Stock Code:4737

BIONIME CORPORATION

FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Table of contents

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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, 2019 and 2018, 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, 2019 and 2018, 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 Interpretive Letter No.1090360805 issued by Financial Supervisory Commission R.O.C (Taiwan) the auditing standards generally accepted in the Republic of China. We also conducted our audits of the financial statements in 2018 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. We have determined the matter described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   The accounting principle of revenue recognition, refer to financial statements Note 4 (m); 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 (w).

   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 (e).

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 Trade Receivable

The accounting principle of Trade Receivables refers to financial statements Note 4 (f) “ Financial instruments” ; Trade receivable of Accounting Assumptions, Judgments and Estimation Uncertainty, refers to financial statements Note 5 (c) ; The explanation of trade receivables refer to financial statements Note 6 (c) “ Notes and Trade Receivables, Trade Receivable-related parties”.

Description of key audit matters:

The Company’s trade receivables are concentrate among certain customers. Allowance evaluation on trade receivables contains management’s subjective judgment. Therefore, the assessment on trade receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedure included: analyze aging of trade receivables; receive the records and customers’ credit risk concentration; Assessed whether estimation method and the amount of trade receivables 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 statement. 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 Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2020

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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

BIONIME CORPORATION

Balance Sheets

December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current assets:				
Cash and cash equivalents (note 6 (a))	$ 263,052	6	334,546	8
Notes receivable, net (note 6 (c))	3,383	-	7,941	-
Trade receivable, net (note 6 (c))	623,582	14	621,018	14
Trade receivables-related parties, net (note 6 (c) and 7)	110,071	3	223,181	5
Other receivables (note 6 (d))	4,508	-	12,830	-
Other receivable-related parties (note (d) and 7)	381	-	5,689	-
Current income tax assets	18,543	-	18,543	-
Inventories (note 6 (e))	375,229	9	380,027	8
Prepayments	31,425	1	8,857	-
Other current assets (note 6 (k) and 8)	9,149	-	9,458	-
	1,439,323	33	1,622,090	35
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	36,100	1	30,100	1
Investments accounted for using equity method (note 6 (f))	168,758	4	143,597	3
Property, plant and equipment (note 6 (h), 7 and 8)	2,659,787	60	2,678,843	59
Right-of-use assets (note 6 (i))	3,632	-	-	-
Intangible assets (note 6 (j))	49,273	1	8,223	-
Deferred tax assets (note 6 (s))	2,899	-	4,370	-
Prepayments for business facilities	39,066	1	82,824	2
Guarantee deposits paid	2,554	-	1,001	-
Defined benefit assets, net (note 6 (r))	-	-	12	-
	2,692,069	67	2,948,970	65
Total assets	$ 4,401,392	100	4,571,060	100

Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current liabilities:				
Short-term borrowings (note 6 (m) and 8)	$ 465,799	11	638,335	14
Short-term notes and bills payable (note 6 (l))	199,775	5	259,748	6
Notes payable	-	-	14	-
Trade payable	147,993	3	162,660	3
Trade payable-related parties (note 7)	1,575	-	108	-
Other payables	267,156	6	254,296	6
Other payables-related parties (note 7)	45,688	1	38,836	1
Payable on machinery and equipment	16,793	-	14,564	-
Current income tax liabilities	28,009	-	6,229	-
Current lease liabilities (note 6 (p))	1,225	-	-	-
Other current liabilities (note 6 (n) and 7)	9,486	-	5,117	-
Long-term borrowings, current portion (note 6 (o) and 8)	200,667	5	85,042	2
	1,384,166	31	1,464,949	32
Non-Current liabilities:				
Long-term borrowings (note 6 (o) and 8)	972,125	22	1,114,514	24
Deferred tax liabilities (note 6 (s))	96	-	360	-
Non-current lease liabilities (note 6 (p))	2,413	-	-	-
Defined benefit liabilities (note 6 (r))	15	-	-	-
	974,649	22	1,114,874	24
Total liabilities	2,358,815	53	2,579,823	56
Equity (note 6 (t))				
Ordinary share	596,698	14	594,468	13
Advance receipts for share capital(note)	41,308	1	-	-
Capital surplus	1,337,126	30	1,314,899	29
Retained earnings	216,593	5	225,511	5
Other equity interest	(11,007)	-	(5,500)	-
Treasury shares	(138,141)	(3)	(138,141)	(3)
Total equity	2,042,577	47	1,991,237	44
Total liabilities and equity	$ 4,401,392	100	4,571,060	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, 2019 and 2018

(expressed in thousands of New Taiwan dollars , except for earnings per share)

	2019		2018	
	Amount	%	Amount	%
Net operating revenues (note 6 (w) and 7)	$ 2,053,362	100	1,946,211	100
Operating costs (note 6 (e), (j) and (x))	1,189,097	58	1,079,986	55
Gross profit from operations	864,265	42	866,225	45
Less:Net unrealized gains between affiliates	(5,765)	-	4,233	-
Net Gross profit from operations	870,030	42	861,992	45
Operating expenses (note 6 (c), (j), (r), (x) and 7))				
Selling expenses	253,170	12	230,057	12
Administrative expenses	227,284	12	228,331	12
Research and development expenses	253,691	12	198,264	10
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	10,176	-	(1,253)	-
	744,321	36	655,399	34
Net operating income	125,709	6	206,593	11
Non-operating income and expenses :				
Other income (note 6 (y))	13,210	1	4,993	-
Other gains and losses (note 6 (y), and 7)	(366)	-	(50,445)	(3)
Finance costs (note 6 (y))	(30,818)	(2)	(28,112)	(1)
Share of profit of associates accounted for using equity method	22,204	1	18,836	1
	4,230	-	(54,728)	(3)
Profit (loss) from continuing operations before tax	129,939	6	151,865	8
Less: Income tax expenses (note 6 (s))	23,681	1	23,833	1
Profit (loss)	106,258	5	128,032	7
Other comprehensive income:				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains on remeasurements of defined benefit plans (note 6 (r))	(282)	-	(292)	-
	(282)	-	(292)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements	(5,507)	-	3,092	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (s))	-	-	-	-
	(5,507)	-	3,092	-
Other comprehensive income	(5,789)	-	2,800	-
Comprehensive income	**$ 100,469**	**5**	**130,832**	**7**
Earnings per share (NT dollars) (note 6 (v))				
Basic earnings per share	**$**	**1.85**		**2.23**
Diluted earnings per share	**$**	**1.81**		**2.20**

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, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

	Ordinary shares	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
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 December 31,2018	-	-	-	-	-	127,740	127,740	3,092	-	130,832
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	154	-	(154)	-	-	-	-
Special reserve appropriated	-	-	-	-	1,383	(1,383)	-	-	-	-
Employee stock options compensation costs	-	-	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**
Balance at January 1, 2019	594,468	-	1,314,899	96,390	1,383	127,738	225,511	(5,500)	(138,141)	1,991,237
Profit for the year ended December 31, 2019	-	-	-	-	-	106,258	106,258	-	-	106,258
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(282)	(282)	(5,507)	-	(5,789)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	-	105,976	105,976	(5,507)	-	100,469
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	12,773	-	(12,773)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(114,894)	(114,894)	-	-	(114,894)
Employee stock options compensation costs	-	-	13,697	-	-	-	-	-	-	13,697
Employee stock options exercised	2,230	-	8,515	-	-	-	-	-	-	10,745
From share of changes in equity of subsidiaries	-	-	15	-	-	-	-	-	-	15
Advance receipts for share capital	-	41,308	-	-	-	-	-	-	-	41,308
Balance at December 31, 2019	**$ 596,698**	**41,308**	**1,337,126**	**109,163**	**1,383**	**106,047**	**216,593**	**(11,007)**	**(138,141)**	**2,042,577**

See accompanying notes to financial statements.

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

BIONIME CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 129,939	151,865
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	150,056	136,086
Amortization expense	9,718	14,079
Expected credit (gain)/Provision for bad debt expense	10,176	(1,253)
Interest expense	30,818	28,112
Interest revenue	(389)	(237)
Share-based payments transactions	13,697	20,633
Share of loss (profit) of subsidiaries,associates and joint ventures accounted for using equity method	(22,204)	(18,836)
Gain on disposal of property, plant and equipment	(179)	(4,539)
Property, plant and equipment transferred to expenses	3,419	-
Gain on disposal of investments	(8)	-
Impairment loss on non-financial assets	-	57,866
Net unrealized gains between affiliates	(5,765)	4,233
Total adjustments to reconcile profit	189,339	236,144
Changes in operating assets and liabilities:		
Notes receivable	4,558	1,247
Accounts receivable	(12,740)	(110,680)
Accounts Receivable due from related parties	113,110	(119,025)
Other receivables	8,322	(7,033)
Other receivables due from related parties	5,308	(4,440)
Inventories	3,883	(38,357)
Other operating assets	(22,529)	(8,889)
	99,912	(287,177)
Notes payable	(14)	(5)
Accounts payable	(14,667)	18,399
Accounts payable due from related parties	1,467	108
Other payables	14,085	44,000
Other payables due from related parties	6,852	8,787
Other operating liabilities	4,384	723
	12,107	72,012
Total changes in operating assets and liabilities	112,019	(215,165)
Total adjustments	301,358	20,979
Cash inflow generated from operations	431,297	172,844
Interest received	389	237
Interest paid	(32,043)	(26,436)
Income taxes paid	(694)	(44,679)
Net cash flows from (used in) operating activities	398,949	101,966
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(2,520)	(5,266)
Acquisition of property, plant and equipment	(45,209)	(85,647)
Proceeds from disposal of property, plant and equipment	-	5,938
Decrease in refundable deposits	(1,553)	(476)
Acquisition of intangible assets	(49,577)	(9,544)
(Decrease) increase in other financial assets	(6,000)	280,000
Increase in prepayments for business facilities	(42,942)	(72,493)
Other investing activities	15	-
Net cash flows from (used in) investing activities	(147,786)	112,512
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,865,431	1,585,400
Decrease in short-term borrowings	(2,031,430)	(1,828,615)
Increase in short-term notes and bills payable	(59,973)	99,911
Proceeds from long-term borrowings	50,000	600,000
Repayments of long-term borrowings	(76,764)	(200,350)
Cash dividends paid	(114,894)	(237,830)
Payment of lease liabilities	(551)	-
Proceeds from exercise of employee share options	52,053	-
Net cash flows from (used in) financing activities	(316,128)	18,516
Effect of exchange rate changes on cash and cash equivalents	(6,529)	3,548
Net increase (decrease) in cash and cash equivalents	(71,494)	236,542
Cash and cash equivalents at beginning of period	334,546	98,004
Cash and cash equivalents at end of period	**$ 263,052**	**334,546**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

BIONIME CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars, Unless Otherwise Specified)

(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 issue by the Board of Directors on March 13, 2020.

(3) New standards, amendments and interpretations adopted

1. 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, 2019.

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:

   (a) 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.

   The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

BIONIME CORPORATION
Notes to the Financial Statements

i Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(j).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

ii As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

  - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

  In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

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

  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

BIONIME CORPORATION
Notes to the Financial Statements

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

iv Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $207 thousands of right-of-use assets and $207 thousands of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.447%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 2,120
Recognition amounts for:	
short-term leases	(1,911)
	$ 209
Discounted using the incremental borrowing rate at January 1, 2019	$ 207
Lease liabilities recognized at January 1, 2019	$ 207

(b) 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.

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

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.

On transition to IFRS 16, the changes mentioned above would not have an impact on the deferred tax liabilities and retained earnings on December 31, 2019.

2. 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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

3. 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 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

(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 financial statements have been prepared on a historical cost basis:

1) Financial assets at fair value through other comprehensive income are measured at fair value.

2) The defined benefit liabilities (assets) are measured at 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 (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income:

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the 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. Exchange differences 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.

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

BIONIME CORPORATION
Notes to the Financial Statements

(iv) The Company 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 comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in 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.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) – financial assets; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

BIONIME CORPORATION
Notes to the Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments 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.

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 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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'.

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

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

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

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

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 charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

BIONIME CORPORATION
Notes to the Financial Statements

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial extinguished removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

BIONIME CORPORATION
Notes to the Financial Statements

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(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 present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(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, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(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.

Land 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 constitute 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.

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

– the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the customer has the right to direct the use of the asset of use only if either:

BIONIME CORPORATION
Notes to the Financial Statements

(1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

(2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or

- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

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

– there is a change of its assessment on whether it will exercise an extension or termination option; or

– there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of the offices and other sporadic leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

Applicable before January 1, 2019

(i) Lessor

The Company’s leases are operating leases, 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. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(Continued)

(ii) Lessee

The Company's 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. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(k) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) 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.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets 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

3) Other intangible assets:4 years

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

BIONIME CORPORATION
Notes to the Financial Statements

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU)s.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets other than goodwill, 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) Revenue

(i) Revenue from contracts with customers

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.

BIONIME CORPORATION
Notes to the Financial Statements

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.

(ii) Contract costs

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.

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.

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

(o) Share-based payment

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

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

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.

(p) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized expect for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

1) the same taxable entity; or

2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) 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.

(r) Operating segments

Please refer to the consolidated financial statements of Bionime Corporation for the years ended December 31, 2019 and 2018.

(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.

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, 2019	December 31, 2018
Petty cash and cash on hand	$	538	342
Demand deposits		262,514	334,204
Cash and cash equivalents in the statement of cash flow	$	**263,052**	**334,546**

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

BIONIME CORPORATION
Notes to the Financial Statements

(b) Financial assets

Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Domestic unlisted common share- Bonraybio Co., Ltd.	$ 36,100	30,100

On January 1, 2019 and 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.

No strategic investments were disposed as of December 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

For market risk, please refer to note 6(z).

As of December 31, 2019 and 2018, none of the financial assets of the Company had been pledged as collateral for borrowings.

(iii) Financial assets measured at cost

(c) Notes and trade receivable

	December 31, 2019	December 31, 2018
Note receivables from operating activities	$ 3,383	7,941
Trade receivables-measured as amortized cost	636,413	623,733
Trade receivables-related parties-measured as amortized cost	110,071	223,181
Less：Loss allowance	(12,831)	(2,715)
	$ 733,653	844,199

BIONIME CORPORATION

Notes to the Financial Statements

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. 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 provisions determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	594,840	- %	-
1 to 90 days past due	132,247	- %	-
91 to 180 days past due	15,809	58.47 %	9,243
More than 181 days past due	3,588	100 %	3,588
	$ 746,484		12,831

	December 31, 2018		
	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 past due	126	100 %	126
	$ 846,914		2,715

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

	For the years ended December 31,	
	2019	2018
Balance on January 1	$ 2,715	3,968
Amounts written off	(60)	-
Impairment losses recognized	10,176	-
Impairment losses reversed	-	(1,253)
Balance on December 31	$ 12,831	2,715

None of the receivables was discounted or pledged as collateral as of December 31, 2019 and 2018.

BIONIME CORPORATION
Notes to the Financial Statements

(d) Other receivables (including related parties)

		December 31, 2019	December 31, 2018
Other accounts receivable	$	4,508	12,830
Other accounts receivable-related parties		381	5,689
	$	**4,889**	**18,519**

For further credit risk information, please refers to note 6 (z).

(e) Inventories

		December 31, 2019	December 31, 2018
Finished goods	$	27,066	30,600
Less: Allowance for inventory valuation losses		(4,931)	(4,356)
		22,135	26,244
Work in progress		261,811	266,087
Less: Allowance for inventory valuation losses		(6,707)	(9,601)
		255,104	256,486
Raw materials		106,586	109,142
Less: Allowance for inventory valuation losses		(8,596)	(11,845)
		97,990	97,297
	$	**375,229**	**380,027**

The detail of inventory write-downs was as follows:

	For the years ended December 31		
		2019	2018
Provisions (reversal of provision) for inventory valuation and obsolescence	$	(5,568)	2,039
Losses on disposal of scrap		11,111	8,863
Gains on physical inventory		(342)	(258)
Gains on disposal of leftover bits and pieces		(4,927)	(3,125)
Operating costs recognized	$	**274**	**7,519**

For the years ended December 31, 2019 and 2018, 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 $(5,568) and $2,039, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

BIONIME CORPORATION
Notes to the Financial Statements

(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, 2019	December 31, 2018
	$ 168,758	143,597

(i) Subsidiary

Please refer to 2019 consolidated statement report.

(ii) As of December 31, 2019 and 2018, the Company did not provide any investment accounted for using equity method as collateral for its loans.

(g) Changes in a parent's ownership interest in a subsidiary

Recognized new shares issued by subsidiaries without the shareholding ratio.

On July 25, 2019, the Company acquired an additional interest in subsidiary – Bionime (Malaysia) for $2,498 in trade receivables, and the group's ownership has decreased from 72% to 66.06%, due to non-proportional recognition of the 613,500 shares issued by the subsidiary-Bionime (Malaysia). The Company did not have any condition mentioned above in 2018.

The effects of the changes in shareholdings were as follows:

	2019
Carrying amount of non-controlling interest on acquisition	$ 2,521
Consideration paid to non-controlling interests	(2,498)
Other equity	(8)
Capital surplus – the variation of ownership of subsidiary	**$ 15**

BIONIME CORPORATION

Notes to the Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 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, 2019	$ 1,420,840	861,302	642,923	139,985	1,588	17,066	500,411	3,584,115
Additions	-	9,597	23,197	8,114	-	-	6,531	47,439
Disposals	-	-	(210)	-	-	-	(4,312)	(4,522)
Reclassification	-	(3,730)	82,289	3,100	-	-	1,035	82,694
Balance at December 31,2019	**$ 1,420,840**	**867,169**	**748,199**	**151,199**	**1,588**	**17,066**	**503,665**	**3,709,726**
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**
Depreciation and impairment loss:								
Balance at January1, 2019	$ -	101,717	468,159	103,784	988	13,319	217,305	905,272
Depreciation for the year	-	21,969	69,435	20,617	144	1,565	35,769	149,499
Disposals	-	(621)	(210)	-	-	-	(4,312)	(5,143)
Reclassification	-	311	-	-	-	-	-	311
Balance at December 31,2019	**$ -**	**123,376**	**537,384**	**124,401**	**1,132**	**14,884**	**248,762**	**1,049,939**
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**
Carrying amounts:								
Balance at December 31, 2019	**$ 1,420,840**	**743,793**	**210,815**	**26,798**	**456**	**2,182**	**254,903**	**2,659,787**
Balance at December 31, 2018	**$ 1,420,840**	**759,585**	**174,764**	**36,201**	**600**	**3,747**	**283,106**	**2,678,843**
Balance at January 1, 2018	**$ 1,420,840**	**754,202**	**196,624**	**16,258**	**-**	**95**	**308,043**	**2,696,062**

(i) Disclosures on pledges

As of December 31, 2019 and 2018, 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, 2019 and 2018, capitalized borrowing costs related to the construction of the new plant amounted to $1,150 and $843, with a capitalization rate of 1.585%~2.149% and 1.435% respectively.

BIONIME CORPORATION
Notes to the Financial Statements

(i) Right-of-use assets

The Company leases many assets including land and buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	Buildings	Transportation Equipment	Machinery and equipment	Total
Costs:				
Balance at January 1, 2019		207	-	207
Additions	$ 2,934	-	1,048	3,982
Balance at December 31,2019	**$ 2,934**	**207**	**1,048**	**4,189**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation for the year	245	155	157	557
Balance at December 31, 2019	**$ 245**	**155**	**157**	**557**
Carrying amount:				
Balance at December 31, 2019	**$ 2,689**	**52**	**891**	**3,632**

The Company leases offices, warehouses and vehicles under the operating lease for the year ended December 31, 2018, please refer to note 6(q).

(j) Intangible Assets

The costs of intangible assets, amortization, and impairment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Trademarks	Computer software	Development cost	Total
Costs:				
Balance at January1, 2019	$ 62,360	31,503	-	93,863
Additions	-	14,359	-	14,359
Acquisition internally developed	-	-	35,218	35,218
Reclassification	-	1,191	-	1,191
Disposal	-	(23,865)	-	(23,865)
Balance at December 31, 2019	**$ 62,360**	**23,188**	**35,218**	**120,766**
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**

BIONIME CORPORATION
Notes to the Financial Statements

	Trademarks	Computer software	Development cost	Total
Amortization and Impairment Loss:				
Balance at January1, 2019	$ 62,360	23,280	-	85,640
Amortization for the year	-	9,718	-	9,718
Disposal	-	(23,865)	-	(23,865)
Balance at December 31, 2019	**$ 62,360**	**9,133**	**-**	**71,493**
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**
Carrying amounts:				
Balance at December 31, 2019	**$ -**	**14,055**	**35,218**	**49,273**
Balance at December 31, 2018	**$ -**	**8,223**	**-**	**8,223**
Balance at January 1, 2018	**$ 5,968**	**5,791**	**-**	**11,759**

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.

The Company is dedicated to developing the new product, Continuous Glucose Monitoring (CGM). For the year ended December 31,2019, the Company capitalized relevant development cost of $ 35,218 and amortized in 4 years after the capitalized period ended. The amortized cost of $11,891 each year.

(i) Amortization

The amortizations of intangible assets were included in the statement of comprehensive income:

	2019	2018
Operating costs	**$ 82**	**10**
Operating expenses	**$ 9,636**	**14,069**

(ii) Disclosures on pledges

As of December 31, 2019 and 2018, none of the intangible assets of the Company had been pledged as collateral.

BIONIME CORPORATION
Notes to the Financial Statements

(k) 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, 2019	December 31, 2018
Overpaid sales tax	$ 5,188	6,235
Temporary payments	3,208	2,296
Other current assets-other	753	927
	$ 9,149	**9,458**

For the years ended December 31, 2018, the Company recognized the impairment loss of $57,866 to write down the carrying amount of prepaid royalty of GE to the estimated recoverable value.

(l) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2019		
	Guarantee or acceptance institution	**Range of interest rate (%)**	**Amounts**
Commercial paper payable	Taiwan Corporation Bank	1.18%	$ 100,000
Commercial paper payable	Grand Bank	1.15%	100,000
Less: Discount on short-term notes and bills payable			(225)
Total			**$ 199,775**

	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**

BIONIME CORPORATION
Notes to the Financial Statements

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 175,275	268,440
Secured bank loans	290,524	369,895
	$ 465,799	**638,335**
Unused credit line	**884,201**	**545,365**
Range of Interest rates	**0.6716%~3.9642%**	**0.35%~3.9642%**

For the collateral pledged for short-term borrowings, please refer to note 8.

(n) Other current liabilities

The details were as follows:

	December 31, 2019	December 31, 2018
Contract liability	$ 1,228	1,302
Temporary payment	8,258	2,817
Other	-	998
	$ 9,486	**5,117**

(o) Long-term borrowings

The details were as follows:

	December 31, 2019			
	Currency	**Interest rates**	**Maturity year**	**Amount**
Secured bank loans	TWD	1.25%	2023~2026	$ 1,122,792
Unsecured bank loans	TWD	1.20%	110	50,000
Less: current portion				(200,667)
Total				**$ 972,125**
Unused credit line				**$ -**

	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				**$ -**

Property, plant and equipment pledged as collateral for long-term borrowings, please refer to Note 8.

BIONIME CORPORATION
Notes to the Financial Statements

(p) Lease liabilities

The lease liabilities were as follows:

	December 31, 2019
Current	$ 1,225
Non-current financial assets	$ 2,413

For the maturity analysis, please refer to note 6(z).

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 19
Expenses relating to short-term leases	$ 6,296

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

	For the year ended December 31, 2019
Total cash outflow for leases	$ 6,866

(i) Real estate leases

As of December 31, 2019, the Company leases warehouses, machinery and vehicles. The leases typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company has some trivial leases with contract terms of one year. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(q) Operating Lease

The Company did not sign any significant contract of operating lease in 2019. For the relevant information, please refer to not 6(m) in consolidated financial reports in 2018.

BIONIME CORPORATION
Notes to the Financial Statements

(r) 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, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 4,090	3,628
Fair value of plan assets	(4,075)	(3,640)
Net defined benefit liabilities (assets)	**$ 15**	**(12)**

The Company's employee benefit liabilities were as follows:

	December 31, 2019	December 31, 2018
Short-term vacation liability	**$ 9,371**	**9,634**

The Company makes 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.

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 $4,060 as of December 31, 2019. 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:

	2019	2018
Defined benefit obligation at January 1	$ 3,628	3,221
Current service costs and interest cost	49	52
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
－financial assumptions	413	355
Defined benefit obligation at December 31	**$ 4,090**	**3,628**

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

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:

		2019	2018
Fair value of plan assets at January 1	$	3,640	3,450
Interest income		50	58
Contributions paid by the employer		254	69
Remeasurements loss (gain):			
—Return on plan assets excluding interest income		131	63
Fair value of plan assets at December 31	$	**4,075**	**3,640**

4) Expenses recognized in profit or loss

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

		2019	2018
Net interest of net liabilities for the defined benefit obligation	$	**-**	**(6)**
Administration expenses	$	**-**	**(6)**

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, 2019 and 2018 was as follows:

		2019	2018
Accumulated amount at January 1	$	(2,511)	(2,219)
Recognized during the period		(282)	(292)
Accumulated amount at December 31	$	**(2,793)**	**(2,511)**

6) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.10 %	1.35 %
Future salary increase rate	3.00 %	3.00 %

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

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 $150.

The weighted average lifetime of the defined benefit plans is 21.3 years.

7) Sensitivity analysis

As of December 31, 2019 and 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, 2019	$ 1,117	(526)
Discount rate	(202)	214
Future salary increasing rate	915	(740)

	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	(668)

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 2019 and 2018.

(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 $18,891 and $19,100 for the years ended December 31, 2019 and 2018, respectively.

BIONIME CORPORATION
Notes to the Financial Statements

(s) Income Taxes

(i) Income Tax Expense

The Company of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current income tax expense			
Current period	$	19,020	2,263
Adjustment for prior period		3,450	2,779
Adjustment in tax rate		-	(4,024)
5% surtax on un-distributed earnings		4	-
		22,474	1,018
Deferred tax expense (gain)			
Origination and reversal of temporary differences		1,207	22,815
	$	**1,207**	**22,815**
Income tax expense	**$**	**23,681**	**23,833**

The amount of income tax recognized in other comprehensive income for years 2019 and 2018 was as follows:

		2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange difference translation	**$**	**-**	**-**

Reconciliation of income tax and profit before tax for 2019 and 2018, is as follows.

		2019	2018
Profit excluding income tax	$	129,939	151,865
Income tax using the Company's domestic tax rate		25,988	30,373
Adjustment in tax rate		-	(4,024)
Non-deductible expenses		(46)	(124)
Tax-exempt income		(1,783)	(3,871)
Investment income recognized under equity method		(4,441)	(3,767)
Changes in unrecognized temporary differences		509	204
Prior years income tax adjustment		3,450	2,779
5% surtax on undistributed earnings		4	-
Income basic tax		-	2,263
	$	**23,681**	**23,833**

BIONIME CORPORATION
Notes to the Financial Statements

(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, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ 4,045	3,536

The entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at December 31, 2019 and 2018. Also, the management considers it is possible 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, 2019	December 31, 2018
Aggregated amount of temporary differences related to investments in subsidiaries	$ 293,624	313,918
Unrecognized deferred tax assets	$ 58,725	62,784

2) Unrecognized deferred tax liabilities

The entity is able to control the timing of the reversal of temporary differences associated with its investments in subsidiaries as at December 31, 2019 and 2018. 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, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	$ 11,817	9,907
Unrecognized deferred tax liabilities	$ 2,363	1,981

BIONIME CORPORATION
Notes to the Financial Statements

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018, were as follows:

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized Foreign exchange loss	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Total
Balance at January 1, 2019	$ 2,580	$ -	1,790	-	4,370
Recognized in profit or loss	(557)	274	(1,188)	-	(1,471)
Balance at December 31,2019	**$ 2,023**	**$ 274**	**602**	**-**	**2,899**
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**

Deferred Tax Liabilities:

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2019	$ 315	45	360
Recognized in profit or loss	(315)	51	(264)
Balance at December 31, 2019	**$ -**	**96**	**96**
Balance at January 1, 2018	$ 427	26	453
Recognized in profit or loss	(112)	19	(93)
Balance at December 31, 2018	**$ 315**	**45**	**360**

(iii) Assessment of tax

The Company’s tax returns for the years through 2017 were assessed by the Tax Authority.

(t) **Capital and Other Equity**

As of December 31 2019 and 2018, 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 59,670 (2018: 59,447) of ordinary thousand shares amounting $596,698 (2018: $594,468) were issued. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2019 and 2018 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2019	**2018**
Balance on January1	59,447	59,447
Exercise of share options	223	-
Balance on December 31	**59,670**	**59,447**

(i) Ordinary shares

The Company issued 35,000, 19,000, 169,000 and 866,000 new shares of common stock for the exercise of employee stock options, amounting to $49.7, $49.7, $47.7 and $47.7 per share, respectively. The carrying value of employee stock options amounted to $1,740, $944, $8,061 and $41,308, respectively, in 2019. For the 35,000, 19,000 and 169,000 shares have been completed related registration procedures on June 20, June 30 and November 11, 2019, as the date of capital increase, respectively. For the 866,000 shares for the year ended December 31, 2019, the amount of the capital collected in advance for $41,308. The Company has received approval from the Financial Supervisory Commission for this capital increase, with February 14, 2020, as the date of capital increase. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	**December 31, 2018**
Share capital	$ 1,211,097	1,202,582
Employee share options	37,654	26,771
Expired options	88,360	85,546
The variation of ownership recognized in the subsidiary	15	-
	$ 1,337,126	**1,314,899**

BIONIME CORPORATION
Notes to the Financial Statements

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.

(iii) Retained Earnings

The Company's article of incorporation stipulates 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

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)

BIONIME CORPORATION
Notes to the Financial Statements

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, 2019 and June 20, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders				
Cash	$ 2	114,894	-	-

The Company's general meeting of the shareholders resolved to distribute the capital surplus cash dividends of $237,830 on June 20, 2018.

(iv) Treasury shares

As of December 31, 2019, 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.

(v) OCI accumulated in reserves (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2019	$ (5,500)
Exchange differences on foreign operations	(5,507)
Balance at December 31, 2019	**$ (11,007)**
Balance at January 1, 2018	$ (8,592)
Exchange differences on foreign operations	3,092
Balance at December 31, 2018	**$ (5,500)**

(u) **Share-Based Payment**

(i) Employee stock options

As of December 31, 2019, details of the Employee Stock Option Plans ("ESOP") were as follows:

	2017 ESOP	2018 ESOP	2019 ESOP
Grant date	2017.1.13	2018.1.2	2019.11.5
Units issued	3,000,000	1,000,000	2,930,000
Term of grant	2017.1.13~2019.1.12	2018.1.2~2020.1.1	2019.11.5~2029.11.4
Grant object	Full-time employees of the Company and its subsidiaries	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	Services of the next two years

1) Determining the fair value of equity instruments granted

The Company used Black-Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2019		
	2017 ESOP	2018 ESOP	2019 ESOP
Fair value at grant date	\$16.07~\$17.35	\$15.34~\$16.56	\$22.53~\$25.83
Share price at grant date	56.9	55.4	60.2
Exercise price	49.7	51.4	60.2
Expected volatility (%)	40.70%	40.10%	38.50%
Expected life (years)	four years	four years	ten years
Expected dividend	-	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%	0.54%

BIONIME CORPORATION
Notes to the Financial Statements

	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%

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:

	2019		2018	
(in dollars)	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	\$ 50.90	3,267,000	53.60	2,724,000
Granted during the year (number)		2,930,000		1,000,000
Forfeited during the year (number)		(161,000)		(457,000)
Exercised during the year (number)		(1,089,000)		-
Expired during the year (number)		(67,000)		-
Outstanding at December 31	**55.45**	**4,880,000**	**50.9**	**3,267,000**
Exercisable at December 31		**4,880,000**		**3,267,000**

BIONIME CORPORATION
Notes to the Financial Statements

(ii) Employee recognized in profit or loss

The Company incurred expenses and liabilities of share-based arrangements in 2019 and 2018 were as follows:

	2019	2018
Expenses resulting from granted employee share options	$ 13,697	20,633

(v) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31, 2019 and 2018 were based on the profit attributable to ordinary shareholders of the Company of $106,258 and $128,032; respectively; and the weighted average number of ordinary shares outstanding of 57,499 thousand shares and 57,447 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 106,258	128,032

2) Weighted average number of ordinary shares

	2019	2018
Weighted-average number of ordinary shares at December 31	57,499	57,447
Basic earnings per share	$ 1.85	2.23

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2019 and 2018 were based on profit attributable to ordinary shareholders of the Company of $106,258 and $128,032, respectively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,777 thousand shares and 58,119 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 106,258	128,032

BIONIME CORPORATION
Notes to the Financial Statements

2) Weight-average number of ordinary shares (diluted)

	2019	2018
Weighted-average number of ordinary shares (basic)	57,499	57,447
Effect of issuance of employee share options	973	204
Effect of employee share bonus	305	468
Weighted-average number of ordinary shares (diluted) at December 31	**58,777**	**58,119**
Diluted earnings per share	**$ 1.81**	**2.20**

(w) **Revenue from contracts with customers**

Disaggregation of revenue

	For the year ended December 31	
	2019	**2018**
Primary geographical markets		
Algeria	$ 428,535	434,210
China	334,627	404,716
Switzerland	287,012	257,369
United State	101,237	140,051
Other	901,951	709,865
	$ 2,053,362	**1,946,211**
Major products		
Meter and Strips	**$ 2,053,362**	**1,946,211**

The Company estimated its sales returned and sales discount and less from the sales revenue, according to the historical experience and other reasons.

(x) **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.

BIONIME CORPORATION
Notes to the Financial Statements

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $19,000 and $18,788 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 2019 and 2018. 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 2019 and 2018.

(y) **Non-operating Income and Expenses**

(i) Other income

The details of other income for the years 2019 and 2018 were as follows:

	2019	2018
Interest income:		
Interest income-bank deposits	$ 387	237
Others	12,823	4,756
	$ 13,210	**4,993**

(ii) Other gains and losses

The details of other gains and losses for the years 2019 and 2018 were as follows:

	2019	2018
Foreign exchange (losses) gains	$ (553)	2,882
Gains on disposals of property, plant and equipment	179	4,539
Impairment losses	-	(57,866)
Gains on disposals of investment property	8	-
	$ (366)	**(50,445)**

(iii) Finance costs

The details of financial costs for the years 2019 and 2018 were as follows:

	2019	2018
Interest expenses-bank loans	$ (30,799)	(28,112)
Interest of lease liabilities	(19)	-
	$ (30,818)	**(28,112)**

BIONIME CORPORATION
Notes to the Financial Statements

(z) **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 $1,004,977 and $1,205,205 respectively, as of December 31, 2019 and 2018.

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 trade receivables and recognizes an allowance for impairment. The impairment loss is within management' s expectation. As of December 31, 2019 and 2018, 64% and 73%, respectively, of trade receivables were from five customers. Thus, the credit risk is significantly centralized.

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. For the details on loss allowance, please refer to 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, 2019 was determined as follows:

	Debt investments at amortized cost
Balance on January 1, 2019	-
Impairment losses recognized	$ -
Balance on December 31, 2019	-
Balance on January 1, 2018	157
Gain of impairment losses reversed recognized	(157)
Balance on December 31, 2018	-

BIONIME CORPORATION
Notes to the Financial Statements

(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	$ 1,413,316	1,435,115	501,463	203,175	435,502	294,975
Unsecured bank loans	225,275	229,056	229,056	50,600	-	-
Short-term notes and bills payable	199,775	200,000	200,000	-	-	-
Notes and trade payables (including related parties)	147,993	147,993	147,993	-	-	-
Other payables (including related parties)	185,731	185,731	185,731	-	-	-
Payable on machinery and equipment	16,793	16,793	16,793	-	-	-
Lease liabilities (Current and non-current)	3,638	3,707	1,262	-	-	-
	$ 2,192,521	2,218,395	1,282,298	253,775	435,502	294,975
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 trade payables (including related parties)	162,782	162,782	162,782	-	-	-
Other payables (including related parties)	174,905	174,905	174,905	-	-	-
Payable on machinery and equipment (excluding lease liabilities)	14,564	14,564	14,564	-	-	-
	$ 2,449,890	**2,486,377**	**1,357,932**	**203,175**	**574,720**	**350,550**

BIONIME CORPORATION
Notes to the Financial Statements

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, 2019			December 31, 2018		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
Financial assets						
Monetary items						
USD	USD 22,642	30.00	679,260	USD 25,383	30.74	780,273
EUR	EUR 2,885	33.61	96,965	EUR 2,593	35.22	91,325
Financial liabilities						
Monetary items						
USD	USD 16,189	30.00	485,670	USD 28,826	30.74	886,111
EUR	EUR 2,073	33.61	69,674	EUR 1,220	35.22	42,968

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.

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2019 and 2018, would have increased (decreased) the net profit after tax by $883 and $230, 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 2018 (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 2019 and 2018, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to $(553) and $2,882, respectively.

BIONIME CORPORATION
Notes to the Financial Statements

(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 $6,554 and $7,352 for the year ended December 31, 2019 and 2018, 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, lease liabilities disclosure of fair value information is not required.

	December 31, 2019				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	**$ 36,100**	-	-	36,100	36,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 263,052	-	-	-	-
Notes and trade receivables (including related parties)	737,036	-	-	-	-
Other receivables (including related parties)	4,889	-	-	-	-
Sub total	1,004,977	-	-	-	-
	$ 1,041,077	**-**	**-**	**36,100**	**36,100**

BIONIME CORPORATION
Notes to the Financial Statements

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	$ 465,799	-	-	-	-
Short-term notes and bills payable	199,775	-	-	-	-
Notes and trade payables, and other payables (including related parties)	333,724	-	-	-	-
Payable on machine and equipment	16,793	-	-	-	-
Lease liabilities (Current and Non-current)	3,638	-	-	-	-
Long-term borrowings, including current portion	1,172,792	-	-	-	-
	$ 2,192,521	**-**	**-**	**-**	**-**

	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 receivables (including related parties)	852,140	-	-	-	-
Other receivables (including related parties)	18,519	-	-	-	-
	1,205,205	-	-	30,100	30,100
	$ 1,235,305	**-**	**-**	**30,100**	**30,100**
Financial liabilities					
Financial liabilities at amortized					
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	**-**	**-**	**-**	**-**

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

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 2019 and 2018.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2019	$ 30,100
Purchased	6,000
Ending Balance, December 31, 2019	**$ 36,100**
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 – 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 equity investments without an active market	Discounted Cash Flow Method	– Forecast annual revenue growth rate（December 31, 2019 ; 12%~100%） – Weight average capital cost（December 31, 2019 ; 10.08%）	– 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)

BIONIME CORPORATION
Notes to the Financial Statements

(aa) **Financial Risk Management**

(i) Overview

The Company is exposed 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 risk. For more disclosures about the quantitative effects on these risk 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.

BIONIME CORPORATION
Notes to the Financial Statements

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, 2019, no guarantees were outstanding (2018: 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, 2019 and 2018, the Company's unused credit lines were amounted to 884,201 thousand and 545,365 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) and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, EUR, US Dollars (USD), and CNY.

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.

BIONIME CORPORATION
Notes to the Financial Statements

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.

(ab) **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, 2019, the Company's capital management strategy is consistent with that of the prior year as of December 31, 2018 and the debt to equity ratio is maintained within 30% to 75% 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, 2019	December 31, 2018
Total liabilities	$	2,358,815	2,579,823
Less: cash and cash equivalents		263,052	334,546
Net debt	$	**2,095,763**	**2,245,277**
Total equity	$	**2,042,577**	**1,991,237**
Total capital	$	**4,138,340**	**4,236,514**
Debt-to-equity ratio at 31 December		**50.64%**	**53.00%**

As of December 31, 2019, there was no change in the capital management.

BIONIME CORPORATION
Notes to the Financial Statements

(ac) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2019	Cash flows	Non-cash changes Foreign exchange movement	December 31,2019
Long-term borrowings	$ 1,199,556	(26,764)	-	1,172,792
Short-term borrowings	638,335	(165,999)	(6,537)	465,799
Lease liabilities (current and non-current)	207	3,431	-	3,638
Total liabilities from financing activities	$ 1,838,098	(189,332)	(6,537)	1,642,229

	January 1,2018	Cash flows	Non-cash changes Foreign exchange movement	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
Shanghai Juyi Network Technology Co., Ltd. (Juyi)	Entity which is joint controlled by key management
HUANG, CHUN-MU	Key management personnel

BIONIME CORPORATION
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to its related party were as follow:

		2019	2018
Subsidiary	$	155,035	150,189
Key management personnel of the company -Tonghua Dongbao		236,012	322,636
	$	**391,047**	**472,825**

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 Bionime (Pingtan) Limited Company were approximately 90 days, 60 days, 120 days, 120 days, 90 days and 90 days, respectively, the key management personnel of the Company, the collection conditions is advance sales receipts or 180 days from the end of the month of when the invoice is issued.

(ii) Purchases

The amounts of purchases by the Company from related parties were as follows:

		2019	2018
Subsidiary	$	**3,443**	**2,489**

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, 2019	December 31, 2018
Trade receivables	Subsidiary	$	41,032	41,147
Trade receivables	Key management personnel of the company-Tonghua Dongbao		69,039	182,034
Other receivables	Subsidiary:			
	Bionime (Malaysia) Sdn Bhd		-	4,970
	Bionime Shenzhen		378	716
	Others		3	3
		$	**110,452**	**228,870**

BIONIME CORPORATION
Notes to the Financial Statements

As of December 31, 2019 and 2018, the expenses of the Company for the subsidiaries were $381 and $5,689 (account for other receivables - related party).

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Trade payable	Subsidiary	$ 1,575	108
Other payables	Subsidiary:		
	Bionime GmbH	19,240	19,542
	Bionime Pingtan	249	-
Other payables	Key management personnel of the company-Tonghua Dongbao	24,012	19,294
Other payables	Other related parties-Juyi	2,187	-
		$ 47,263	38,944

(v) Others (account for other current liabilities)

The others to related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Temporary receipts	Key management personnel of the company-Tonghua Dongbao	$ 4	4
	Subsidiary	227	227
		$ 231	231

BIONIME CORPORATION
Notes to the Financial Statements

(vi) Other Related Parties

1) The service fees paid by the company were as follows:

	2019	2018
Bionime GmbH	$ 29,027	30,407
Bionime Pingtan	24,456	46,770
Other related parties-Juyi	23,235	-
	$ 76,718	**77,177**

As of December 31, 2019 and December 31, 2018, the service fees payable of the Company for the subsidiaries and other related parties-Juyi were $21,427 and $19,542 (account for other payables - related party).

2) As of December 31, 2019 and 2018, the expenses of the subsidiaries and key management personnel for the Company were $2,318 and $3,050 (account for other payables-related party).

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 2019 and 2018, 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(h).

4) The sales expense of $3,960 and $12,347 in 2019 and 2018, respectively, which caused by signing contract with key management personnel 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.

BIONIME CORPORATION
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 15,790	16,168
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	$ 15,790	16,168

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2019	December 31, 2018
Property, plant and equipment	Guarantee for bank loans	$ 2,164,632	2,180,425

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments are as follows:

	December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$ 18,456	13,266

BIONIME CORPORATION
Notes to the Financial Statements

(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:

Period	Amount
2020.1.1~2020.1.28	$ 2,762

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018. The Company terminated the contract prematurely on January 28, 2020, and expected to sign the new contract in the future.

(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:

1) The Company issued 866,000 new shares of common stock for the exercise of employee stock options, amounting to $47.7 in 2019, and total amount $41,308 was collected on February 14, 2020, as the date of capital increase.

2) In the beginning of 2020, the outbreak of coronavirus (COVID-19) caused the uncertainty over operating environment in China. However, the Company 's main manufacture place is in Taiwan and has sufficient stocks. After evaluation, it would not cause the significant impact on the Company. The Company will continuously pay attention to the development of the event for timely assessment due to the uncertainty which caused unpredictable impact amount to operating results and financial situation.

The Company will continue to focus on the event for evaluation in time.

BIONIME CORPORATION
Notes to the Financial Statements

(12) Other:

A summary of current-period employee benefits, depreciation, depletion, and amortization, by function, is as follows:

By function / By item	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	287,809	210,938	498,747	286,992	207,249	494,421
Labor and health insurance	25,586	16,932	42,518	24,108	17,166	41,274
Pension	10,642	8,249	18,891	10,503	8,591	19,094
Remuneration of directors	-	2,800	2,800	-	2,800	2,800
Others	16,446	13,979	30,425	16,323	11,598	27,921
Depreciation	111,686	38,370	150,056	99,517	36,569	136,086
Amortization	82	9,636	9,718	10	14,069	14,079

The additional information of the numbers of employee and employee benefits in 2019 and 2018 were as follows :

	December 31, 2019	December 31, 2018
The number of employees	897	866
Directors were not serving as employees	5	5
Average of employee benefits	$ 662	677
Average of employee salary expenses	$ 559	574
Adjustment of the average of employee salary expenses	(2.61)%	-

(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

BIONIME CORPORATION
Notes to the Financial Statements

(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)	204,258 (Note 2, 4)	21,495	-	-	-	- %	204,258 (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 100% 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 .

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)

BIONIME CORPORATION
Notes to the Financial Statements

(iii) Securities held as of December 31, 2019 (excluding those 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				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	None	Financial assets measured at fair value through other comprehensive gains and losses-non-current	960	36,100	7.51%	36,100	960	7.51%	

(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	Tonghua Dongbao Pharmaceutical Co.,Ltd.	Key management personnel	Sale	(236,012)	(11.49)%	Advance receipts or net 180 day from the end of the month of when the invoice issued	No comparison	Advance receipts or net 180 day from the end of the month of when the invoice issued	69,039	9.37%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(Continued)

BIONIME CORPORATION
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Shares/Units (thousands)	Percentage of ownership (%)			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100 %	19,525	Note1	100 %	1,242	1,242	Note4
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100 %	85,607	3.09	100 %	5,329	5,329	Note4
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100 %	55,432	1,115	100 %	14,657	14,657	Note4
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100 %	(124)	Note2	100 %	(51)	(51)	Note4
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR1,046	MYR698	Note3	66.06%	8,318	Note3	72 %	1,480	1,027	Note4

Note1: A company was established in Switzerland.

Note2: A company was established in Australia.

Note3: A company was established in Malaysia.

Note4: The transactions have been eliminated upon consolidation.

(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, 2019	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$2,300	Note 1	US$850	-	-	US$850	4,953 (Note3)	100%	100%	4,953	71,588	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$20,000	Note 2	-	-	-	-	10,496 (Note3)	100%	100%	10,496	51,505	-

BIONIME CORPORATION
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US$850 (NT$ 27,520)	US$ 2,300 (NT$ 70,863)	NT$1,225,547

Note 1: The investment method is to establish a company to invest in mainland companies through investment in the third region.

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 2019 consolidated financial report.

BIONIME CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Foreign currency	Exchange rate	Amount
Cash	Petty cash and cash on hand			$ 538
Cash in bank	Demand deposit			194,889
	Foreign currencies－USD	1,609,957.03	30	
	Foreign currencies－EUR	419,549.54	33.61	
	Foreign currencies－CHF	31,027.33	31	
	Foreign currencies－AUD	183,690.53	21.01	
	Foreign currencies－JPY	145	0.28	
	Foreign currencies－CNY	59,847.77	4.3	
	Foreign currencies－SGD	6,580.12	22.27	67,625
				$ 263,052

BIONIME CORPORATION

Statement of Notes and Trade Receivables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
Notes receivable－Non-Related Parties		
TWGK11	Operating	$ 712
TWGC26	Operating	703
Others (Note2)	Operating	1,968
		3,383
Trade receivable－Related Parties		
Tonghua Dongbao Pharmaceutical Co.,Ltd.	Operating	69,039
Bionime (Pingtan) Limited Company	Operating	35,821
Others (Note2)	Operating	5,211
		110,071
Trade receivable－Non-Related Parties		
AFDZ01	Operating	289,695
AFEG01	Operating	40,864
WECH03	Operating	32,978
AFMA01	Operating	31,264
Others (Note2)	Operating	241,612
		636,413
Less：Loss allowance		(12,831)
		623,582
		$ 737,036

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, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other Receivables	Other Receivables	$ 1,199
	Tax Refund Receivables	3,309
		$ 4,508

Statement of Inventories

Item	Amount		Note
	Cost	Net realizable value	
Finished goods	$ 27,066	58,673	Price by realizable value
Work in process	261,811	364,535	Price by realizable value
Materials	106,586	114,568	Price by realizable value
	395,463	**537,776**	
Less：Loss allowance	(20,234)		
	$ 375,229		

BIONIME CORPORATION

Statement of Prepayments and other current assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other prepaid expenses	Prepaid expenses of project contract and exhibition fee	26,761
Prepayments	Prepaid insurance	2,304
Prepayments to purchases	Prepayments to Suppliers	2,146
	Others (Note)	214
		31,425
Other current assets	Overpaid sales tax	5,188
	Temporary payments	9,641
	Others (Note)	753
		15,582
		$ 47,007

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, 2019

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Addition		Decrease		Inventment gains and losses			Ending Balance (with foreign currency translation adjustment)			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	recognized by the equity method	Translation adjustment	Others (Note)	Shares	Percentage of ownership	Amount	Collateral
Bionime GmbH	-	$ 18,417	-	-	-	-	1,242	(134)	-	-	100	19,525	None
Bionime Incorporated (B.V.I)	3.09	80,013	-	-	-	-	5,329	(3,865)	4,130	3.09	100	85,607	"
Bionime USA Corporation	1,115	40,412	-	-	-	-	14,657	(1,460)	1,823	1,115	100	55,432	"
Bionime Australia Pty Limited	-	(76)	-	-	-	-	(51)	3	-	-	100	(124)	"
Bionime (Malaysia) Sdn Bhd	-	4,831	348	2,520	-	-	1,027	(51)	(9)	-	66.06	8,318	"
		$ 143,597		**2,520**		**-**	**22,204**	**(5,507)**	**5,944**			**168,758**	

Note：Unrealized Sales income changes.

BIONIME CORPORATION

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2019

(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	861,302	9,597	-	(3,730)	867,169	"
Machinery equipment	642,923	23,197	210	82,289	748,199	-
Molding equipment	139,985	8,114	-	3,100	151,199	-
Transportation equipment	1,588	-	-	-	1,588	-
Leasehold Improvements	17,066	-	-	-	17,066	-
Office and other equipment	500,411	6,531	4,312	1,035	503,665	-
	3,584,115	47,439	4,522	82,694	3,709,726	
Accumulated Depreciation：						
Buildings and structures	101,717	21,969	621	311	123,376	
Machinery equipment	468,159	69,435	210	-	537,384	
Molding equipment	103,784	20,617	-	-	124,401	
Transportation equipment	988	144	-	-	1,132	
Leasehold Improvements	13,319	1,565	-	-	14,884	
Office and other equipment	217,305	35,769	4,312	-	248,762	
	905,272	149,499	5,143	311	1,049,939	
	$ 2,678,843	**(102,060)**	**(621)**	**82,383**	**2,659,787**	

Note： Prepayment for equipment reclassification for $85,509 thousand, buildings and equipment reversal for $(4,401) thousand and inventory reclassification for $915 thousand.

BIONIME CORPORATION

Statement of Refundable Deposit

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable Deposit	Rental deposit	$ 2,554

BIONIME CORPORATION

Statement of changes in Intangibles Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Addition	Internal Development	Amortization	Reclassification	Ending Balance
Computer software	8,223	14,359	-	9,718	1,191	14,055
Development cost	-		35,218	-	-	35,218
	8,223	**14,359**	**35,218**	**9,718**	**1,191**	**49,273**

Statement of short-term borrowings

December 31, 2019

Creditors	Description	Ending Balance	Contract Period	Range of interest rate	Bank of Credit Line	Collateral
Chang Hwa Bank	Pledge loan	$ 290,524	Less one year	1.0588%~3.7586%	600,000	Land, Building and Structures
Shanghai Bank	Unsecured loan	71,980	"	0.8%~3.4234%	150,000	None
Cathay United Bank	"	67,583	"	0.6716%~1.1300%	90,000	"
Taiwan cooperative Bank	"	27,815	"	2.7656%~3.9642%	100,000	"
Mega Bank	"	7,897	"	2.8044%~3.8274%	60,000	"
		$ 465,799				

BIONIME CORPORATION

Statement of Notes and Trade Payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Account Payable-Non-Related Parties：		
A Company	Operating	14,151
B Company	〃	12,978
C Company	〃	10,298
D Company	〃	9,242
Others (Note)	〃	101,324
		147,993
Account Payable-Related Parties：		
Bionime (Pingtan) Limited Company	Operating	1,575
		$ 149,568

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: Total amount	Amount: Unamortized Discount	Amount: Book Value	Collateral
Taiwan cooperative Bills	2019.11.11~2020.1.10	1.18%	$ 100,000	34	99,966	None
Grand Bills	2019.12.20~2020.3.19	1.15%	100,000	191	99,809	None
			$ 200,000	**225**	**199,775**	

BIONIME CORPORATION

Statement of Other Payables and Other Current Liabilities

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Salary and Wages Payable	$ 104,112
	Payback fee	79,224
	Employee Bonus Payable	19,000
	Other payable	64,819
		267,155
Other current liabilities	Temporary receipts	8,258
	Advance Sales Receipts	1,228
		9,486
		$ 276,641

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, 2019

(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	494,000	2015.9.30~2026.9.30	1.25%	Land, Building and Structures
Chang Hwa Bank	Mortgage loan	62,500	187,500	2018.12.12~2023.12.12	1.25%	"
Chang Hwa Bank	Mortgage loan	87,500	240,625	2018.09.03~2023.09.03	1.25%	"
Jih Sun Bank	Credit loan	-	50,000	2019.08.22~2021.08.22	1.20%	None
		$ 200,667	**972,125**			

Statement of Operating Revenue

For the year ended December 31, 2019

Item	Quantity	Unit	Amount
Meter	1,305	thousand tables	$ 246,714
Strips	533,336	thousand pieces	1,749,779
Others			76,859
			2,073,352
Sales Returns			(4,932)
Sale Discounts and Allowances			(15,058)
Net Operating Revenues			**$ 2,053,362**

BIONIME CORPORATION

Statement of Operting Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials beginning of year	$ 109,142
Add：Raw materials purchased	667,880
Gain on physical inventory	346
Less：Raw materials end of year	106,586
Raw materials sold and scrapped	18,293
Other	7,513
Raw materials used	644,976
Direct labor	264,439
Manufacturing overhead	307,087
Manufacturing costs	1,216,502
Add：work in process beginning of year	266,087
work in process purchased	1,697
Less：work in process end of year	261,811
work in process sold and scrapped	49,602
Transfer expense and other	41,790
Loss on physical inventory	2
Cost of finished goods	1,131,081
Add：Finished goods beginning of year	30,600
Less：Finished goods end of year	27,066
Finished goods scrapped	247
Other	1,660
Cost of manufacturing goods sold	1,132,708
Add：Sold raw materials and work in process cost	57,031
Inventory scrapped	11,111
Less：The reversal of write-down of Inventory	5,568
Gain on disposal of left over bits and pieces	4,927
Gain on physical inventory	344
Other	914
Operating cost	**$ 1,189,097**

BIONIME CORPORATION

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling Expense	Administration Expense	Research and Developed Expense
Salary	$ 38,047	85,040	90,651
Advertisement	93,293	34	3
Royalty	42,360	-	-
Professional service fees	28,670	31,392	61,438
Research Materials	-	-	40,923
Amortization	410	7,408	1,818
Depreciation	2,126	24,768	11,476
Others (Note)	48,264	78,642	47,382
	$ 253,170	**227,284**	**253,691**

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, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Non-Operating Income		
Interest income	Interest income of bank deposits	$ 387
Gains on disposal and scrapped of fixed assets	Gains on disposal and scrapped of fixed assets	179
Net of other income	Miscellaneous income and Miscellaneous disbursements	12,823
Investment income	Investment gains recognized by the equity method	22,204
Gains on disposal of investment	Gains on disposal of the investment on the subsidiary	8
		$ 35,601
Non-Operating Expenses		
Interest expenses	Interest expenses of loan	$ 30,818
Net of Foreign exchange losses	Net of foreign exchange losses	553
		$ 31,371