		• Weight average capital cost（December 31, 2018；8.62%）	• the weight average capital cost were higher, the fair value were higher

(x) **Financial Risk Management**

(i) Overview

The Group is exposed to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group’s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group’s policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group’s policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(Continued)

(iii) Credit risk

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

1) Trade and other receivable

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish asles limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

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

2) Investments

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

3) Guarantee

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2018, no guarantees were outstanding (2017: none).

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2018 and 2017, the Group's unused credit lines were amounted to 1,146,709 thousand and 1,462,373 thousand, respectively.

(v) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the operating center.

(Continued)

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily New Taiwan Dollars (TWD)、EUR and US Dollars (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

3) Other market price risk

The Group is not exposed to equity price risk from its investments in equity securities.

(y) **Capital Management**

The Group's objectives for managing capital to safeguard its capacity to continue to operate, and provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabiltiies.

(Continued)

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2018, the Group's capital management strategy is consistent with that of the prior year as of December 31, 2017 and the debt to equity ratio is maintained within 30% to 75% to ensure financing at reasonable cost. The Group's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,596,296	2,297,314
Less: cash and cash equivalents	433,631	174,348
Net debt	**$ 2,162,665**	**2,122,966**
Total equity	**$ 1,993,108**	**2,077,602**
Total capital	**$ 4,155,773**	**4,200,568**
Debt-to-equity ratio at 31 December	**52.04%**	**50.53%**

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

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1,2018	Cash flows	Foreign exchange movement	Fair value changes	December 31,2018
Long-term borrowings	$ 799,906	399,650	-	-	1,199,556
Short-term borrowings	899,449	(243,233)	3,169	-	659,385
Total liabilities from financing activities	**$,699,355**	**156,417**	**3,169**	**-**	**1,858,941**

(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Name and relationship with related parties

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

Name of related Party	Relationship with the Group
Tonghua Dongbao Pharmaceutical Co.,Ltd. (Tonghua Dongbao)	Key management personnel
HUANG, CHUN-MU	Key management personnel

(Continued)

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to its related party were as follow:

	2018	2017
Key management personnel of the Group－Tonghua Dongbao	**360,446**	**354,756**

The price given to the related-party is lower than general customers. The general customer's collection term is about 45 to 120 days or advance sales receipts, the key management personal of the Group of the collection conditions is advance sales receipts.

(ii) Receivables from related parties

The receivables from related parties were as follow:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts receivable	Key management personnel of the Group －Tonghua Dongbao	$ 183,868	76,939

(iii) Payables to related parties

The payables to related parties were as follow:

Account	Relationship	December 31, 2018	December 31, 2017
Other payables	Key management personnel of the Group －Tonghua Dongbao	$ 19,294	6,168

(iv) Advance sales receipts and others(account for other current liabilities)

Account	Relationship	December 31, 2018	December 31, 2017
Temporary receipts	Key management personnel of the Group －Tonghua Dongbao	**$ 4**	**4**

(v) others

1) The sales expense of $12,347 in 2018 which caused by signing contract with key managemant personal of the Group-Tonghua Dongbao was under selling expenses.

2) The Group entered into a patent license agreement with the key management. The agreement is from June 30, 2004, to April 17, 2023, and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(Continued)

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 24,097	27,613
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based paymen	-	-
	$ 24,097	**27,613**

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2018	December 31, 2017
Property, plant and equipment	Guarantee for bank loans	$ 2,180,425	2,175,041
Other financial assets-current	Guarantee for bank loans	22,394	302,796
		$ 2,202,819	**2,477,837**

(9) Significant Commitments and Contingencies:

(a) Unrecognized contractual commitments are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	**$ 13,266**	**9,401**

(b) Contingencies

(i) The Group had entered into a trademark license agreement with GE in March 2011. According to the addendum contract in July 2013, the future minimum royalty payments were as follows:

Year	Amount
2019	$ 36,888
2020	46,110
	$ 82,998

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018.

(Continued)

(ii) The Group signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will compensate the Company for any loss due to the insufficient purchase amount if Tonghua Dongbao, fails.

(iii) The Group signed a patent license agreement with the key management. The agreement is from Jane 30, 2004 to April 17, 2023 and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function / By item	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	291,485	252,623	544,108	281,116	223,906	505,022
Labor and health insurance	24,108	22,447	46,555	20,334	19,932	40,266
Pension	10,503	14,032	24,535	9,874	11,432	21,306
Others	16,459	11,911	28,370	14,116	10,954	25,070
Depreciation	99,904	37,275	137,179	98,045	34,205	132,250
Amortization	87	14,069	14,156	-	13,547	13,547

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(Continued)

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Bionime (Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Note 1 (3)	199,124 (Note 2, 4)	22,400	22,400	21,056	22,400	74.00 %	199,124 (Note 3, 4)	Y	N	Y

Note 1: The relationship between guarantee provider and guarantee party were as follows:

1) Entities with business relationship with the Company.

2) Entities which the Company, directly or indirectly, held more than 50% voting shares.

3) Entities which, directly or indirectly, held more than 50% voting shares of the Company.

4) Entities which the Company, directly and indirectly, held more than 90% voting shares.

5) Entities which provide guarantee for each other based on the contractual requirements of inter-industry or co-creation.

6) An entity that is guaranteed by all capital contributing shareholders in accordance with their shareholding percentages based on their joint investement relationship.

7) Performance guarantees for pre-sales contracts under the Consumer Protection Act.

Note 2: In accordance with Procedure of Endorsement and Guarantees"issued by the individual subisdiary", the amount of guarantee between subsidiaries shall not exceed 100% of each subsidiary's net worth.

Note 3: In accordance with Procdeure of Endorsement and Guarantees"issued by the individual subisdiary", the total amount of external guarantees provided by the subsidiary shall not exceed 100% of each subisidary's net worth .

Note 4: The total amount of endorsements and/or guarantees to any individual subsidiary ,or all to subsidiaries of the Group, shall not exceed 10% of Bionime Company's net worth.

(Continued)

(iii) Securities held as of December 31, 2018 (excluding those investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category andname of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands))	Percentage of ownership (%)	
The company	Ordinary-Bonraybio Corporation	-	Non-current financial assets measured at fair value through other comprehensive gains and losses	860	30,100	7.29%	30,100	860	7.29%	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with an amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Bonraybio Corporation	Key management personnel	Sale	(360,446)	(17.96)%	Advence recipts	No comparison	Advence recipts	183,868	22.29%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Bonraybio Corporation	Key management personnel	183,868	2.76	183,868	Coordinated collection	-	-

(ix) Trading in derivative instruments:None

(Continued)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2018			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Purchases	2,489	Note3	0.12 %
0	The company	Bionime USA Corporation	1	Sales	60,074	Note3	2.99 %
0	The company	Bionime (Malaysia) Sdn Bnd	1	Sales	8,034	Note3	0.40 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Sales	82,081	Note3	4.09 %
0	The company	Bionime USA Corporation	1	Accounts receivable	6,007	Note3	0.13 %
0	The company	Bionime（Malaysia） Sdn Bnd	1	Accounts receivable	2,739	Note3	0.06 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Accounts receivable	32,401	Note3	0.71 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Accounts payable	108	Note3	- %
0	The company	Bionime GmbH	1	Professional service fees	30,407	No Comparison	1.51 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Professional service fees	46,770	No Comparison	2.33 %
0	The company	Bionime Incorporated	1	Other receivables	3	No Comparison	- %
0	The company	Bionime（Malaysia） Sdn Bnd	1	Other receivables	4,970	Note3	0.11 %
0	The company	Bionime (Shenzhen) Limited Company	1	Other receivables	716	No Comparison	0.02 %
1	Bionime Incorporated	Bionime (Shenzhen) Limited Company	3	Other receivables	978	No Comparison	0.02 %
0	The company	Bionime GmbH	1	Other receivables	19,542	No Comparison	0.43 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Temporary receipts	227	No Comparison	- %

Note 1: The number filled in as follows:

1) Zero Represente the parent company.

2) Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

(Continued)

1) 1 represents the transactions between parent company and subsidiaries.

2) 2 represents the transactions between subsidiaries and parent company.

3) 3 represents the transactions between subsidiary and subsidiary.

Note 3: The price that the Company offers to its related parties is not comparable to other non-related parties due to their product characteristics. The collection period for general customers ranges from 45 to 120 days; and the collection period for Bionime Incorporated (B.V.I.) Bionime GmbH, Bionime USA Corporation, Bionime Australia Pty Limited, and Bionime (Malaysia) Sdn. Bhd are approximately 90 days, 60 days, 120 days, 120 days, and 75 days, respectively.

Note 4: The transactions have been eliminated upon consolidation.

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of wnership	Carrying value	Shares (thousands)	Percentage of wnership			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100 %	18,417	Note1	100%	1,418	1,418	Note4
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100 %	80,013	3.09	100%	9,101	9,101	Note4
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100 %	40,412	1,115	100%	8,728	8,728	Note4
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100 %	(76)	Note2	100%	(52)	(52)	Note4
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR698	-	Note3	72 %	4,831	Note3	72%	(499)	(359)	Note4

Note1: A company established in Switzerland.

Note2: A company established in Australia.

Note3: A company established in Malaysia.

Note4: The transactions have been eliminated upon consolidation.

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow				Highest Percentage of ownership			
Bionime (Shenzhen) Limited Company	Merchandise trading	US$850	Note 1	US$850	-	-	US$850	8,273 (Note3)	100%	100%	8,273	25,518	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$10,000	Note 2	-	-	-	-	5,278 (Note3)	100%	100%	5,278	(1,646)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US$850 (NT$ 27,520)	US$ 850 (NT$ 27,520)	NT$1,194,742

Note 1: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 2: Which is invesed by Shenzhen subsidiary.

Note 3: Amount was recognized base on the audited financial statement.

Note 4: The transactions have been eliminated upon consolidation.

(iii) Significant transactions:

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

(Continued)

(14) Segment information:

(a) General information

The Group has one reportable segment, the biotechnology segment. This segment is mainly involved in the manufacturing and selling of medical instruments, providing biotechnology services, examining pharmaceuticals products, and selling precision instruments.

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

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The internal management report includes profit before taxation.

The profit or loss of the reportable segment of the Group includes depreciation and amortization expenses, income tax expense (income), any extraordinary activity, and other material non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

Accounting policies for the operating segments correspond to those stated in note 4.

The Group's operating segment information and reconciliation are as follows:

	Biotechnology segment	
	2018	2017
Revenue：		
Revenue from external customers	$ 2,007,222	1,820,267
Interest revenue	1,694	1,610
Total revenue	**$ 2,008,916**	**1,821,877**
Interest expenses	$ 29,046	22,541
Depreciation and amortization	151,335	145,797
Reportable segment profit or loss	**128,032**	**149,608**
Capital expenditure	**$ 96,257**	**91,520**
Reportable segment assets	**$ 4,589,404**	**4,374,916**
Reportable segment liabilities	**$ 2,596,296**	**2,297,314**

(Continued)

(c) Production and service information

Since the main industrial department of Group is the optical lens department, and its operating income, operating interests and the identifiable assets account for more than 90% of operating income and total assets, therefore, the Group is classified as a single product.

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and the segment non-current assets are based on the geographical location of the assets.

Region		2018	2017
Revenue from external customers :			
Algeria	$	434,210	311,679
United States		183,094	141,788
Switzerland		257,369	231,068
Mainland Chinese		413,653	400,304
Other countries		718,896	1,047,107
Total	**$**	**2,007,222**	**1,820,267**
Non-current assets：			
Taiwan	$	2,769,890	2,817,290
Other countries		11,746	11,888
Total	**$**	**2,781,636**	**2,829,178**

Non-current assets include property, plant and equipment, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(e) Major customers' information

		2018	2017
Customer A of biotechnology division	$	434,210	311,679
Customer B of biotechnology division		360,446	354,756
	$	**794,656**	**666,435**

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Independent Auditors' Report

To the Board of Directors of Bionime Corporation:

Opinion

We have audited the financial statements of Bionime Corporation ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   The accounting principle of revenue recognition, refer to financial statements Note 4 (n); The accounting estimation and assumption uncertainty of allowance for sales returns and discounts, refer to financial statements Note 5 (a); the explanation about allowance for sales returns and discounts, refer to financial statements Note 6 (u).

   Description of key audit matters:

   Parts of the Company's sales transactions are based on the contracts that offer client rebate and chargebacks. The management of the Company estimates the rebates, chargeback and returns as reductions of revenues. Therefore, the test on revenue recognition is one of our key audit matters.

How the matter was addressed in our audit

Our principal audit procedures included：testing the Company’s internal controls surrounding revenue recognition; observing the related sales contracts; evaluating the sales returns and discounts accounting treatment and disclosure; as well as assessing the revenue with significant components, which included the analysis of top 10 customers.

2. Assessment of Inventory

The accounting principle of inventory, refer to financial statements Note 4 (g) "inventory”, the assessment of accounting estimate and assumption uncertainty, refer to financial statements Note 5 (b); the explanation of inventory assessment refers to financial statements Note 6 (d).

Description of key audit matters:

The Company’s inventories are measured at the lower of cost and net realizable value. Howerver, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit

Our principal audit procedures included: assessed the Company’s allowance on inventory according to its characteristics; conducting sampling test to examine accuracy of inventory aging; assessed the Company’s inventory decline or rationality of debt ratio; examining accuracy of allowance on inventory past years, and compare with this period. Assessed whether estimation method this period present fairly.

3. Assessment of Accounting Receivable

The accounting principle of Accounts Receivable refers to financial statements Note 4 (f) “ Financial instruments” ; Accounting receivable of Accounting Assumptions, Judgments and Estimation Uncertainty, refers to financial statements Note 5 (c) ; The explanation of accounting receivable refer to financial statements Note 6 (c) and 6 (d) “ Notes and Account Receivable, Account Receivable-related parties and Other Receivables”.

Description of key audit matters:

The Company’s accounts receivable are concentrate among certion customers. Allowance evaluation on accounts receivable contains management’s subjective judgment. Therefore, the assessment on accounts receivable is one of the key audit matter.

How the matter was addressed in our audit:

Our principal audit procedure included: analyses aging of accounts receivable; receive the records and customers’ credit risk concentration; Assessed whether estimation method and the amount of accounts receivable this period present fairly.

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

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

In preparing the financial statements, management is responsible for assessing the Company' 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisors) are responsible for overseeing the Company' s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Hsin Chang and Haining Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2019

(English Translation of Financial Statements and Report Originally Issued in Chinese)

BIONIME CORPORATION

Balance Sheets

December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents (note 6 (a))	$ 334,546	8	98,004	2
Notes receivable, net (note 6 (c))	7,941	-	9,188	-
Accounts receivable, net (note 6 (c))	621,018	14	509,085	12
Accounts receivable-related parties, net (note 6 (c) and 7)	223,181	5	104,156	2
Other receivables (note 6 (d))	12,830	-	5,797	-
Other receivable-related parties(note (d) and 7)	5,689	-	1,249	-
Current income tax assets	18,543	-	-	-
Inventories (note 6 (e))	380,027	8	343,589	8
Prepayments	8,857	-	6,374	-
Other current financial assets (note 6 (i))	-	-	280,000	7
Other current assets (note 6 (b) and 8)	9,458	-	7,178	-
	1,622,090	35	1,364,620	31
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	30,100	1	-	-
Non-current financial assets at cost, net (note 6 (b))	-	-	30,100	1
Investments accounted for using equity method (note 6 (f))	143,597	3	120,450	3
Property, plant and equipment (note 6 (g), 7 and 8)	2,678,843	59	2,696,062	62
Intangible assets (note 6 (h))	8,223	-	11,759	-
Deferred tax assets (note 6 (p))	4,370	-	23,254	1
Prepayments for business facilities	82,824	2	55,745	1
Guarantee deposits paid	1,001	-	525	-
Defined benefit assets, net (note 6 (o))	12	-	229	-
Other non-current assets (note 6 (i))	-	-	53,822	1
	2,948,970	65	2,991,946	69
Total assets	**$ 4,571,060**	**100**	**4,356,566**	**100**

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term borrowings (note 6 (k) and 8)	$ 638,335	14	899,449	21
Short-term notes and bills payable (note 6 (j))	259,748	6	159,837	4
Notes payable	14	-	19	-
Accounts payable	162,660	3	144,261	3
Accounts payable-related parties (note 7)	108	-	-	-
Other payables	254,296	6	208,620	6
Other payables-related parties (note 7)	38,836	1	30,049	1
Payable on machinery and equipment	14,564	-	26,101	1
Current income tax liabilities	6,229	-	27,322	-
Other current liabilities (note 6 (l) and 7)	5,117	-	4,394	-
Long-term borrowings, current portion (note 6 (m) and 8)	85,042	2	62,330	1
	1,464,949	32	1,540,935	36
Non-Current liabilities:				
Long-term borrowings (note 6 (m) and 8)	1,114,514	24	737,576	17
Deferred tax liabilities (note 6 (p))	360	-	453	-
Total liabilities	2,579,823	56	2,278,964	53
Equity (note 6 (q))				
Ordinary share	594,468	13	594,468	13
Capital surplus	1,314,899	29	1,532,096	35
Retained earnings	225,511	5	97,771	2
Other equity interest	(5,500)	-	(8,592)	-
Treasuny shares	(138,141)	(3)	(138,141)	(3)
Total equity	1,991,237	44	2,077,602	47
Total liabilities and equity	**$ 4,571,060**	**100**	**4,356,566**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

BIONIME CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars , except for earnings per share)

	2018		2017	
	Amount	%	Amount	%
Net operating revenues (note 6 (t), (u) and 7)	$ 1,946,211	100	1,800,555	100
Operating costs (note 6 (e), (h) and (v))	1,079,986	55	1,021,625	57
Gross profit from operations	866,225	45	778,930	43
Less:Net unrealized gains between affiliates	4,233	-	(3,604)	-
Net Gross profit from operations	861,992	45	782,534	43
Operating expenses (note 6 (h), (o),(v) and 7))				
Selling expenses	230,057	12	152,151	9
Administrative expenses	228,331	12	173,830	10
Research and development expenses	198,264	10	157,911	9
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(1,253)	-	3,968	-
	655,399	34	487,860	28
Net operating income	206,593	11	294,674	15
Non-operating income and expenses :				
Other income (note 6 (w))	4,993	-	19,678	1
Other gains and losses (note 6 (w), and 7)	(50,445)	(3)	(59,186)	(3)
Finance costs(note 6 (w))	(28,112)	(1)	(21,894)	(1)
Share of profit of associates accounted for using equity method	18,836	1	(44,767)	(2)
	(54,728)	(3)	(106,169)	(5)
Profit before income tax	151,865	8	188,505	10
Less: income tax expense (note 6 (p))	23,833	1	38,897	2
Profit	128,032	7	149,608	8
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Gains (losses) on remeasurements of defined benefit plans (note (o))	(292)	-	83	-
	(292)	-	83	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	3,092	-	(9,237)	-
Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (p))	-	-	-	-
	3,092	-	(9,237)	-
Other comprehensive income (after tax)	2,800	-	(9,154)	-
Comprehensive income	**$ 130,832**	**7**	**140,454**	**8**
Earnings per share (NT dollars) (note 6 (s))				
Basic earnings per share	**$**	**2.23**		**2.52**
Diluted earnings per share	**$**	**2.20**		**2.49**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

BIONIME CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

			Retained earnings						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
Balance at January 1, 2017	$ 634,468	1,693,813	78,357	-	179,533	257,890	645	-	2,586,816
Profit for the year ended December 31, 2017	-	-	-	-	149,608	149,608	-	-	149,608
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	83	83	(9,237)	-	(9,154)
Comprehensive income for the year ended December 31,2017	-	-	-	-	149,691	149,691	(9,237)	-	140,454
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	17,879	-	(17,879)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(161,155)	(161,155)	-	-	(161,155)
Increase of treasury share	-	-	-	-	-	-	-	(423,717)	(423,717)
Retirement of treasury share	(40,000)	(96,921)	-	-	(148,655)	(148,655)	-	285,576	-
Employee stock options exercised	-	15,147	-	-	-	-	-	-	15,147
Cash dividends of capital surplus	-	(79,943)	-	-	-	-	-	-	(79,943)
Balance at December 31, 2017	**594,468**	**1,532,096**	**96,236**	**-**	**1,535**	**97,771**	**(8,592)**	**(138,141)**	**2,077,602**
Balance at January 1, 2018	594,468	1,532,096	96,236	-	1,535	97,771	(8,592)	(138,141)	2,077,602
Profit for the year ended December 31, 2018	-	-	-	-	128,032	128,032	-	-	128,032
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(292)	(292)	3,092	-	2,800
Comprehensive income for the year ended December31, 2018	-	-	-	-	127,740	127,740	3,092	-	130,832
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	154	-	(154)	-	-	-	-
Special reserve	-	-	-	1,383	(1,383)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-
Employee stock options exercised	-	20,633	-	-	-	-	-	-	20,633
Cash dividends of capital surplus	-	(237,830)	-	-	-	-	-	-	(237,830)
Balance at December 31, 2018	**$ 594,468**	**1,314,899**	**96,390**	**1,383**	**127,738**	**225,511**	**(5,500)**	**(138,141)**	**1,991,237**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

BIOTRAK CORPORATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 151,865	188,505
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	136,086	131,002
Amortization expense	14,079	13,547
Expected credit (gain)/Provision for bad debt expense	(1,253)	3,968
Interest expense	28,112	21,894
Interest revenue	(237)	(528)
Share-based payments transactions	20,633	15,147
Share of loss (profit) of subsidiaries,associates and joint ventures accounted for using equity method	(18,836)	44,767
Gain on disposal of property, plan and equipment	(4,539)	(179)
Impairment loss on non-financial assets	57,866	60,000
Net unrealized gains between affliates	4,233	(3,604)
Total adjustments to reconcile profit	236,144	286,014
Changes in operating assets and liabilities:		
Notes receivable	1,247	(1,117)
Accounts receivable	(110,680)	(111,419)
Accounts Recievable due from related parties	(119,025)	(70,908)
Other receivables	(7,033)	(4,597)
Other receivables due from related parties	(4,440)	408
Inventories	(38,357)	(49,743)
Other operating assets	(8,889)	(13,205)
	(287,177)	(250,581)
Notes payable	(5)	(19)
Accounts payable	18,399	(44,268)
Accounts payable due from related parties	108	-
Other payables	44,000	12,718
Other payables due from related parties	8,787	3,060
Other operating liabilities	723	(27,320)
	72,012	(55,829)
Total changes in operating assets and liabilities	(215,165)	(306,410)
Total adjustments	20,979	(20,396)
Cash inflow generated from operations	172,844	168,109
Interest received	237	528
Interest paid	(26,436)	(21,674)
Income taxes paid	(44,679)	(56,649)
Net cash flows from (used in) operating activities	101,966	90,314
Cash flows from (used in) investing activities:		
Acquisition of investment using equity method	(5,266)	-
Acquisition of financial assets at cost	-	(30,100)
Acquisition of property, plant and equipment	(85,647)	(80,948)
Proceeds from disposal of property, plant and equipment	5,938	-
Decrease in refundable deposits	(476)	(204)
Acquisition of intangible assets	(9,544)	(8,741)
Decrease in other financial assets	280,000	120,000
Increase in prepayments for business facilities	(72,493)	(31,705)
Net cash flows from (used in) investing activities	112,512	(31,698)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,585,400	1,752,225
Decrease in short-term borrowings	(1,828,615)	(1,580,833)
Increase in short-term notes and bills payable	99,911	159,837
Proceeds from long-term borrowings	600,000	-
Repayments of long-term borrowings	(200,350)	(57,136)
Cash dividends paid	(237,830)	(241,098)
Cost of increase in treasury stock	-	(423,717)
Net cash flows from (used in) financing activities	18,516	(390,722)
Effect of exchange rate changes on cash and cash equivalents	3,548	-
Net increase (decrease) in cash and cash equivalents	236,542	(332,106)
Cash and cash equivalents at beginning of period	98,004	430,110
Cash and cash equivalents at end of period	**$ 334,546**	**98,004**

See accompanying notes to financial statements.

(1) Company history

Bionime Corporation (the "Company") was incorporated on April 14, 2003 as a Company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in December 2010. The address of the Company's registered office is No.100, Sec. 2, Daqing St., South Dist., Taichung City, Taiwan. The Company primarily is involved in the manufacturing and selling medical instruments, providing biotechnology services, examining pharmaceuticals, and selling precision instruments.

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issuance by the Board of Directors on March 11, 2019.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applied this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2017, and contracts that begin and end within 2017.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of Meter and Strips, products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The Company estimates that the adoption of IFRS 15 for consolidated report 2018 would not have any material impact.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company' s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4 (f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4 (f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  — The determination of the business model within which a financial asset is held.

  — The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  — The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	$ 98,004	Amortized cost	98,004
Equity instruments	Financial assets measured at cost (note1)	30,100	FVOCI	30,100
Trade and other receivables	Loans and receivables (note2)	629,475	Amortized cost	629,475
Other financial assets (Guarantee deposits paid and time deposits)	Loans and receivables	280,525	Amortized cost	280,525

Note1: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 30,100	-	-	30,100	-	-
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, trade and other receivables, and other financial assets) (IAS 39)	$ 1,008,004	-	-	1,008,004	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

(Continued)

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6 (aa).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets and Unrealized Loss"

The amendments clarify the accounting for deferred tax assets and unrealized losses on debt instruments measured at fair value.

The Company estimated that the application of the amendments will not have any material impact on its consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16"Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(Continued)

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

－IFRS 16 definition of a lease to all its contracts; or

－ a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

－retrospective approach; or

－modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

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

－ adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

－ apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

－ exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

－ use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its warehouses. The Company estimated that the right-of-use assets and the lease liabilities to increase by $16,882 and $16,882 respectively, as well as the retained earnings to decrease by $0 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the amendments will not have any significant impact on its deferred tax liabilities and the retained earnings on January 1, 2019.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

1) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value.

2) The defined benefit liability (asset) is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(Continued)

1) Fair value through other comprehensive income (Available-for-sale)equity investment;

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

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

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

(d) Classification of current and non-current assets and liabilities

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

(i) It is expected to be realized, or intended to be sold or consumed , in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(Continued)

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be classified as other current and/or non-current financial assets.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘ investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due or the borrower is unlikely to pay its credit obligations to the Company in full.

(Continued)

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

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

- significant financial difficulty of the borrower or issuer；
- a breach of contract such as a default or being more than 1 year past due；
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets, loans and receivables.

1) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

(Continued)

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

(Continued)

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

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

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

(h) Investment in subsidiaries

The subsidiaries in which the Company holds a controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income, and equity in the non-consolidated financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property,plant and equipment. The cost of software is capitalized as part of the property,plant and equipment to be capable of operating.

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 shall be depreciated separately, unless, the useful life and depreciation method of that significant part are the same as those of another significant parts of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(Continued)

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less, its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life, and therefore, is not depreciated.

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

1) buildings and structures:5~50 years

2) machinery and equipment:2~8 years

3) molding equipment:2~3 years

4) transportation equipment:5 years

5) leasehold improvements:2~8 years

6) office and other equipment:3~5 years

Buildings and structures constitutes mainly of building, wastewater treatment plant, and others. Each such part depreciates based on its useful life of 50 years, 30 years, and 5 years, respectively.

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Leases

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

(Continued)

(ii) Lessee

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

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

(k) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

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

(Continued)

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value.

Expect for goodwill and intangible assets with in definite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Trademarks:5 years

2) Computer software:1~5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any change shall be accounted for as a changes in accounting estimates.

(l) Impairment of non-financial assets

The Company assesses non-derivative financial assets for impairment (except for inventories, assets arising from construction contracts, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (the higher of its fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell and its value in use. When evaluating value in use, the pretax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’ s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’ s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

(m) Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(n) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

1) Sale of goods

The Company manufactures Meter and Strips and sells to pharmacy and hospital. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

2) Financing components

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

(Continued)

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

b) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

(Continued)

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

(Continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(i) Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized expect for the following: Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

(Continued)

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also reevaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonus and employee stock options.

(s) Operating segments

Please refer to the consolidated financial statements of Bionime Corporation for the years ended December 31, 2018 and 2017.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Revenue recognition

The Company records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and evolution of technology could result in significant adjustments to the provision made.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6 (e) for further description of the valuation of inventories.

(c) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 342	431
Demand deposits	334,204	97,573
Cash and cash equivalents in the statement of cash flow	**$ 334,546**	**98,004**

Please refer to Note 6 (x) for the exchange rate risk, interest rate risk, sensitivity analysis of the financial assets and liabilities of the Company.

(Continued)

(b) Financial assets

(i) Other financial assets

	December 31, 2018	December 31, 2017
Other financial assets - current	$ -	280,000

Other financial assets – current were restricted bank deposit, for bank loan guarantees. The other financial assets of the Company had been pledged as collateral for borrowings. Please refer to Note 8 for details.

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

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Domestic unlisted common share- Bonraybio Co.,Ltd.	$ 30,100

On January 1, 2018, the Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as financial assets measured at cost on December 31, 2017.

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

As of December 31, 2018, none of the financial assets of the Company had been pledged as collateral for borrowings.

(iii) Financial assets measured at cost

	December 31, 2017
Available-for-sale financial assets	
Domestic unlisted common shares	$ 30,100

The aforementioned investments held by the Company are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company's management determined that the fair value cannot be measured reliably.

As of December 31, 2017, none of the financial assets measured at cost of the Company had been pledged as collateral for long-term borrowings.

(Continued)

(c) Notes and trade receivable

	December 31, 2018	December 31, 2017
Note receivables from operating activities	**$ 7,941**	**9,188**
Trade receivables-measured as amortized cost	623,733	513,053
Trade receivables-related parties-measured as amortized cost	223,181	104,156
Less：Loss allowance	(2,715)	(3,968)
	$ 844,199	**613,241**

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

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	603,034	- %	-
1 to 90 days past due	238,422	- %	-
91 to 180 days past due	5,332	48.56 %	2,589
More than 181 days	126	100 %	126
Past due	**$ 846,914**		**2,715**

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Overdue 1 to 30 days	$ 102,736
Overdue 31 to 90 days	98,134
Overdue 91 to 180 days	1,634
	$ 202,504

(Continued)

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

	December 31, 2018	December 31, 2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 3,968	-
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	3,968	-
Impairment losses recognized	-	3,968
Impairment losses reversed	(1,253)	-
Balance on December 31, 2018 and 2017	**$ 2,715**	**3,968**

None of the receivables was discounted or pledged as collateral as of December 31, 2018 and 2017.

(d) Other receivables (including related parties)

	December 31, 2018	December 31, 2017
Other accounts receivable	$ 12,830	5,954
Other accounts receivable-related parties	5,689	1,249
Less: Loss allowance	-	(157)
	$ 18,519	**7,046**

As of December 31, 2017, none of the aging analysis of other receivables, which were past due but not impaired.

The movement in the allowance for other receivables was as follows:

	Collectively assessed impairment
Balance at January 1, 2017(i.e. Balance at December 31, 2017)	**$ 157**

For further credit risk information, please refers to note 6 (x).

(Continued)

(e) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 30,600	22,936
Less: Allowance for inventory valuation losses	(4,356)	(4,550)
	26,244	18,386
Work in progress	266,087	256,302
Less: Allowance for inventory valuation losses	(9,601)	(9,004)
	256,486	247,298
Raw materials	109,142	88,114
Less: Allowance for inventory valuation losses	(11,845)	(10,209)
	97,297	77,905
	$ 380,027	**343,589**

The detail of inventory write-downs as follows:

	For the years ended December 31	
	2018	2017
Provisions (reversal of provision) for inventory valuation and obsolescence	$ 2,039	(9,273)
Losses on disposal of scrap	8,863	18,525
Gains on physical inventory	(258)	(384)
Gains on disposal of leftover bits and pieces	(3,125)	(2,716)
Operating costs recognized	**$ 7,519**	**6,152**

For the years ended December 31, 2018 and 2017, the amounts of inventories that were charged to cost of sales, and the net of provisions (reversal of provision) that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $2,039 and $(9,273), respectively.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

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

December 31, 2018	December 31, 2017
$ 143,597	**120,450**

(i) Subsidiary

Please refer to 2018 consolidated statement report.

(ii) As of December 31, 2018 and 2017, the Company did not provide any investment accounted for using equity method as collateral for its loans.

(Continued)

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance at January 1, 2018	$ 1,420,840	835,909	602,254	105,582	1,193	12,280	488,598	3,466,656
Additions	-	22,275	12,182	27,212	720	1,556	10,165	74,110
Disposals	-	-	(2,065)	-	(325)	-	(596)	(2,986)
Reclassification	-	3,118	30,552	7,191	-	3,230	2,244	46,335
Balance at December 31,2018	**$ 1,420,840**	**861,302**	**642,923**	**139,985**	**1,588**	**17,066**	**500,411**	**3,584,115**
Balance at January 1, 2017	$ 1,420,840	834,983	529,444	92,575	1,193	12,280	477,898	3,369,213
Additions	-	926	69,621	11,151	-	-	10,458	92,156
Disposals	-	-	(8,828)	-	-	-	(876)	(9,704)
Reclassification	-	-	12,017	1,856	-	-	1,118	14,991
Balance at December 31, 2017	**$ 1,420,840**	**835,909**	**602,254**	**105,582**	**1,193**	**12,280**	**488,598**	**3,466,656**
Depreciation and impairment loss:								
Balance at January1, 2018	$ -	81,707	405,630	89,324	1,193	12,185	180,555	770,594
Depreciation for the year	-	20,010	63,016	14,460	120	1,134	37,346	136,086
Disposals	-	-	(487)	-	(325)	-	(596)	(1,408)
Balance at December 31,2018	**$ -**	**101,717**	**468,159**	**103,784**	**988**	**13,319**	**217,305**	**905,272**
Balance at January1, 2017	$ -	62,948	350,533	79,237	1,193	11,617	143,768	649,296
Depreciation for the year	-	18,759	63,925	10,087	-	568	37,663	131,002
Disposals	-	-	(8,828)	-	-	-	(876)	(9,704)
Balance at December 31,2017	**$ -**	**81,707**	**405,630**	**89,324**	**1,193**	**12,185**	**180,555**	**770,594**
Carrying amounts:								
Balance at December 31, 2018	**$ 1,420,840**	**759,585**	**174,764**	**36,201**	**600**	**3,747**	**283,106**	**2,678,843**
Balance at December 31, 2017	**$ 1,420,840**	**754,202**	**196,624**	**16,258**	**-**	**95**	**308,043**	**2,696,062**
Balance at January 1, 2017	**$ 1,420,840**	**772,035**	**178,911**	**13,338**	**-**	**663**	**334,130**	**2,719,917**

(i) Disclosures on pledges

As of December 31, 2018 and 2017, the property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to Note 8.

(ii) Property, plant and equipment under construction

For the years ended December 31, 2018 and 2017, capitalized borrowing costs related to the construction of the new plant amounted to $843 and $467, with a capitalization rate of 1.435% and 1.435% respectively.

(Continued)

(h) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Trademarks	Computer software	Total
Costs:			
Balance at January1, 2018	$ 62,360	29,229	91,589
Additions	-	9,544	9,544
Reclassification	-	999	999
Disposal	-	(8,269)	(8,269)
Balance at December 31, 2018	**$ 62,360**	**31,503**	**93,863**
Balance at January1, 2017	$ 62,360	39,579	101,939
Additions	-	8,741	8,741
Disposal	-	(19,091)	(19,091)
Balance at December 31, 2017	**$ 62,360**	**29,229**	**91,589**
Amortization and Impairment Loss:			
Balance at January1, 2018	$ 56,392	23,438	79,830
Amortization for the year	5,968	8,111	14,079
Disposal	-	(8,269)	(8,269)
Balance at December 31, 2018	**$ 62,360**	**23,280**	**85,640**
Balance at January1, 2017	$ 50,425	34,949	85,374
Amortization for the year	5,967	7,580	13,547
Disposal	-	(19,091)	(19,091)
Balance at December 31, 2017	**$ 56,392**	**23,438**	**79,830**
Carrying amounts:			
Balance at December 31, 2018	**$ -**	**8,223**	**8,223**
Balance at December 31, 2017	**$ 5,968**	**5,791**	**11,759**
Balance at January 1, 2017	**$ 11,935**	**4,630**	**16,565**

Based on the resolutions approved by the Board of Directors' meeting, the Company signed a trademark license agreement with GE on March 16, 2011 for its operating plan, future development and strengthening of its competitiveness. The Company paid USD2,000 thousand (TWD 62,360 thousand) for the right to use GE monogram trademark.

(i) Amortization

The amortizations of intangible assets were included in the statement of comprehensive income:

	2018	2017
Operating costs	**$ 10**	**-**
Operating expenses	**$ 14,069**	**13,547**

(Continued)

(ii) Disclosures on pledges

As of December 31, 2018 and 2017, none of the intangible assets of the Company had been pledged as collateral.

(i) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	December 31, 2018	December 31, 2017
Overpaid sales tax	$ 6,235	4,860
Temporary payments	2,296	1,208
Other current assets-other	927	1,110
	$ 9,458	**7,178**
Other non-current assets-other	$ -	173,822
Less : accumulated impairment		(120,000)
	$ -	**53,822**

For the years ended December 31, 2018 and 2017, the Company recognized the impairment loss of $57,866 and $60,000 to write down the carrying amount of prepaid royalty of GE to the estimated recoverable value.

(j) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2018		
	Guarantee or acceptance institution	Range of interest rate (%)	Amounts
Commercial paper payable	Taiwan Corporation Bank	1.18%	$ 100,000
Commercial paper payable	Mega Bank	1%	60,000
Commercial paper payable	Grand Bank	1.15%	100,000
Less: Discount on short-term notes and bills payable			(252)
Total			**$ 259,748**

(Continued)

	December 31, 2017		
	Guarantee or acceptance institution	**Range of interest rate (%)**	**Amounts**
Commercial paper payable	Taiwan Corporation Bank	0.902%~1.2%	$ 100,000
Commercial paper payable	Mega Bank	1.188%	60,000
Less: Discount on short-term notes and bills payable			(163)
Total			**$ 159,837**

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2018	**December 31, 2017**
Unsecured bank loans	$ 268,440	598,002
Secured bank loans	369,895	280,000
	$ 638,335	**878,002**
Unused credit line	**1,145,365**	**1,461,038**
Range of Interest rates	**0.35%~3.9642%**	**0.35%~2.7528%**

Please refer to Note 8 for details of the related assets pledged as collateral.

(l) Other current liabilities

The details were as follows:

	December 31, 2018	**December 31, 2017**
Contract liability	$ 1,302	-
Advance payment	-	751
Temporary payment	2,817	3,466
Other	998	177
	$ 5,117	**4,394**

(m) Long-term borrowings

The details were as follows:

	December 31, 2018			
	Currency	**Interest rates**	**Maturity year**	**Amount**
Secured bank loans	TWD	1.25%~1.72%	2023~2026	$ 1,199,556
Less: current portion				(85,042)
Total				**$ 1,114,514**
Unused credit line				**$ -**

(Continued)

	December 31, 2017			
	Currency	**Interest rates**	**Maturity year**	**Amount**
Secured bank loans	TWD	1.52%~1.72%	2026	$ 799,906
Less: current portion				(62,330)
Total				**$ 737,576**
Unused credit line				**$ -**

Property, plant and equipment pledged as collateral for long-term borrowings, please refer to Note 8.

(n) Operating Lease

Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 1,857	1,119
Between one and five years	263	929
	$ 2,120	**2,048**

(o) Employee Benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 3,628	3,221
Fair value of plan assets	(3,640)	(3,450)
Net defined benefit liabilities (assets)	**$ (12)**	**(229)**

The Company's employee benefit liabilities were as follows:

	December 31, 2018	December 31, 2017
Short-term vacation liability	**$ 9,634**	**10,253**

The Company made defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $3,640 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of defined benefit obligations for the Company were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 3,221	3,272
Current service costs and interest cost	52	57
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
—financial assumptions	355	(108)
Defined benefit obligation at December 31	**$ 3,628**	**3,221**

3) Movements of defined benefit plan assets

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

	2018	2017
Fair value of plan assets at January 1	$ 3,450	3,011
Interest income	58	56
Contributions paid by the employer	69	408
Remeasurements loss (gain):		
—Return on plan assets excluding interest income	63	(25)
Fair value of plan assets at December 31	**$ 3,640**	**3,450**

(Continued)

4) Expenses recognized in profit or loss

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

	2018	2017
Net interest of net liabilities for the defined benefit obligation	**$ (6)**	**1**
Administration expenses	**$ (6)**	**1**

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Accumulated amount at January 1	$ (2,219)	(2,302)
Recognized during the period	(292)	83
Accumulated amount at December 31	**$ (2,511)**	**(2,219)**

6) Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	1.35 %	1.60 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $12.

The weighted average lifetime of the defined benefit plans is 21.6 years.

7) Sensitivity analysis

As of December 31, 2018, the impact on the present value of the defined benefit obligation, due to the change in actuarial assumption, was as follows:

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018	$ 1,015	(474)
Discount rate	(182)	194
Future salary increasing rate	833	(688)

(Continued)

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2017	$ 927	(431)
Discount rate	(166)	175
Future salary increasing rate	761	(606)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined benefit plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $19,100 and $17,151 for the years ended December 31, 2018 and 2017, respectively.

(p) Income Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

(i) Income Tax Expense

The Company of income tax in the years 2018 and 2017 were as follows:

	2018	2017
Current income tax expense		
Current period	$ 2,263	41,499
Adjustment for prior period	2,779	6,100
Adjustment in tax rate	(4,024)	-
10% surtax on un-distributed earnings	-	26
	1,018	47,625
Deferred tax expense (gain)		
Origination and reversal of temporary differences	22,815	-
Income tax expense	**$ 22,815**	**(8,728)**

(Continued)

The amount of income tax recognized in other comprehensive income for years 2018 and 2017 was as follows:

	2018	2017
Items that may be reclassified subsequently to profit or loss:		
Exchange differency translation	$ -	-

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows.

	2018	2017
Profit excluding income tax	$ 151,865	188,505
Income tax using the Company's domestic tax rate	30,373	32,046
Adjustment in tax rate	(4,024)	-
Non-deductible expenses	(124)	(187)
Tax-exempt income	(3,871)	(5,910)
Investment income recognized by equity method	(3,767)	7,610
Changes in unrecognized temporary differences	704	(788)
Prior years income tax adjustment	2,779	6,100
10% surtax on undistributed earnings	-	26
Income basic tax	2,263	-
	$ 23,833	**38,897**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	**$ 3,536**	**2,832**

As at December 31, 2018 and 2017, the profitability of its subsidiaries is yet to stabilize, the tax losses is not recognized as deferred tax assets since it is not probable that it will be realized, as follows:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 313,918**	**331,336**
Unrecognized deferred tax assets	**$ 62,784**	**56,327**

(Continued)

2) Unrecognized deferred tax liabilities

The entity is able to control the timing of the temporary differences associated with its investments in subsidiaries as at December 31, 2018 and 2017. Also the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 9,907**	**8,488**
Unrecognized deferred tax liabilities	**$ 1,981**	**1,443**

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Others	Total
Balance at January 1, 2018	$ 2,020	834	20,400	-	23,254
Recognized in profit or loss	560	956	(20,400)	-	(18,884)
Balance at December 31,2018	**$ 2,580**	**1,790**	**-**	**-**	**4,370**
Balance at January 1,2017	$ 2,808	1,479	10,200	43	14,530
Recognized in profit or loss	(788)	(645)	10,200	(43)	8,724
Balance at December 31, 2017	**$ 2,020**	**834**	**20,400**	**-**	**23,254**

Deferred Tax Liabilities:

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2018	$ 427	26	453
Recognized in profit or loss	(112)	19	(93)
Balance at December 31, 2018	**$ 315**	**45**	**360**
Balance at January 1, 2017	$ 457	-	457
Recognized in profit or loss	(30)	26	(4)
Balance at December 31, 2017	**$ 427**	**26**	**453**

(iii) Assessment of tax

The Company's tax returns for the years through 2015 were assessed by the Tax Authority.

(Continued)

(q) **Capital and Other Equity**

As of December 31 2018 and 2017, the numbers of authorized ordinary shares were 70,000 thousand shares for each year, with par value of $10 per share. The total value of authorized ordinary shares amounted to $700,000 (and of which $60,000 was reserved for the exercising of employee share options for each year). As of the date 59,447 (2017: 59,447) of ordinary thousand shares amounting $594,468 (2017: $594,468) were issued. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2018 and 2017 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2018	**2017**
Balance on January1	59,447	63,447
Cancellation of treasury stock	-	(4,000)
Balance on December 31	**59,447**	**59,447**

(i) Ordinary shares

The Company cancelled the treasury stock 4,000 shares which repurchased during April to July 2017, and reduced Capital surplus-premium of share capital and retained earnings $96,921 and $148,655 respectively.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	**December 31, 2017**
Share capital	$ 1,202,582	1,440,412
Employee share options	26,771	11,703
Expired options	85,545	79,981
	$ 1,314,898	**1,532,096**

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

(Continued)

(iii) Retained Earnings

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

The Company's dividend policy depends on the Company's capital expenditure budget and required working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend cannot be less than 5% of the total dividends distributed.

1) Legal reserve

According to the amendment of the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity resulting from the first-time adoption of IFRSs and the carrying amount of special reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions

3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of the shareholders held on June 20, 2018 and June 22, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders				
Cash	**$ -**	**-**	**2.54**	**161,155**

(Continued)

The Company's general meeting of the shareholders resolved to distribute the captial surplus cash dividends of $237,830 and $79,043 on June 20, 2018 and June 22, 2017, rsepectively.

(iv) Treasury shares

On March 13, 2017, the Company's Board of Directors resolved to repurchase 2,000 thousand shares from March 14 to April 2, 2017, with a par value ranging from $55~$75 per treasury share, for employees to subscribe. If the market price is lower than the resolved price floor, the Company will continue to repurchase its shares. As of December 31, 2017, the Company had repurchased 2,000 thousand treasury shares, with a total value of $138,141.

On March 13, 2017, the Company's Board of Directors resolved to repurchase 4,000 thousand shares from April 3 to May 12, 2017, with a par value ranging from $55~$75 per treasury share, for the Company's integrity and shareholders' equity. If the market price is lower than the resolved price floor, the Company will continue to repurchase its shares. As of December 31, 2017, the Company had repurchased 2,550 thousand shares, with a total value of $183,939. In August 2017, the Company's Board of Directors resolved to cancel 2,550 thousand treasury stock, wherein the related registration procedures had been completed.

On May 14, 2017, the Company's Board of Directors resolved to repurchase 1,450 thousand shares from April 5 to May 12, 2017 and from May 25 to July 23, 2017, with a par value ranging from $55~$78 per treasury share, for the Company's integrity and shareholders equity. If the market price is lower than the resolved price floor, the company will continue to repurchase its shares. As of December 31, 2017, the Company had repurchased 1,450 thousand treasury shares, with a total value of $101,587. In August 2017, the Company' s Board of Directors resolved to cancel 1,450 thousand treasury stock, wherein the related registration procedures had been completed.

As of December 31, 2017, a total of 2,000 thousand shares have not yet been cancelled.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of June 30 2017, the Company could repurchase no more than 6,345 shares, with a total value of no more than $1,773,235.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

(Continued)

(v) OCI accumulated in reserves (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2018	$ (8,592)
Exchange differences on foreign operations	3,092
Balance at December 31, 2018	**$ (5,500)**
Balance at January 1, 2017	$ 645
Exchange differences on foreign operations	(9,237)
Balance at December 31, 2017	**$ (8,592)**

(r) **Share-Based Payment**

(i) Employee stock options

As of December 31, 2018, details of the Employee Stock Option Plans ("ESOP") were as follows:

	2017 ESOP	2018 ESOP
Grant date	2017.1.13	2018.1.2
Units issued	3,000,000	1,000,000
Term of grant	2017.1.13~2019.1.12	2018.1.2~2020.1.1
Grant object	Full-time employeesof the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries
Vesting conditions	Services of the next two years	Services of the next two years

1) Determining the fair value of equity instruments granted

The Company used Hull&White, Ritchken model, Lattice model, in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2018	
	2017 ESOP	2018 ESOP
Fair value at grant date	$16.07~$17.35	$15.34~$16.56
Share price at grant date	56.9	55.4
Exercise price	49.7	51.4
Expected volatility(%)	40.70%	40.10%
Expected life (years)	four years	four years
Expected dividend	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%

(Continued)

	2017		
	2010 ESOP	**2012 ESOP**	**2017 ESOP**
Fair value at grant date	$26.485~$28.594	$11.135~$11.339	$16.07~$17.35
Share price at grant date	109	72.9	56.9
Exercise price	91.2	65.5	53.6
Expected volatility(%)	33.16%	22.01%	40.70%
Expected life (years)	five years	four years	four years
Expected dividend	1.5%	1.5%	-
Risk-free interest rate(%)	1.0731%	0.9015%	0.66%~0.70%

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Company determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, which are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2018		2017	
(in dollars)	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	$ 53.60	2,724,000	-	-
Granted during the year (number)		1,000,000		3,000,000
Forfeited during the year (number)		(457,000)		(276,000)
Outstanding at December 31	**50.9**	**3,267,000**	**53.6**	**2,724,000**
Exercisable at December 31		**3,267,000**		**2,724,000**

(ii) Employee recognized in profit or loss

The Company incurred expenses and liabilities of share-based arrangements in 2018 and 2017 were as follows:

	2018	**2017**
Expenses resulting from granted employee share options	**$ 20,633**	**15,147**

(Continued)

(s) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31 2018 and 2017 were based on the profit attributable to ordinary shareholders of the Company of $128,032 and $149,608; respectively; and the weighted average number of ordinary shares outstanding of 57,447 thousand shares and 59,365 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

2) Weighted average number of ordinary shares

	2018	2017
Weighted-average number of ordinary shares at December 31	**57,447**	**59,365**
Basic earnings per share	**$ 2.23**	**2.52**

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2018 and 2017 were based on profit attributable to ordinary shareholders of the Company of $128,032 and $149,608, respectively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,119 thousand shares and 60,031 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

2) Weight-average number of ordinary shares (diluted)

	2018	2017
Weighted-average number of ordinary shares (basic)	57,447	59,365
Effect of issuance of employee share options	204	255
Effect of employee share bonus	468	411
Weighted-average number of ordinary shares (diluted) at December 31	**58,119**	**60,031**
Diluted earnings per share	**$ 2.20**	**2.49**

(Continued)

(t) **Revenue from contracts with customers**

Disaggregation of revenue

	2018
Primary geographical markets	
Algeria	$ 434,210
China	404,716
Switzerland	257,369
United State	140,051
Other	709,865
	$ 1,946,211
Major products	
Meter and Strips	**$ 1,946,211**

For details on revenue for the year ended December 31, 2017, please refer to note 6 (u).

(u) **Revenue**

The details of revenue for the years ended December 31, 2017 were as follows:

	2017
Sale of goods	$ 1,804,435
Sales returned	(46)
Sales discount	(3,834)
	$ 1,800,555

The Company estimated its sales returned and sales discount and less from the sales revenue, according to the historical experience and other reasons.

For details on revenue in 2018, please refer to not 6 (t).

(v) **Employee compensation, Directors' and supervisors' remuneration**

In accordance with the articles of incorporation the Company should contribute no less than 1.5% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $18,788 and $18,962 and directors and supervisors remuneration amounting to $4,000, and $4,000 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017.

(Continued)

(w) **Non-operating Income and Expenses**

(i) Other income

The details of other income were as follows:

		2018	2017
Interest income:			
Interest income-bank deposits	$	237	528
Others		4,756	19,150
	$	**4,993**	**19,678**

(ii) Other gains and losses

The details of other gains and losses for the years 2018 and 2017 were as follows:

		2018	2017
Foreign exchange gains (losses)	$	2,882	635
Gains (losses) on disposals of property, plant and equipment		4,539	179
Impairment losses		(57,866)	(60,000)
	$	**(50,445)**	**(59,186)**

(iii) Finance costs

The details of financial costs were as follows:

	2018	2017
Interest expenses-bank loans	**$ (28,112)**	**(21,894)**

(x) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the balance sheet which were $1,205,205 and $727,479 respectively, as of December 31, 2018 and 2017.

2) Concentration of credit risk

The major clients of Company are concentrated in medical instruments market. To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the accounts receivable and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2018 and 2017, 73% and 63%, respectively, of accounts receivable were from five customers. Thus, the credit risk is significantly concentrated.

(Continued)

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6 (c).

Other financial assets at amortized cost includes other receivables and time deposits (previously classified as Other finance assets-liquidity on December 31, 2017). For the details on loss allowance on December 31, 2017, please refer to note 6(b) and note 6 (d).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f).

The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables	Debt investments at amortized cost	Total
Balance on January 1 per IAS 39	$ 157	-	157
Adjustment on initial application of IFRS 9	(157)	157	-
Balance on January 1 per IFRS 9	-	157	157
Amount offset for unrecoverable this year	-	(157)	(157)
Balance on December 31	**$ -**	**-**	**-**

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 1,569,451	1,598,330	469,885	203,175	574,720	350,550
Unsecured bank loans	268,440	275,796	275,796	-	-	-
Short-term notes and bills payable	259,748	260,000	260,000	-	-	-
Notes and accounts payable (including related parties)	162,782	162,782	162,782	-	-	-
Other payables (including related parties)	174,905	136,069	136,069	-	-	-
Payable on machinery and equipment	14,564	14,564	14,564	-	-	-
	$ 2,449,890	**2,447,541**	**1,319,096**	**203,175**	**574,720**	**350,550**

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2017						
Non-derivative financial liabilities						
Secured bank loans	$ 1,079,906	1,094,644	344,382	63,402	190,207	496,653
Unsecured bank loans	598,002	610,201	610,201	-	-	-
Short-term notes and bills payable	159,837	160,000	160,000	-	-	-
Notes and accounts payable	144,280	144,280	144,280	-	-	-
Other payables	113,620	113,620	113,620	-	-	-
Payable on machinery and equipment	26,101	26,101	26,101	-	-	-
	$ 2,121,746	**2,148,846**	**1,398,584**	**63,402**	**190,207**	**496,653**

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018				December 31, 2017			
	Foreign currency		Exchange rates	TWD	Foreign currency		Exchange rates	TWD
Financial assets								
Monetary items								
USD	USD	25,383	30.74	780,273	USD	16,607	29.76	494,224
EUR	EUR	2,593	35.22	91,325	EUR	3,338	35.55	118,666
Financial liabilities								
Monetary items								
USD	USD	28,826	30.74	886,111	USD	15,873	29.76	472,380
EUR	EUR	1,220	35.22	42,968	EUR	2,609	35.55	92,750

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

(Continued)

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2018 and 2017, would have increased (decreased) the net profit after tax by $230 and $198, respectively. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact resulting from the forecasted sales and purchases. The analysis is performed on the same basis for 2017 (prior year).

3) Foreign exchange gain and loss on monetary items

Since the Company has many kind of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2018 and 2017, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $2,882 and $635, respectively.

(iv) Interest rate risk

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5%, the Company's net income would have increased / decreased by $7,352 and $6,963 for the year ended December 31, 2018 and 2017, respectively with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

(Continued)

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	**$ 30,100**	-	-	30,100	30,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 334,546	-	-	-	-
Notes and trade receivable (including related parties)	852,140	-	-	-	-
Other receivables (including related parties)	18,519	-	-	-	-
	$ 1,235,305	-	-	**30,100**	**30,100**
Financial liabilities at amortized cost					
Short-term borrowings	$ 638,335	-	-	-	-
Short-term notes and bills payable	259,748	-	-	-	-
Notes and trade payables, and other payables (including related parties)	337,687	-	-	-	-
Payable on machine and equipment	14,564	-	-	-	-
Long-term borrowings, including current portion	1,199,556	-	-	-	-
	$ 2,449,890	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at cost	**$ 30,100**	-	-	-	-
Loans and receivables					
Cash and cash equivalents	$ 98,004	-	-	-	-
Notes and trade receivable, and other receivables	629,475	-	-	-	-
Other financial assets-non-current	280,000	-	-	-	-
	$ 1,037,579	-	-	-	-
Financial liabilities					
Financial liabilities at amortized					
Short-term borrowings	$ 878,002	-	-	-	-
Short-term notes and bills payable	159,837	-	-	-	-
Notes and trade payable, and other payables	257,900	-	-	-	-
Payable on machine and equipment	26,101	-	-	-	-
Long-term borrowings, including current portion	799,906	-	-	-	-
	$ 2,121,746	-	-	-	-

(Continued)

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

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

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

3) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2018 and 2017.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2018(i.e. December 31, 2018)	$ 30,100

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

The Company's financial instruments that use Level 3 inputs to measure fair value is "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available for sale financial assets) equity investments without an active market	Discounted Cash Flow Method	• Forecast annual revenue growth rate (January 1, 2018 ; 9%~44%) • Weight average capital cost (December 2018 ; 8.62%)	• the annual revenue growth rate were higher, the fair value were higher • the weight average capital cost were higher, the fair value were higher

(Continued)

(y) **Financial Risk Management**

(i) Overview

The Company has exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Company' s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company' s policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

(Continued)

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

2) Investments

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

3) Guarantee

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2018, no guarantees were outstanding (2017: none).

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2018 and 2017, the Company's unused credit lines were amounted to 1,145,365 thousand and 1,461,038 thousand, respectively.

(v) Market risk

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

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the operating center.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily New Taiwan Dollars (TWD)、EUR and US Dollars (USD).

2) Interest rate risk

The Company by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Company applies a hedge ratio of 1:1.

(Continued)

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, reprising dates and maturities and the notional or par amounts. The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

- The effect of the counterparty and the Company's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and differences in reprising dates between the swaps and the borrowings.

3) Other market price risk

The Company is not exposed to equity price risk from its investments in equity securities.

(z) **Capital Management**

The Company's objectives for managing capital to safeguard its capacity to continue to operate, and provide a return on shareholders, as well as to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2018, the Company's capital management strategy is consistent with that of the prior year as of December 31, 2017, in order to ensure financing at reasonable cost. The Company's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,579,823	2,278,964
Less: cash and cash equivalents	334,546	98,004
Net debt	**$ 2,245,277**	**2,180,960**
Total equity	**$ 1,991,237**	**2,077,602**
Total capital	**$ 4,236,514**	**4,258,562**
Debt-to-equity ratio at 31 December	**53.00 %**	**51.21%**

(Continued)

(aa) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1,2018	**Cash flows**	**Foreign exchange movement**	**Fair value changes**	**December 31,2018**
Long-term borrowings	$ 799,906	399,650	-	-	1,199,556
Short-term borrowings	878,002	(243,215)	3,548	-	638,335
Total liabilities from financing activities	**$1,677,908**	**156,435**	**3,548**	**-**	**1,837,891**

(7) Related-party transactions:

(a) Name and relationship with related parties

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

Name of related Party	**Relationship with the Company**
Bionime Incorporated (B. V. I)	Subsidiary of the company
Bionime GmbH	Subsidiary of the company
Bionime USA Corporation	Subsidiary of the company
Bionime Australia Pty Limited	Subsidiary of the company
Bionime (Malaysia) Sdn Bhd	Subsidiary of the company
Bionime (Shenzhen) Limited Company (Bionime Shenzhen)	Subsidiary of the company
Bionime (Pingtan) Limited Company (Bionime Pingtan)	Subsidiary of the company
Tonghua Dongbao Pharmaceutical Co.,Ltd. (Tonghua Dongbao)	Key management personnel
HUANG, CHUN-MU	Key management personnel

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to its related party were as follow:

	2018	**2017**
Subsidiary	$ 150,189	138,802
Key management personnel of the company -Tonghua Dongbao	322,636	348,049
	$ 472,825	**486,851**

(Continued)

The price given to the related-party is not comparable to other non-related products due to product characteristics. The general customer's collection term is about 45 to 120 days, or advance sales receipts Bionime Incorporated (B. V. I)、Bionime GmbH、Bionime USA Corporation、Bionime Australia Pty Limited、Bionime (Malaysia) Sdn Bhd and Huanuang Biological Technology (Pingtan) Limited Company were approximately 90 days, 60 days, 120 days, 120 days, 90 days and 90 days, respectively, the key management personal of the Company of the collection conditions is advance sales receipts.

(ii) Purchases

The amounts of purchases by the Company from related parties were as follows:

	2018	2017
Subsidiary	**$ 2,489**	**3,232**

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were 90 days.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiary	$ 41,147	27,217
Accounts receivable	Key management personnel of the company-Tonghua Dongbao	182,034	76,939
Other receivables	Subsidiary:		
	Bionime (Malaysia) Sdn Bhd	4,970	-
	Bionime Shenzhen	716	1,246
	Others	3	3
		$ 228,870	**105,405**

As of December 31, 2018 and December 31, 2017, the expenses of the Company for the subsidiaries were $5,689 and $1,249 (account for other receivables - related party).

(Continued)

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts payable	Subsidiary	$ 108	-
Other payables	Subsidiary:		
	Bionime GmbH	19,542	23,650
	Others	-	227
Other payables	Key management personnel of the company	19,294	6,172
		$ 38,944	**30,049**

(v) Others (account for other current liabilities)

The others to related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Temporary receipts	Key management personnel of the company	$ 4	4
	Subsidiary	227	-
		$ 231	**4**

(vi) Other Related Parties

1) The service fees paid by the company were as follows

	2018	2017
Bionime GmbH	$ 30,407	30,484
Bionime Pingtan	46,770	3,331
	$ 77,177	**33,815**

As of December 31, 2018 and December 31, 2017, the service fees payable of the Company for the subsidiaries were $19,542 and $19,723 (account for other payables - related party).

2) As of December 31, 2018 and December 31, 2017, the expenses of the subsidiaries and key management personnel for the Company were $3,050 and $4,453 (account for other payables-related party).

(Continued)

3) The company sold equipment to subsidiaries in 2015, and disposed of the price and disposal benefits were $2,078 and $1,455 respectively, and deferred recognition of unrealized disposal benefits were $1,455. In 2018 and 2017, the amortization of assets based on the useful life of the assets was recognized as the realized gain of assets for sale was $179. For more details information on Property, plant and equipment, please refer to Note 6(g).

4) The sales expense was $12,347 in 2018 which caused by signing contract with key management personal of the company-Tonghua Dongbao was under selling expenses.

5) The company entered into a patent license agreement with the key management. The agreement is from June 30, 2004, to April 17, 2023, and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 16,168	17,734
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	$ 16,168	**17,734**

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2018	December 31, 2017
Property, plant and equipment	Guarantee for bank loans	$ 2,180,425	2,175,041
Other financial assets-current	Guarantee for bank loans	-	280,000
		$ 2,180,425	**2,455,041**

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	**$ 13,266**	**9,401**

(Continued)

(b) Contingencies

(i) The Company had entered into a trademark license agreement with GE in March 2011. According to the addendum contract in July 2013, the future minimum royalty payments were as follows:

Year	Amount
2019	$ 36,888
2020	46,110
	$ 82,998

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018.

(ii) The Company signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will compensate the Company for any loss due to the insufficient purchase amount if Tonghua Dongbao, fails.

(iii) The Company signed a patent license agreement with the key management. The agreement is from Jane 30, 2004 to April 17, 2023 and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:None

(12) Other:

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

By function / By item	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	286,992	207,249	494,421	278,167	176,337	454,504
Labor and health insurance	24,108	17,166	41,274	20,334	14,518	34,852
Pension	10,503	8,591	19,094	9,874	7,278	17,152
Remuneration of directors	-	2,800	2,800	-	2,800	2,800
Others	16,323	11,598	27,921	14,116	10,482	24,598
Depreciation	99,517	36,569	136,086	97,565	33,437	131,002
Amortization	10	14,069	14,079	-	13,547	13,547

(Continued)

The number of employees in the Company in 2018 and 2017 was 842 and 849 respectively, of which 5 were directors who did not concurrently serve as employees.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Bionime (Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Note 1 (3)	199,124 (Note 2, 4)	22,400	22,400	21,056	22,400	74.00 %	199,124 (Note 3, 4)	Y	N	Y

Note 1: The relationship between guarantee provider and guarantee party were as follows:

1) Entities with business relationship with the Company.

2) Entities which the Company, directly or indirectly, held more than 50% voting shares.

3) Entities which, directly or indirectly, held more than 50% voting shares of the Company.

4) Entities which the Company, directly and indirectly, held more than 90% voting shares.

5) Entities which provide guarantee for each other based on the contractual requirements of inter-industry or co-creation.

6) An entity that is guaranteed by all capital contributing shareholders in accordance with their shareholding percentages based on their joint investment relationship.

7) Performance guarantees for pre-sales contracts under the Consumer Protection Act.

Note 2: In accordance with Procedure of Endorsement and Guarantees"issued by the individual subsidiary", the amount of guarantee between subsidiaries shall not exceed 10% of each subsidiary's net worth.

Note 3: In accordance with Procedure of Endorsement and Guarantees"issued by the individual subsidiary", the total amount of external guarantees provided by the subsidiary shall not exceed 100% of each subsidiary's net worth .

(Continued)

Note 4: The total amount of endorsements and/or guarantees to any individual subsidiary ,or all to subsidiaries of the Group, shall not exceed 10% of Bionime Company's net worth.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The company	Ordinary-Bonraybio Corporation	None	Financial assets measured at fair value through other comprehensive gains and losses-non-current	860	30,100	7.29%	30,100	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Bonraybio Corporation	Key management personnel	Sale	(322,636)	(16.58)%	Advence recipts	No comparison	Advence recipts	182,034	21.36%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Bonraybio Corporation	Key management personnel	182,034	2.49	182,034	Coordinated collection	-	-

(ix) Trading in derivative instruments:None

(Continued)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100 %	18,417	1,418	1,418	
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100 %	80,013	9,101	9,101	
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100 %	40,412	8,728	8,728	
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100 %	(76)	(52)	(52)	
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR698	-	Note3	72 %	4,831	(499)	(559)	

Note1: A company was established in Switzerland.

Note2: A company was established in Australia.

Note3: A company was established in Malaysia.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow				Highest Percentage of ownership			
Bionime (Shenzhen) Limited Company	Merchandise trading	US$850	Note 1	US$850	-	-	US$850	8,273 (Note3)	100%	100%	8,273	25,518	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$10,000	Note 2	-	-	-	-	5,278 (Note3)	100%	100%	5,278	(1,646)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US$850 (NT$ 27,520)	US$ 850 (NT$ 27,520)	NT$1,194,742

Note 1: The investment method is to establish a company to invest in mainland companies through investment in the third region.

(Continued)

Note 2: Which is invested by Shenzhen subsidiary.

Note 3: Amount was recognized base on the audited financial statement.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidation financial statements. Please refer to "Information on significant transactions" of consolidation financial statements.

(14) Segment information:

Please refer to 2018 consolidated financial report.

(Continued)

BIONIME CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Foreign currency	Exchange rate	Amount
Cash	Petty cash and cash on hand			$ 342
Cash in bank	Demand deposit			287,375
	Foreign currencies－USD	585,779.73	30.74	
	Foreign currencies－EUR	456,646.9	35.22	
	Foreign currencies－CHF	4,728.29	31.22	
	Foreign currencies－AUD	191,575.73	21.67	
	Foreign currencies－JPY	145	0.28	
	Foreign currencies－CNY	1,883,936.21	4.48	46,829
				$ 334,546

BIONIME CORPORATION

Statement of Notes and Trade Receivables

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
Notes receivable－Non-Related Parties		
TWGT54	Operating	$ 2,593
TWGK23A	Operating	990
TWGT58	Operating	553
TWGK14	Operating	521
TWGT080	Operating	462
Others (Note2)	Operating	2,822
		7,941
Trade receivable－Related Parties		
Tonghua Dongbao Pharmaceutical Co.,Ltd.	Operating	182,034
Bionime (Pingtan) Limited Company	Operating	32,401
Others (Note2)	Operating	8,746
		223,181
Trade receivable－Non-Related Parties		
AFDZ01	Operating	350,675
AFEG01	Operating	35,573
Others (Note2)	Operating	237,485
		623,733
Less：Loss allowance		(2,715)
		621,018
		$ 852,140

Note1：Due to contract agreement, revealed by code.

Note2：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Other Receivables

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other Receivables	Other Receivables	$ 9,692
	Tax Refund Receivables	3,138
		$ 12,830

Statement of Inventories

	Amount		
Item	Cost	Net realizable value	Note
Finished goods	$ 30,600	63,080	Price by realizable value
Work in process	266,087	349,818	Price by realizable value
Materials	109,142	111,862	Price by realizable value
	405,829	**524,760**	
Less：Loss allowance	(25,802)		
	$ 380,027		

BIONIME CORPORATION

Statement of Prepayments and other current assets

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayments to purchases	Prepayments to Suppliers	$ 1,102
Other prepaid expenses	Prepaid loan use fee	4,564
Prepayments	Prepaid insurance	2,000
	Prepaid rent	1,191
		8,857
Other current assets	Overpaid sales tax	6,235
	Temporary payments	2,296
	Others (Note)	927
		9,458
		$ 18,315

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Inventment gains and losses			Ending Balance (with foreign currency translation adjustment)			Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	recognized by the equity method	Translation adjustment	Others (Note)	Shares	Percentage of ownership	Amount	
Bionime GmbH	-	$ 16,539	-	-	-	-	1,418	460	-	-	100	18,417	None
Bionime Incorporated(B.V.I)	3.09	71,705	-	-	-	-	9,101	1,482	(2,275)	-	100	80,013	"
Bionime USA Corporation	1,115	32,233	-	-	-	-	8,728	1,243	(1,792)	-	100	40,412	"
Bionime Australia Pty Limited	-	(27)	-	-	-	-	(52)	3	-	-	100	(76)	"
Bionime (Malaysia) Sdn Bhd	-	-	698	5,266	-	-	(359)	(96)	20	-	72	4,831	"
		$ 120,450		**5,266**		**-**	**18,836**	**3,092**	**(4,047)**			**143,597**	

Note：Unrealized Sales income changes.

BIONIME CORPORATION

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Addition	Decrease	Reclassification (Note)	Ending Balance	Collateral
Cost：						
Land	$ 1,420,840	-	-	-	1,420,840	Please refer to Note 8
Building and structures	835,909	22,275	-	3,118	861,302	"
Machinery equipment	602,254	12,182	2,065	30,552	642,923	-
Molding equipment	105,582	27,212	-	7,191	139,985	-
Transportation equipment	1,193	720	325	-	1,588	-
Leasehold Improvements	12,280	1,556	-	3,230	17,066	-
Office and other equipment	488,598	10,165	596	2,244	500,411	-
	3,466,656	74,110	2,986	46,335	3,584,115	
Accumulated Depreciation：						
Building and structures	81,707	20,010	-	-	101,717	
Machinery equipment	405,630	63,016	487	-	468,159	
Molding equipment	89,324	14,460	-	-	103,784	
Transportation equipment	1,193	120	325	-	988	
Leasehold Improvements	12,185	1,134	-	-	13,319	
Office and other equipment	180,555	37,346	596	-	217,305	
	770,594	136,086	1,408	-	905,272	
	$ 2,696,062	**(61,976)**	**1,578**	**46,335**	**2,678,843**	

Note：Prepayment for equipment and Inventory reclassification for 44,415 thousand and 1,920 thousand resepectively.

BIONIME CORPORATION

Statement of Refundable Deposit

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable Deposit	Rental deposit	**$ 1,001**

BIONIME CORPORATION

Statement of changes in Intangibles Assets

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Addition	Amortization	Reclassification	Ending Balance
Trademarks	$ 5,968		5,968	-	-
Computer software	5,791	9,544	8,111	999	8,223
	$ 11,759	**9,544**	**14,079**	**999**	**8,223**

Statement of short-term borrowings

December 31, 2018

Creditors	Description	Ending Balance	Contract Period	Range of interest rate	Bank of Credit Line	Collateral
Chang Hwa Bank	Pledge loan	$ 369,895	Less one year	0.7411%~3.7586%	1,200,000	Land,Building and Structures
Chang Hwa Bank	Unsecured loan	117,631	"	1.2588%~1.2613%	1,200,000	None
Cathay United Bank	"	30,650	"	0.7445%~3.2%	92,220	"
Taiwan cooperative Bank	"	78,241	"	2.049%~3.9642%	100,000	"
Mega Bank	"	33,036	"	2.3976%~3.8939%	61,480	"
En Tie Bank	"	8,882	"	0.69%~0.8%	100,000	"
		$ 638,335				

BIONIME CORPORATION

Statement of Notes and Trade Payables

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Notes Payable -Non-Related Parties：		
Others (Note)	Operating	$ 14
Account Payable-Non-Related Parties：		
A Company	Operating	10,483
B Company	〃	13,096
C Company	〃	12,967
Others (Note)	〃	126,114
		162,660
Account Payable-Related Parties：		
Bionime (Pingtan) Limited Company	Operating	108
		$ 162,782

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

Statement of Short-term Notes and Bills Payable

Item	Contract period	Range of interest rate	Amount			Collateral
			Total amount	Unamortized Disscount	Book Value	
Taiwan cooperative Bills	2018.11.20~2019.1.18	1.46%	$ 100,000	42	99,958	None
Mega Bills	2018.12.21~2019.2.19	1.19%	60,000	96	59,904	None
Grand Bills	2018.11.27~2019.2.27	1.61%	100,000	114	99,886	None
			$ 260,000	**252**	**259,748**	

BIONIME CORPORATION

Statement of Other Payables and Other Current Liabilities

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Salary and Wages Payable	$ 95,439
	Payback fee	85,697
	Employee Bonus Payable	18,788
	Other payable	54,372
		254,296
Other current liabilities	Temporary receipts	2,817
	Advance Sales Receipts	1,302
	Receipts under custody	998
		5,117
		$ 259,413

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Long-term Borrowings

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Creditors	Description	Loan amount: Expired within one year	Loan amount: More than one year due	Contract Period	Range of interest rate	Collateral
Chang Hwa Bank	Mortgage loan	$ 50,667	548,889	2015.9.30~2026.9.30	1.25~1.72%	Land, Building and Structures
Chang Hwa Bank	Mortgage loan	5,208	244,792	2018.12.12~2023.12.12	1.25%	"
Chang Hwa Bank	Mortgage loan	29,167	320,833	2018.09.04~2023.09.03	1.25%	"
		$ 85,042	**1,114,514**			

Statement of Operating Revenue

For the year ended December 31, 2018

Item	Quantity	Unit	Amount
Meter	1,151	thousands tables	$ 184,699
Strips	515,132	thousands pieces	1,721,089
Others			71,535
			1,977,323
Sales Returns			(865)
Sale Discounts and Allowances			(30,247)
Net Operating Revenues			**$ 1,946,211**

BIONIME CORPORATION

Statement of Operting Costs

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials beginning of year	$ 88,114
Add：Raw materials purchased	615,693
Gain on physical inventory	364
Less：Raw materials end of year	109,142
Raw materials sold and scrapped	11,432
Other	6,583
Raw materials used	577,014
Direct labor	269,307
Manufacturing overhead	268,770
Manufacturing costs	1,115,091
Add：work in process beginning of year	256,302
work in process purchased	2,481
Gain on physical inventory	14
Less：work in process end of year	266,087
work in process sold and scrapped	43,279
Transfer expense and other	26,811
Cost of finished goods	1,037,711
Add：Finished goods beginning of year	22,936
Less：Finished goods end of year	30,600
Loss on physical inventory	120
Finished goods scrapped	2,839
Other	1,389
Cost of manufacturing goods sold	1,025,699
Add：Sold raw materials and work in process cost	48,687
Inventory scrapped	8,863
Provisions for inventory valuation and obsolescence	2,039
Less：Gain on disposal of left over bits and pieces	3,125
Gain on physical inventory	258
Other	1,919
Operating cost	**$ 1,079,986**

BIONIME CORPORATION

Statement of Operating Expenses

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Selling Expense	Administration Expense	Research and Developed Expense
Salary	$ 34,828	79,230	96,171
Advertisement	112,723	30	106
Professional service fees	29,474	53,945	4,687
Research Materials	-	-	34,780
Depreciation	1,478	24,652	10,439
Others (Note)	50,301	70,474	52,081
	$ 228,804	**228,331**	**198,264**

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Non-Operting income and expenses

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Non-Operating Income		
Interest income	Interest income of bank deposits	$ 237
Net of gains on exchange	Net of foreign currency gains on exchange	2,882
Gains on disposal and scrapped of fixed assets	Gains on disposal and scrapped of fixed assets	4,539
Net of other income	Miscellaneous income and Miscellaneous disbursements	4,756
Investment income	Investment gains recognized by the equity method	18,836
		$ 31,250
Non-Operating Expenses		
Interest expenses	Interest expenses of loan	$ 28,112
Impairment loss	Impairment loss of other asset	57,866
		$ 85,978

VII. A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks

1. Financial Position

(1) Financial Statements Comparison Analysis Table

Unit: NT$ Thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Current assets	1,489,277	1,769,945	280,668	18.85%
Property, plant and equipment	2,707,104	2,689,666	(17,438)	-0.64%
Intangible assets	11,759	8,550	(3,209)	-27.29%
Other assets	166,776	121,243	(45,533)	-27.30%
Total assets	4,374,916	4,589,404	214,488	4.90%
Current liabilities	1,559,285	1,481,422	(77,863)	-4.99%
Non-current liabilities	738,029	1,114,874	376,845	51.06%
Total liabilities	2,297,314	2,596,296	298,982	13.01%
Capital stock	594,468	594,468	0	0.00%
Capital reserves	1,532,096	1,314,899	(217,197)	-14.18%
Retained earnings	97,771	225,511	127,740	130.65%
Other Equity	-146733	-141770	4,963	-3.38%
Total shareholders' equity	2,077,602	1,993,108	(84,494)	-4.07%

Analysis of any significant change: (The change is up to 20%, and amounted to NT$10 million)

(1) Decrease in other assets: Due to the reduction of other non-current assets - others.

(2) Increase in non-current liabilities: Due to the increase in long-term borrowings.

(3) Increase in retained earnings: It was affected due to the factors such as the repurchase of treasury shares or the transfer or cancellation of treasury shares in 2017.

(2) Where the effect is of material significance, the annual report shall describe the measures to be taken in response: The above-mentioned changes have no material impact on finance and business.

2. Financial performance

(1) Comparison Analysis Table for Results of Operations

Unit: NT$ Thousand

Item \ Year	2017	2018	Increased /decreased Amount	Percentage of change (%)
Operating revenues	1,829,079	2,043,555	214,476	11.73%
Less: Sales return and discount	8,812	36,333	27,521	312.31%
Net operating revenue	1,820,267	2,007,222	186,955	10.27%
Operating cost	1,024,494	1,090,223	65,729	6.42%
Gross profit	795,773	916,999	121,226	15.23%
Operating expense	546,702	676,448	129,746	23.73%
Operating profit	249,071	240,551	(8,520)	-3.42%
Non-Operating revenues and expenditures	-59,615	-78,588	18,973	31.83%
Net profit before tax	189,456	161,963	(27,493)	-14.51%
Less: Income tax expense	39,848	34,071	(5,777)	-14.50%
Net Income	149,608	127,892	(21,716)	-14.52%

Analysis of any significant change: (The change is up to 20%, and amounted to NT$10 million)

A. Increase in sales return and discount: Due to increase in allowance on sales in 2018.

B. Increase in operating expenses: Due to increase in marketing promotion expenses and the increase in R&D cost of new products.

C. Decrease in non-operating revenues and expenditures: Due to increase in other income.

(2) The expected sales volume and its basis: Not applicable.

(3) The Company's future financial performance for any possible impact: The loss of the subsidiary was mainly due to new entrants usually require 3-5 years for market development. As the market is in the pre-market stage, hence, the effect of investment is yet to be seen.

(4) Measures to be taken in response: Keep abreast of the business and financial position of the invested business in order to provide the necessary resources and assistance in a timely manner.

3. Cash flow analysis

(1) Cash flow change analysis

Unit: NT$ Thousand

Opening balance (December 31, 2017)	The cash flow generated from operating activities (2018)	The cash flow from generated from investment and financing activities (2018)	Cash flow surplus (December 31, 2018)	Remedial measures for cash deficit	
				Investment Plan	Financing Plan
174,348	121,898	130,947	433,631	-	-

(1) Cash flow change analysis in 2018 is as follow:

i. Cash inflow from operating activities of NT$ 121,898 thousand: Mainly due to net cash surplus from operating activities.

ii. Cash inflows from investment activities amounted to NT$ 110,401 thousand: Mainly due to decrease in other financial assets.

iii. The cash inflow from financing activities of NT$ 20,546 thousand: Mainly due to long-term borrowing.

(2) Remedial measures and liquidity analysis for cash deficit: There is no cash deficit concerns.

(3) Cash flow analysis for the coming year: Not applicable.

4. Major capital expenditures during the most recent fiscal year: None

5. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year

(1) Re-investment policy of the Company:

The re-investment policies of the Company are followed by the relevant executive departments in accordance with the internal control system - “Investment Cycle” and “Acquisition and Disposal of Assets Procedures”, etc. The above-mentioned regulations or procedures are resolved by the board of directors or shareholders meeting.

(2) The main reasons for the profits or losses, improvement plans and future investment plan of re-investment:

The Swiss subsidiary of the Company, Bionime GmbH was established in 2005, which has been profitable in the most recent two fiscal years. The Mainland second-tier subsidiary, Bionime (Shenzhen) Co., Ltd was established in 2006, which has started turned its business into profit-making in 2008. Also, the US subsidiary, Bionime USA began to turn the deficit into surplus in 2015. The Australian subsidiary, Bionime

Australia was established in 2010, which is still suffered losses as new entrants usually require 3-5 years for market development before having a position in the market. Therefore, the current market of the Australian subsidiary, Bionime Australia is in the pre-market stage, hence, the effect of investment is yet to be seen. Also, the Company is always keeps abreast of the business and financial position of the invested business in order to provide the necessary resources and assistance in a timely manner.

(3) Investment plans for the coming year:

The Mainland second-tier subsidiary has been re-invested in Pingtan, Fujian by establishing a subsidiary as a production base in Mainland China. Under the rapid changes in the market of blood glucose meters in the mainland, especially the Chinese government's policy of protecting local industries has been promoted. It is expected that foreign-imported blood glucose meters will no longer have an advantage in the next few years, hence, it is necessary to localize the products. Established a plant in China for local production, which responsible for the sales and manufacturing of blood glucose meters in the Mainland.

6. Risk and evaluation in the most recent fiscal year and up to the publication of the annual report:

(1) The impact of changes in the interest rate, fluctuation of exchange rate, inflation rate on the Company's profits (losses) and countermeasures to be taken in the future:

A. The effect upon the Company's profits (losses) of interest rate fluctuations and countermeasures to be taken in the future

Item	2018	Q1 of 2019
Net operating revenue	2,007,222	364,191
Net income	127,892	6,803
Net interest income and expenditure	(29,046)	(9,433)
Net operating revenue ratio	-1.45%	-2.59%
Net income ratio	-22.71%	-138.66%

The net interest income and expenditure of 2018 accounted for approximately (1.45%) and (22.71%) of the Company's and its subsidiaries' revenue and net income. The net interest income and expenditure for the first quarter of 2019 accounted for approximately (2.59%) and (138.66%) of the Company's and its subsidiaries' revenue and net income. Therefore, interest rate fluctuations has a significant impact on the revenue and profit of the Company and its subsidiaries.

The Company has built its own plant and office building in 2013, therefore, it has long term syndicated bank loans, resulting in large amount annual interest expenses. In September, 2015, the Company has canceled the syndicated loan and change to a single bank self-loan and capital increased by cash through public and private offerings, which has greatly improved the financial structure and reduced the dependence on financial institutions, as well as reduced the interest expenses.

B. The effect upon the Company's profits (losses) of exchange rate fluctuations and countermeasures to be taken in the future

Unit: NT$ Thousand

Item	2018	Q1 of 2019
Net operating revenue	2,007,222	364,191
Net Income	127,892	6,803
Net exchange gains and losses	-2,684	2,486
Net operating revenue ratio	0.13%	0.68%
Net income ratio	2.10%	36.54%

The operating revenue of the Company and its subsidiaries is mainly denominated in US dollars and Euros. Therefore, the depreciation of US dollar or the Euro against the New Taiwan dollar will result in reduction of the profit of the Company and its subsidiaries. In order to reduce the impact of fluctuation of exchange rate on the profit and loss of the Company and its subsidiaries, the Accounts Department of the Company also collects information on exchange rate at any time, focuses on the trend and changes of major currencies in the international currency market to grasp the exchange rate trend, and maintain a good interactive relationship with the bank in order to get more extensive information on foreign exchange and more favorable exchange rate quotes. In terms of strategy, the balance of foreign currency assets and liabilities should be achieved as much as possible to achieve the effect of natural hedging, and reduce the impact of exchange rate fluctuations on the Company’s profit and loss.

C. The impact of changes in the inflation rate on the Company’s profits (losses) and countermeasures to be taken in the future

The increase in domestic and international prices will lead to an increase in the Company’s purchasing costs, which may adversely affect the Company's profitability. However, the Company has more than one supplier. In the future, the

Company will pay close attention to the inflation situation, and negotiate with different suppliers to reduce the impact of inflation on the Company.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and countermeasures to be taken in the future: None.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

For the details of R&D situation, please refer to the detailed explanation in V. Operational Highlights. The R&D expenditures of the Company in 2018 was NT$ 201,186 thousand, and the estimated R&D expenditures in 2019 is NT$ 360,560 thousand. The main factors affecting the success of future R&D are the R&D capabilities of R&D personnel and the mastery of software and hardware systems. It is believed that the experience accumulated of the R&D team of the Company will surely competently perform this important task, and continues to develop competitive products.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and countermeasures to be taken:

In response to the subsequent revision of the guidelines for various operations by domestic and foreign authorities, the Company has actively cooperated with it, and currently, it has no significant impact on the financial operations.

(5) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and countermeasures to be taken:

The Company has always attached great importance to the improvement of R&D capabilities, paying attention to the evolution of technology in the industry, and commencing the evaluation and R&D of various products to meet market demand. It is evaluated that the developments in science and technology have no significant impact on the Company's financial operations in the near future.

(6) Effect on the Company's crisis management of changes in the Company's corporate image, and countermeasures to be taken:

As of the publication of the annual report, there is no major events affecting the Company's corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures being or to be taken: None.

(8) Expected benefits and possible risks associated with any plant expansion, and countermeasures being or to be taken: None.

(9) Risks associated with any consolidation of sales or purchasing operations, and countermeasures being or to be taken:

A. Purchasing operation: The main purchase items of the Company are the components of blood glucose meter and blood glucose test strip and related raw materials. The procurement amounts of company C in 2017 and 2018 have reached 8.79% and 6.4% of the net procurement amount of the Company. This is because the Company chose to cooperate with company C for a long time under the Company's comprehensive consideration of the supplier's production technology, quality yield, supply capacity and cost planning, therefore, there is a consolidation of purchasing operation. However, company C has certain benefits to the production and sales of the Company's products in terms of manufacturing process technology and quality control, and the Company cooperates well with company C, and also develops a good relationship of cooperation and understanding. The company C maintains a stable delivery of the Company's products, and there is no supply shortage or delay in shipment. In the future, with the continuous development of the Company's new products, the Company will also consider increasing the source of purchases to diversify the risk of consolidation of purchasing operation, and ensure the future supply capacity is secured.

B. Sales operation: Tung Pao is the only exclusive distributor of the Company in Mainland China and has successfully developed the Mainland market, therefore, it has become the main customer of the Company's sales in recent years. However, the Company's products are distributed throughout Europe, Americas and Asia, and there is no consolidation of sales operation, hence, there is no risk of consolidation of sales operation.

(10) Effect upon and risk to the Company in the event a major quantity of shares belonging

to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and countermeasures being or to be taken: None.

(11) Effect upon and risk to Company associated with any change in governance personnel or top management, and countermeasures being or to be taken:

The Company's operations are mostly proposed by the executive units, and then approved by the management, therefore, a complete operation model has been established. If there is a change in governance personnel or top management, the impact on the Company's sustainable operation is limited.

(12) Litigation or non-litigation:

i. Any have been determined or are including in the litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price, it should be fully disclosed in detail and include the facts of the dispute, cost of litigation, date of commencement of proceedings, litigants and the current situation regarding handling of litigation of the Company in the most recent two fiscal years and up to the date of publication of the annual report: None.

ii. The Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been determined or are including in the litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price in the most recent two fiscal years and up to the date of publication of the annual report: None.

iii. The Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been violated the provisions of Article 157 of the Securities and Exchange Act and the current situation regarding handling of the Company in the most recent two fiscal years and up to the date of publication of the annual report and: None.

(13) Other important risks, and countermeasures being or to be taken: None.

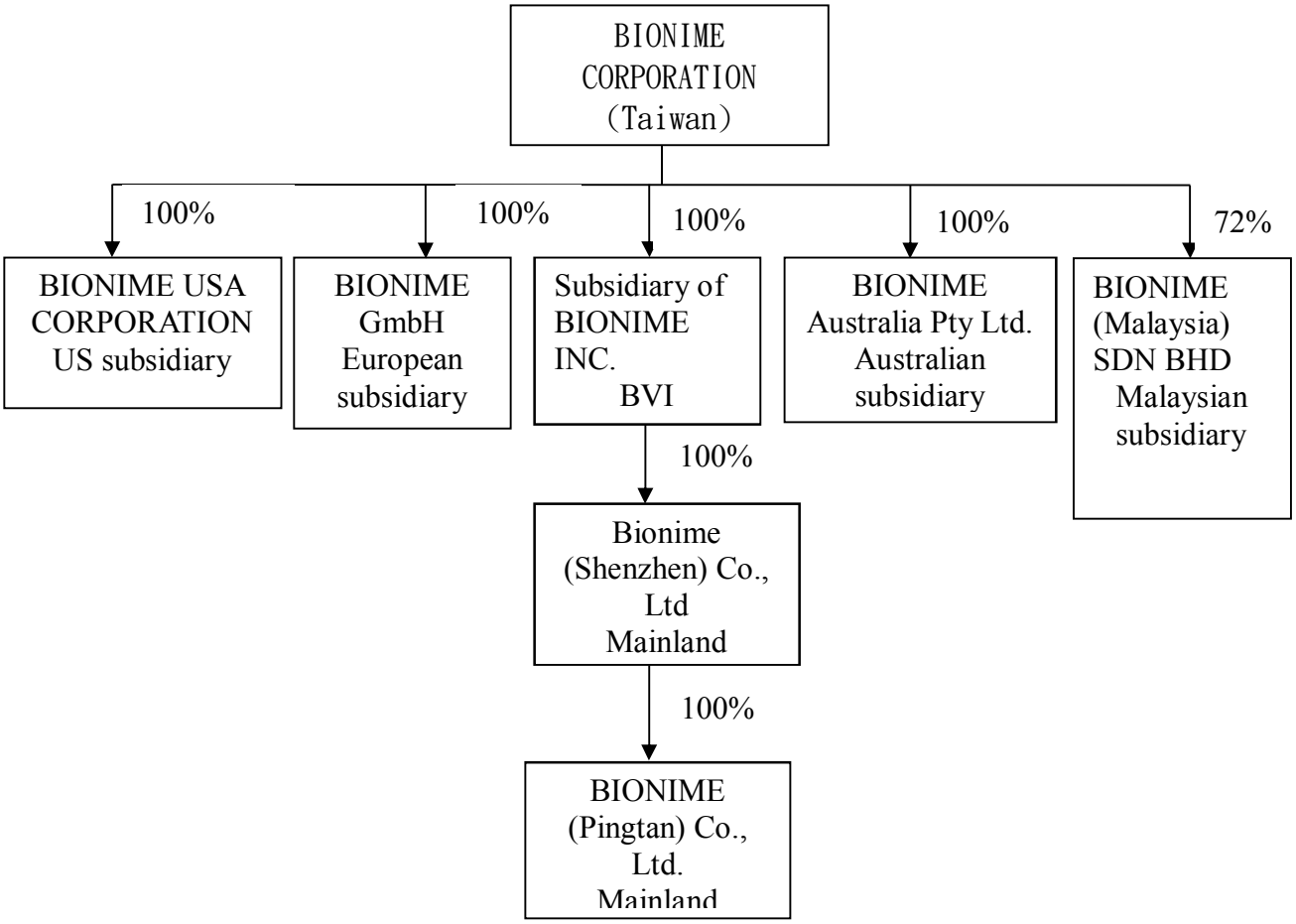
7. Other important matters: None.

VIII. Special Disclosure

1. Information related to the Company's affiliates

(1) Consolidated business reports of affiliated companies

i. Organizational chart of affiliated companies (December 31, 2018)



ii. Basic information of affiliated companies

Name of company	Date of incorporation	Region	Paid-in Capital	Principal business activity
Bionime Inc.	November 2004	OMC Chambers, P.O. Box 3152, Road Town, Tortola, B. V. I.	USD 3,090 thousand	Investment company
Bionime (Shenzhen) Co., Ltd	December 2005	Zone A, 9th Floor, Fukang Technology Building, 8 Fukang Commercial Plaza, 10th Industrial Zone, Yousong, Longhua Office,	USD 850 thousand	Merchandising-sector company

		Bao'an New District, Shenzhen		
Bionime GmbH	April 2005	Tramstrasse 16 9442 Berneck / Switzerland	CHF 300 thousand	Merchandising-sector company
Bionime USA Corp.	February 2008	1450 E Spruce Street, Bldg. B Ontario CA 91761-8314	USD 11,150 thousand	Merchandising-sector company
Bionime Australia Pty Ltd	February 2010	Level 7, York Street, Sydney NSW 2000 Australia	AUD 350 thousand	Merchandising-sector company
BIONIME (Pingtan) Co., Ltd.	January 2015	Taiwan Pioneer Park, Pingtan Comprehensive Experimental Area, Pingtan County, Fuzhou City, Fujian Province, China	RMB 10,000 thousand	Manufacturing company
BIONIME(MALAYSIA) SDN BHD	April 2018	C-05-11,ITECH TOWER,JALAN IMPACT,CYBER 6 CYBERJAYA SELANGOR	RM 969 thousand	Merchandising-sector company

iii. Shareholders presumed to have control and subordinate relationship with the same information: None.

iv. The operating activities of affiliated companies and their association

Industry Type	Name of company	Association with the operating activities of affiliated companies
Investment company	Bionime Inc.	The parent company of Bionime (Shenzhen) Co., Ltd.
Merchandising-sector company	Bionime (Shenzhen) Co., Ltd	The re-investment company of Bionime Inc.
Merchandising-sector company	Bionime GmbH	None
Merchandising-sector company	Bionime USA Corp.	None

Merchandising-sector company	Bionime Australia Pty Ltd	None
Manufacturing company	BIONIME (Pingtan) Co., Ltd.	The re-investment company of Bionime (Shenzen) Co., Ltd.
Merchandising-sector company	BIONIME(MALAYSIA) SDN BHD	None

v. Directors, supervisors and general managers of affiliated companies:

Name of company	Position tittle	Name or representative	Shareholding	
			Number of shares (1000 shares)	Shareholding percentage
Bionime Inc.	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	3.09	100%
Bionime (Shenzhen) Co., Ltd	Legal representative	Bionime Inc. Representative: Huang,Chun-Mu	- (Note 1)	100%
Bionime GmbH	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	- (Note 2)	100%
Bionime USA Corp.	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	1,150	100%
Bionime Australia Pty Ltd	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	- (Note 3)	100%
BIONIME (Pingtan)	Legal	Representative of	- (Note 1)	100%

Co., Ltd.	representative	Bionime (Shenzhen) Co., Ltd: Huang,Chun-Mu		
Bionime(Malaysia) SDN BHD	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	MYR 970 thousand	72%
	Director	BIONIME CORPORATION Representative: Chiang,Tai-Hsiung		

Note 1: A limited company established in Mainland China

Note 2: A limited company established in Switzerland

Note 3: A limited company established in Australia

(2) Consolidated financial statements of affiliated companies

The companies should be included in the consolidated financial statements of affiliated enterprises of the Company in 2018 (from January 1-December 31, 2018) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same with the companies should be included in the parent and subsidiary consolidated financial statements in accordance with the IFRS No. 10 approved by the Financial Supervisory Commission, and the relevant information shall disclose in the consolidated financial statements of the affiliated enterprises has been disclosed, therefore, no separate consolidated financial statements of the affiliated enterprises will be presented.

2. **Transaction about the Company's private placement of securities during the most recent fiscal year up to the publication of the annual report**:

<table>
<tr><td>Item</td><td colspan="5">The first private placement in 2015 (Note 1)
Issuance date: December 22, 2015</td></tr>
<tr><td>Type of private placement of securities (Note 2)</td><td colspan="5">Ordinary shares</td></tr>
<tr><td>Approval date in shareholders' meeting and amount (Note 3)</td><td colspan="5">June 17, 2015; the number of shares of private equity: within the quota of 12,000,000 shares</td></tr>
<tr><td>Basis and rationality of price setting</td><td colspan="5">The basis of price setting for the ordinary shares of this private placement is not lower than 80% of the reference price. The reference price is determined based on the following two benchmarks calculation, whichever is higher: (i) the mean closing price of ordinary shares for either the previous business day, the previous three business days or the previous five business days before the price setting date deduct the stock dividends on ex-right basis and cash dividends, plus the share price after capital reduction and ex-rights. (ii) The mean closing price of ordinary shares during the past thirty business days before the price setting date deduct the stock dividends on ex-right basis and cash dividends, plus the share price after capital reduction and ex-rights.
The actual issue price per share of this private placement is set at 135.71% of the reference price.</td></tr>
<tr><td>Selection of subscribers (Note 4)</td><td colspan="5">The subscribers selected for the new shares should meet the conditions prescribed by Article 43-6 of the Securities Exchange Act and the Letter No. Taiwan-Finance-Securities-(I) - 0910003455 issued by the Financial Supervisory Commission on June 13, 2002.</td></tr>
<tr><td>Reasons of private placement</td><td colspan="5">In response to market competition and the Company's long-term operational planning, the subscriber for this private placement is a strategic investor. With the introduction of strategic investors and their funds, in addition to improving the financial structure of the Company to maintain market competitiveness, and through its assistance, it can strengthen the production and marketing structure of the Company. There should be a considerable contribution to the future growth of the Company's operations and profitability.</td></tr>
<tr><td>Deadline for payment</td><td colspan="5">December 22, 2015</td></tr>
<tr><td rowspan="2">Information of subscriber</td><td>Subscriber of private placement (Note 5)</td><td>Qualifying conditions (Note 6)</td><td>Subscription quantity</td><td>Relationship with Bionime</td><td>Situation of participation in operations of Bionime</td></tr>
<tr><td>Tonghua Dongbao Pharmaceutical Co.,Ltd.</td><td>Paragraphs 2 of Article 43-6 of Securities and Exchange Act</td><td>12,000,000</td><td>None</td><td>One of the directors</td></tr>
<tr><td>Actual subscription (or conversion) price (Note 7)</td><td colspan="5">NT$ 95 per share</td></tr>
</table>

Actual subscription (or conversion) price reference price difference (Note 7)	The actual issue price per share of this private placement is set at 135.71% of the reference price.
Impact of private placement on shareholders' rights (eg, increase in cumulative losses)	With the introduction of strategic investors and their funds, in addition to improving the financial structure of the Company to maintain market competitiveness, and through its assistance, it can strengthen the production and marketing structure of the Company. There should be a considerable contribution to the future growth of the Company's operations and profitability.
The use of private funds and the progress of the implementation of the plan	As of the second quarter of 2018, NT$1,140,000,000 has been used to repay bank loans and replenish operating capital, and unused funds balance: NT $ 0. The private equity has been fully utilized
Benefits of private placement	Reducing the dependency on bank financing and responding to future business growth needs and reducing the Company’s financial operational risk, and has a positive impact on the shareholders’ equity.

Note 1: The number of columns depends on the actual number of adjustments, different private placements should be listed separately.
Note 2: Fill in the types of private placement of securities like ordinary shares, preferred shares, convertible preferred shares, preferred shares with warrants, ordinary corporate bonds, convertible bonds, bonds with warrant, overseas convertible bonds, overseas depositary receipt and employee stock option certificates, etc.
Note 3: If it is a privately placed corporate bond which does not require approval in shareholders’ meeting, it should fill in the approval date of the board of directors and amount.
Note 4: If specific subscribers have been identified during the process of private placement, the name or name of such subscribers and the relationship with the Company should be listed.
Note 5: The number of columns depends on the actual number of adjustments.
Note 6: Fill in the first paragraph, the second paragraph or the third paragraph of Article 43-6 of the Securities Exchange Act.
Note 7: The actual subscription (or conversion) price refers to the subscription (or conversion) price set when the actual privately placed common shares is issued.

3. **Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year up to the publication of the annual report**: None.

4. **Other matters for which supplementary explanation is required**: None.

IX. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year up to the publication of the annual report: None.

BIONIME CORPORATION

Chairman: Huang,Chun-Mu