

**BIONIME CORPORATION ("THE COMPANY")
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: No.100, Sec.2, Daqing St., South Dist., Taichung City 402, Taiwan
Telephone: 886-4-2369-2388

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Bionime Corporation ("the Company") as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 , "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Bionime Corporation ("the Company") and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Bionime Corporation ("the Company") and Subsidiaries

Chairman: HUANG, CHUN-MU

Date: March 22, 2022

Independent Auditors' Report

To the Board of Directors of Bionime Corporation ("the Company"):

Opinion

We have audited the consolidated financial statements of Bionime Corporation ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

The accounting principle of revenue recognition, refer to consolidated financial statements Note 4 (m); The explanation about revenue recognition, refer to consolidated financial statements Note 6 (t).

Description of key audit matters:

The Group's revenue are from sales of blood glucose meter and test strips to domestic and foreign clients such as hospitals, dealers and pharmacies. Most of them are foreign clients. As industry peculiarities, clients in higher latitude countries tend to purchase more and increase their inventory at the end of the year in order to prevent the risk of paralysis of shipment due to frozen water in the winter. As a result, the revenue at the end of the year is higher causing the transactions before and after the balance sheet date to have material impact on financial reporting.

Therefore, testing whether revenue was recognized in the correct period is one of our key audit matters.

How the matter was addressed in our audit

Our principal audit procedures included: testing the Group's efficacy on the design and operation of internal controls surrounding revenue, which includes confirming the terms in the sales contract to ensure the revenue is being recorded accurately; selecting the sales transaction before and after the balance sheet date on a sample basis, inspecting the related accounting documents, as well as evaluating whether the revenue is recorded in the appropriated period.

2. Assessment of Inventory

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

Description of key audit matters:

The Group's inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement in 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: assessing the Group's allowance amount of inventory according to its characteristics; including conducting sampling to examine accuracy of inventory aging; assessing the Group's inventory decline or rationality of debt ratio; examine accuracy of allowance amount of inventory past for past years, and comparing with this period, in order to assess whether estimation method for this period is presented fairly.

3. Trade of Accounting Receivable

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

Description of key audit matters:

The Group's trade receivables are concentrated 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: analyzing trade receivables aging schedule, collection reports and customers' credit concentration risk, etc., in order to assess whether estimation method and the amount of trade receivables for this period is presented fairly.

4. Development Cost

For accounting principle of intangible asset development cost and explanation of intangible asset, please refer to Notes 4(k) "Intangible Assets" and Notes 6(h) "Intangible Assets", respectively.

Description of key audit matters:

The Group focuses on developing new type of blood glucose meter, wherein it incurred a massive amount of research and development expenses before and during clinical trial stage. This research has reached to a developed stage and now classified as asset. Whether to capitalize development cost relies on the subjective judgement of the Group's management. Therefore, the cost on research and development is one of our key audit matters.

We focus on whether there is bias in the management's judgement on determining the capitalization or expensing of related costs, especially for the feasibility of the technology of the new blood glucose meter, whether it has met the criteria to be capitalized and obtained the approval from authority.

How the matter was addressed in our audit:

Our principal audit procedures included:

1. Understanding whether the management has adequately evaluated the feasibility of the technology of the new blood glucose meter to determine it has met the criteria to be capitalized.
2. Assessing whether the Group's accounting policy for development costs is in accordance with accounting regulations.
3. Obtaining the management's analysis on the schedule of the new type blood glucose meter and verifying whether the developing process has remained in its original schedule.
4. Conducting sampling of research and development cost in the current period by inspecting those supporting documents such as clinic trial contracts, invoice by vender, and payment records, to verify whether its nature, amount and classification of the expenses were appropriate.
5. Assessing whether it is appropriate for the Group's management to capitalize the development costs as asset.

Other Matter

The Company has prepared its parent-company-only-financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 22, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020		Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6 (a))	\$ 253,085	6	343,247	8	Short-term borrowings (note 6 (k) and 8)	\$ 507,778	11	483,349	11
Notes receivables, net (note 6 (c))	16,773	-	11,554	-	Short-term notes and bills payable (note 6 (j))	-	-	39,950	1
Trade receivables, net (note 6 (c))	356,913	8	397,514	9	Notes payable	854	-	849	-
Trade receivable-related parties, net (note 6 (c) and 7)	-	-	40,321	1	Trade payable	151,133	3	146,316	3
Other receivables (note 6 (d))	5,103	-	5,318	-	Other payables	270,919	6	210,817	6
Current tax assets	2	-	14,611	-	Other payables to related parties (note 7)	4,129	-	12,739	-
Inventories (note 6 (e))	590,155	13	520,084	12	Payable on machinery and equipment	13,152	-	12,894	-
Prepayments (note 9(b))	89,862	2	53,528	1	Current income tax liabilities	7,561	-	4,758	-
Other prepayments (note 6 (i))	17,999	-	15,082	-	Current lease liabilities (note 6 (n))	4,860	-	5,272	-
Other current financial assets (note 6 (i) and 8)	59,825	1	56,050	1	Other current liabilities, others (note 6 (l) and 7)	7,963	1	19,268	-
	<u>1,389,717</u>	<u>30</u>	<u>1,457,309</u>	<u>32</u>	Long-term borrowings, current portion (note 6 (m) and 8)	361,083	8	304,833	7
						<u>1,329,432</u>	<u>29</u>	<u>1,241,045</u>	<u>28</u>
Non-current assets:					Non-Current liabilities:				
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	36,100	1	36,100	1	Long-term borrowings (note 6 (m) and 8)	1,156,208	25	1,167,292	26
Property, plant and equipment (note 6 (f) and 8)	2,536,803	56	2,620,183	58	Deferred tax liabilities (note 6 (p))	491	-	218	-
Right-of-use assets (note 6 (g))	5,396	-	10,357	-	Non-current lease liabilities (note 6 (n))	724	-	5,321	-
Intangible assets (note 6 (h))	342,114	8	205,774	5	Guarantee deposit received	950	-	393	-
Deferred tax assets (note 6 (p))	50,536	1	28,339	1		<u>1,158,373</u>	<u>25</u>	<u>1,173,224</u>	<u>26</u>
Prepayments for business facilities	150,964	3	67,110	2		<u>2,487,805</u>	<u>54</u>	<u>2,414,269</u>	<u>54</u>
Guarantee deposits paid	4,996	-	5,270	-	Total liabilities				
Defined benefit assets, net (note 6 (o))	539	-	452	-	Equity attributable to owners of parent:(note 6 (q))				
Other non-current assets (note 6 (i) and 9(b))	46,717	1	54,158	1	Ordinary share	622,888	14	617,558	14
	<u>3,174,165</u>	<u>70</u>	<u>3,027,743</u>	<u>68</u>	Advance receipts for share capital	15,083	-	9,702	-
					Capital surplus	1,362,223	30	1,402,306	31
					Retained earnings	225,521	5	189,752	4
					Other equity	(18,225)	-	(15,550)	-
					Treasury shares	(138,141)	(3)	(138,141)	(3)
						<u>2,069,349</u>	<u>46</u>	<u>2,065,627</u>	<u>46</u>
					Total equity attributable to owners of parent:				
					Non-controlling interests	6,728	-	5,156	-
						<u>2,076,077</u>	<u>46</u>	<u>2,070,783</u>	<u>46</u>
					Total equity				
Total assets	<u>\$ 4,563,882</u>	<u>100</u>	<u>4,485,052</u>	<u>100</u>	Total liabilities and equity	<u>\$ 4,563,882</u>	<u>100</u>	<u>4,485,052</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Net operating revenues (note 6 (t) and 7)	\$ 1,849,924	100	1,668,586	100
Operating costs (note 6 (e), (o) and (u))	<u>1,066,793</u>	<u>58</u>	<u>919,461</u>	<u>55</u>
Gross profit from operations	<u>783,131</u>	<u>42</u>	<u>749,125</u>	<u>45</u>
Operating expenses (note 6 (c), (o),(r), (u) and 7))				
Selling expenses	302,768	16	235,804	14
Administrative expenses	237,771	13	221,041	13
Research and development expenses	187,860	10	247,875	15
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	<u>(20,562)</u>	<u>(1)</u>	<u>23,284</u>	<u>2</u>
	<u>707,837</u>	<u>38</u>	<u>728,004</u>	<u>44</u>
Net operating income	<u>75,294</u>	<u>4</u>	<u>21,121</u>	<u>1</u>
Non-operating income and expenses (note 6 (v)) :				
Interest income	713	-	1,315	-
Other income	16,700	1	25,847	2
Other gains and losses	929	-	4,380	-
Finance costs	<u>(19,051)</u>	<u>(1)</u>	<u>(21,552)</u>	<u>(1)</u>
	<u>(709)</u>	<u>-</u>	<u>9,990</u>	<u>1</u>
Profit before income tax	74,585	4	31,111	2
Less: tax income (note 6 (p))	<u>(14,740)</u>	<u>(1)</u>	<u>(32,409)</u>	<u>(2)</u>
Profit	<u>89,325</u>	<u>5</u>	<u>63,520</u>	<u>4</u>
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
(Losses) gains on remeasurements of defined benefit plans	<u>(66)</u>	<u>-</u>	<u>316</u>	<u>-</u>
	<u>(66)</u>	<u>-</u>	<u>316</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(3,015)	-	(4,741)	-
Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (p))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(3,015)</u>	<u>-</u>	<u>(4,741)</u>	<u>-</u>
	<u>(3,081)</u>	<u>-</u>	<u>(4,425)</u>	<u>-</u>
Other comprehensive income (after tax)				
Comprehensive income	\$ <u><u>86,244</u></u>	<u>5</u>	\$ <u><u>59,095</u></u>	<u>4</u>
Profit attributable to:				
Owners of parent	\$ 87,413	-	62,434	4
Non-controlling interests	<u>1,912</u>	<u>-</u>	<u>1,086</u>	<u>-</u>
Profit	\$ <u><u>89,325</u></u>	<u>-</u>	\$ <u><u>63,520</u></u>	<u>4</u>
Comprehensive income attributable to:				
Owners of parent	\$ 84,672	5	58,207	4
Non-controlling interests	<u>1,572</u>	<u>-</u>	<u>888</u>	<u>-</u>
Comprehensive income	\$ <u><u>86,244</u></u>	<u>5</u>	\$ <u><u>59,095</u></u>	<u>4</u>
Earnings per share (NT dollars) (note 6 (s))				
Basic earnings per share	\$ <u><u>1.45</u></u>		\$ <u><u>1.06</u></u>	
Diluted earnings per share	\$ <u><u>1.44</u></u>		\$ <u><u>1.03</u></u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital			Retained earnings									
	Ordinary shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owner of parent	Non-controlling interests	Total equity
Balance on January 1, 2020	\$ 596,698	41,308	638,006	1,337,126	109,163	1,383	106,047	216,593	(11,007)	(138,141)	2,042,577	4,268	2,046,845
Profit for the year ended December 31, 2020	-	-	-	-	-	-	62,434	62,434	-	-	62,434	1,086	63,520
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	316	316	(4,543)	-	(4,227)	(198)	(4,425)
Comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	62,750	62,750	(4,543)	-	58,207	888	59,095
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	-	10,626	-	(10,626)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	5,579	(5,579)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	-	(89,591)	(89,591)	-	-	(89,591)	-	(89,591)
Employee stock options compensation costs	-	-	-	15,535	-	-	-	-	-	-	15,535	-	15,535
Employee stock options exercised	20,860	(41,308)	(20,448)	78,718	-	-	-	-	-	-	58,270	-	58,270
Advance receipts for share capital	-	9,702	9,702	-	-	-	-	-	-	-	9,702	-	9,702
Cash dividends of capital surplus	-	-	-	(29,073)	-	-	-	-	-	-	(29,073)	-	(29,073)
Balance on December 31, 2020	617,558	9,702	627,260	1,402,306	119,789	6,962	63,001	189,752	(15,550)	(138,141)	2,065,627	5,156	2,070,783
Balance on January 1, 2021	617,558	9,702	627,260	1,402,306	119,789	6,962	63,001	189,752	(15,550)	(138,141)	2,065,627	5,156	2,070,783
Profit for the year ended December 31, 2021	-	-	-	-	-	-	87,413	87,413	-	-	87,413	1,912	89,325
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(66)	(66)	(2,675)	-	(2,741)	(340)	(3,081)
Comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	87,347	87,347	(2,675)	-	84,672	1,572	86,244
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	-	6,275	-	(6,275)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	4,795	(4,795)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(51,578)	(51,578)	-	-	(51,578)	-	(51,578)
Employee stock options compensation costs	-	-	-	12,773	-	-	-	-	-	-	12,773	-	12,773
Employee stock options exercised	5,330	(9,702)	(4,372)	19,850	-	-	-	-	-	-	15,478	-	15,478
Advance receipts for share capital	-	15,083	15,083	-	-	-	-	-	-	-	15,083	-	15,083
Cash dividends of capital surplus	-	-	-	(72,706)	-	-	-	-	-	-	(72,706)	-	(72,706)
Balance on December 31, 2021	\$ 622,888	15,083	637,971	1,362,223	126,064	11,757	87,700	225,521	(18,225)	(138,141)	2,069,349	6,728	2,076,077

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 74,585	31,111
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	143,765	152,551
Amortization expense	10,892	10,931
Expected credit (gain) loss	(20,562)	23,284
Interest expense	19,051	21,552
Interest revenue	(713)	(1,315)
Share-based payments transactions	12,773	15,535
Loss from disposal of property, plant and equipment	4	24
Loss (gain) on lease modification	6	(12)
Others	-	(189)
Total adjustments to reconcile profit	<u>165,216</u>	<u>222,361</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(5,219)	(8,171)
Trade receivable	61,171	228,825
Trade receivable due from related parties	40,321	53,809
Other receivables	37	(143)
Inventories	(71,552)	(125,183)
Other operating assets	(31,964)	(75,081)
	<u>(7,206)</u>	<u>74,056</u>
Changes in operating liabilities:		
Notes payable	5	849
Trade payable	4,817	(2,720)
Other payable	59,964	(66,617)
Other payable due from related parties	(8,610)	(16,955)
Other operating liabilities	(11,305)	8,117
	<u>44,871</u>	<u>(77,326)</u>
Total changes in operating assets and liabilities	<u>37,665</u>	<u>(3,270)</u>
Total adjustments	<u>202,881</u>	<u>219,091</u>
Cash inflow generated from operations	277,466	250,202
Interest received	891	1,112
Interest paid	(18,863)	(21,530)
Income taxes returned (paid)	10,228	(12,228)
Net cash flows from (used in) operating activities	<u>269,722</u>	<u>217,556</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(38,832)	(76,780)
Increase (Decrease) in refundable deposits	274	(752)
Acquisition of intangible assets	(147,094)	(167,120)
Increase in prepayments for business facilities	(98,643)	(52,495)
Increase in other financial assets	(3,775)	(33,621)
Net cash flows from (used in) investing activities	<u>(288,070)</u>	<u>(330,768)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,662,674	2,118,616
Decrease in short-term borrowings	(1,638,706)	(2,106,415)
Decrease in short-term notes and bills payable	(40,000)	(160,000)
Proceeds from long-term borrowings	500,000	700,000
Repayments of long-term borrowings	(454,834)	(400,667)
Cash dividends paid	(124,284)	(118,664)
Increase in guarantee deposits received	557	393
Payment of lease liabilities	(5,266)	(4,901)
Proceeds from exercise of employee share options	30,562	67,972
Net cash flows from (used in) financing activities	<u>(69,297)</u>	<u>96,334</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,517)</u>	<u>567</u>
Net decrease in cash and cash equivalents	(90,162)	(16,311)
Cash and cash equivalents at beginning of period	343,247	359,558
Cash and cash equivalents at end of period	<u>\$ 253,085</u>	<u>343,247</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Bionime Corporation (the “Company”) was incorporated in April 14, 2003 as a Company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) in December 2010. The address of the Company registered office is No.100, Sec. 2, Daqing St., South Dist., Taichung City, Taiwan. The Group primarily is involved in the manufacturing and selling medical instruments, providing biotechnology services, examining pharmaceuticals, and selling precision instruments.

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 22, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(4) Summary of significant accounting policies

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) 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 each Group is determined based on the primary economic environment in which the entities operate. The consolidated 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) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

- (ii) List of subsidiaries in the consolidated financial statements

Investor	Subsidiary	Primary Business	Primary business	
			December 31, 2021	December 31, 2020
The Company	Bionime Incorporated (B.V.I.)	Investing and holding	100 %	100 %
	Bionime GmbH	Merchandise trading	100 %	100 %
"	Bionime USA Corporation	Merchandise trading	100 %	100 %
"	Bionime Australia Pty Limited	Merchandise trading	100 %	100 %
"	Bionime (Malaysia) Sdn Bnd	Merchandise trading	66.06 %	66.06 %
Bionime Incorporated (B.V.I.)	Bionime (Shenzhen) Limited Company	Merchandise trading	100 %	100 %
Bionime(Shenzhen) Limited Company	Bionime (Pingtan) Limited Company	Manufacturing	100 %	100 %

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

- (d) Foreign currencies

- (i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Group at 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.

- (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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

- (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
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash 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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group 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 Group 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.

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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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 Group'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 Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

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

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

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

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to fully pay its credit obligations to the Group in full.

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

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

12-month ECL are the portion of ECL that resulting 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements 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).

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Group 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 liability removed and the consideration paid (including any non-cash assets transferred or extinguished assumed) is recognized in profit or loss.

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 Group 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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their 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.

(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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

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

(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 item 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

At inception of a contract, the Group 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.

(i) As a lessee

The Group 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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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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 Group's incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 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 modification

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 Group 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 Group 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 Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(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 Group 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 Group 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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(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) Computer software: 1~5 years
- 2) Development Cost: 4 years

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

(l) Impairment of non-financial assets

At each reporting date, the Group 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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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1) Sale of goods

The Group manufactures and sells blood glucose meter and test strips to medical equipment companies, pharmacies and hospitals. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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

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

2) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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- b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group'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 of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. The Group 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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.

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.

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.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or those recognized directly in equity or other comprehensive income, all current and deferred taxes are 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 except 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 Group 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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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 Group 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:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend 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.

(r) Earnings per share

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

(s) Operating segments

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and reflects the impact of COVID-19 is as follows:

(a) Valuation of inventories

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

(b) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Petty cash and cash on hand	\$ 1,211	1,791
Demand deposits	<u>251,874</u>	<u>341,456</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 253,085</u>	<u>343,247</u>

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(b) Financial assets at fair value through other comprehensive income— non-current

Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income		
Domestic unlisted common share- Bonraybio Co., Ltd.	\$ <u>36,100</u>	<u>36,100</u>

On January 1, 2021 and 2020, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

No strategic investments were disposed as of December 31, 2021 and 2020, 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(w)

As of December 31, 2021 and 2020, none of the financial assets of the Group had been pledged as collateral for borrowings.

(c) Note and trade receivables

	December 31, 2021	December 31, 2020
Note receivables from operating activities	\$ <u>16,773</u>	<u>11,554</u>
Trade receivables-measured as amortized cost	364,500	434,071
Trade receivables from related parties-measured as amortized cost	-	40,321
Less : Loss allowance	<u>(7,587)</u>	<u>(36,557)</u>
	<u>\$ 356,913</u>	<u>437,835</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 312,623	- %	-
1 to 90 days past due	68,387	10.71 %	7,324
91 to 180 days past due	18	100 %	18
More than 181 days past due	<u>245</u>	100 %	<u>245</u>
	<u>\$ 381,273</u>		<u>7,587</u>

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	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 434,353	- %	-
1 to 90 days past due	19,039	32.35 %	6,159
91 to 180 days past due	7,875	72.62 %	5,719
More than 181 days past due	24,679	100 %	24,679
	\$ 485,946		36,557

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

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 36,557	13,368
Impairment losses recognized	-	23,284
Amounts written off	(8,400)	(61)
Impairment losses reversed	(20,562)	-
Effect of movements exchange rates	(8)	(34)
Balance at December 31	\$ 7,587	36,557

None of the receivables was discounted or pledged as collateral as of December 31, 2021 and 2020.

(d) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ 5,103	5,318

For further credit risk information, please refer to note 6 (w).

(e) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 146,655	125,419
Less: Allowance for inventory valuation losses	(9,078)	(14,475)
	<u>137,577</u>	<u>110,944</u>
Work in progress	327,224	320,095
Less: Allowance for inventory valuation losses	(10,257)	(14,173)
	<u>316,967</u>	<u>305,922</u>
Raw materials	150,846	117,864
Less: Allowance for inventory valuation losses	(15,235)	(14,646)
	<u>135,611</u>	<u>103,218</u>
	\$ 590,155	520,084

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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The details of the cost of sales were as follows:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 1,057,162	895,278
(Reversal of provision) provisions for inventory valuation and obsolescence	(8,738)	21,106
Losses on disposal of scrap	20,980	6,959
Gains on physical inventory	(278)	(194)
Gains on disposal of leftover bits and pieces	(2,333)	(3,688)
Operating costs recognized	<u>\$ 1,066,793</u>	<u>919,461</u>

The Group measures its inventories at net realizable value. The amount of fair wear and tear, obsolescence, without active market for inventories was evaluated on reporting date and written down to lower of cost or net realizable value.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance on January 1, 2021	\$ 1,420,840	878,821	815,460	157,775	1,588	17,762	523,699	3,815,945
Additions	-	2,348	27,849	5,643	-	606	2,644	39,090
Disposal	-	-	(49,975)	-	-	-	(763)	(50,738)
Reclassification	-	-	8,460	6,191	-	-	1,482	16,133
Effect of movements in exchange rates	-	36	(16)	(73)	-	(54)	(148)	(255)
Balance on December 31, 2021	<u>\$ 1,420,840</u>	<u>881,205</u>	<u>801,778</u>	<u>169,536</u>	<u>1,588</u>	<u>18,314</u>	<u>526,914</u>	<u>3,820,175</u>
Balance on January 1, 2020	\$ 1,420,840	874,919	751,886	156,368	1,588	17,797	510,709	3,734,107
Additions	-	3,866	50,349	3,334	-	-	15,332	72,881
Disposal	-	-	(9,352)	(3,299)	-	-	(2,832)	(15,483)
Reclassification	-	-	22,675	1,694	-	-	543	24,912
Effect of movements in exchange rates	-	36	(98)	(322)	-	(35)	(53)	(472)
Balance on December 31, 2020	<u>\$ 1,420,840</u>	<u>878,821</u>	<u>815,460</u>	<u>157,775</u>	<u>1,588</u>	<u>17,762</u>	<u>523,699</u>	<u>3,815,945</u>
Depreciation and impairment loss :								
Balance on January 1, 2021	\$ -	147,780	596,950	143,650	1,276	16,684	289,422	1,195,762
Depreciation for the year	-	23,516	63,893	13,021	144	631	37,346	138,551
Disposals	-	-	(49,975)	-	-	-	(759)	(50,734)
Effect of movements in exchange rates	-	7	(14)	(73)	-	(12)	(115)	(207)
Balance on December 31, 2021	<u>\$ -</u>	<u>171,303</u>	<u>610,854</u>	<u>156,598</u>	<u>1,420</u>	<u>17,303</u>	<u>325,894</u>	<u>1,283,372</u>

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Balance on January 1, 2020	\$ -	124,399	539,690	129,570	1,132	15,071	254,573	1,064,435
Depreciation for the year	-	23,374	66,705	17,701	144	1,624	37,705	147,253
Disposal	-	-	(9,352)	(3,299)	-	-	(2,808)	(15,459)
Effect of movements in exchange rates	-	7	(93)	(322)	-	(11)	(48)	(467)
Balance on December 31, 2020	<u>\$ -</u>	<u>147,780</u>	<u>596,950</u>	<u>143,650</u>	<u>1,276</u>	<u>16,684</u>	<u>289,422</u>	<u>1,195,762</u>
Carrying amounts:								
Balance on December 31, 2021	<u>\$ 1,420,840</u>	<u>709,902</u>	<u>190,924</u>	<u>12,938</u>	<u>168</u>	<u>1,011</u>	<u>201,020</u>	<u>2,536,803</u>
Balance on December 31, 2020	<u>\$ 1,420,840</u>	<u>731,041</u>	<u>218,510</u>	<u>14,125</u>	<u>312</u>	<u>1,078</u>	<u>234,277</u>	<u>2,620,183</u>
Balance on January 1, 2020	<u>\$ 1,420,840</u>	<u>750,520</u>	<u>212,196</u>	<u>26,798</u>	<u>456</u>	<u>2,726</u>	<u>256,136</u>	<u>2,669,672</u>

(i) Disclosures on pledges

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had been pledged as collateral for borrowings; please refer to Note 8.

(ii) Property, plant and equipment under construction

For the years ended December 31, 2021 and 2020, capitalized borrowing costs related to the construction of the new plant amounted to \$803 thousand and \$816 thousand, with a capitalization rate of 0.8923% to 0.9880% and 1.669% ~1.793% respectively.

(g) Right-of-use assets

The Group leases many assets including buildings, vehicles, and machinery and equipment. Information about leases for which the Group as a lessee was presented below:

	Buildings	Transportation Equipment	Machinery and equipment	Total
Costs:				
Balance at January 1, 2021	\$ 15,372	475	1,048	16,895
Additions	-	470	-	470
Disposal		(476)	-	(476)
Effects of retrospective application	(114)	-	-	(114)
Balance at December 31, 2021	<u>\$ 15,258</u>	<u>469</u>	<u>1,048</u>	<u>16,775</u>
Balance at January 1, 2020	\$ 9,529	207	1,048	10,784
Additions	9,061	268	-	9,329
Disposal	(2,775)	-	-	(2,775)
Effects of retrospective application	(443)	-	-	(443)
Balance at December 31, 2020	<u>\$ 15,372</u>	<u>475</u>	<u>1,048</u>	<u>16,895</u>

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	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Machinery and equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 5,876	296	366	6,538
Depreciation for the year	4,853	151	210	5,214
Disposal	-	(330)	-	(330)
Effects of retrospective application	(43)	-	-	(43)
Balance at December 31, 2021	<u>\$ 10,686</u>	<u>117</u>	<u>576</u>	<u>11,379</u>
Balance at January 1, 2020	\$ 3,860	155	157	4,172
Depreciation for the year	4,948	141	209	5,298
Disposal	(2,775)	-	-	(2,775)
Effects of retrospective application	(157)	-	-	(157)
Balance at December 31, 2020	<u>\$ 5,876</u>	<u>296</u>	<u>366</u>	<u>6,538</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 4,572</u>	<u>352</u>	<u>472</u>	<u>5,396</u>
Balance at December 31, 2020	<u>\$ 9,496</u>	<u>179</u>	<u>682</u>	<u>10,357</u>
Balance at January 1, 2020	<u>\$ 5,669</u>	<u>52</u>	<u>891</u>	<u>6,612</u>

(h) Intangible Assets

	<u>Computer software</u>	<u>Development cost</u>	<u>Total</u>
Costs:			
Balance at January 1, 2021	\$ 28,742	191,404	220,146
Additions	10,790	-	10,790
Acquisition-internally developed	-	136,304	136,304
Reclassification	138	-	138
Disposal	(4,869)	-	(4,869)
Effect of movements in exchange rates	2	-	2
Balance on December 31, 2021	<u>\$ 34,803</u>	<u>327,708</u>	<u>362,511</u>
Balance on January 1, 2020	\$ 23,590	35,218	58,808
Additions	10,934	-	10,934
Acquisition-internally developed	-	156,186	156,186
Reclassification	82	-	82
Disposal	(5,867)	-	(5,867)
Effects of movements in exchange rates	3	-	3
Balance at December 31, 2020	<u>28,742</u>	<u>191,404</u>	<u>220,146</u>

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	<u>Computer software</u>	<u>Development cost</u>	<u>Total</u>
Amortization and Impairment Loss:			
Balance at January 1, 2021	\$ 14,372	-	14,372
Amortization for the year	10,892	-	10,892
Disposal	(4,869)	-	(4,869)
Effects of movements in exchange rates	<u>2</u>	<u>-</u>	<u>2</u>
Balance at December 31, 2021	<u><u>\$ 20,397</u></u>	<u><u>-</u></u>	<u><u>20,397</u></u>
Balance at January 1, 2020	\$ 9,305	-	9,305
Amortization for the year	10,931	-	10,931
Disposal	(5,867)	-	(5,867)
Effects of movements in exchange rates	<u>3</u>	<u>-</u>	<u>3</u>
Balance at December 31, 2020	<u><u>\$ 14,372</u></u>	<u><u>-</u></u>	<u><u>14,372</u></u>
Carrying amounts:			
Balance on December 31, 2021	<u><u>\$ 14,406</u></u>	<u><u>327,708</u></u>	<u><u>342,114</u></u>
Balance on December 31, 2020	<u><u>\$ 14,370</u></u>	<u><u>191,404</u></u>	<u><u>205,774</u></u>
Balance on January 1, 2020	<u><u>\$ 14,285</u></u>	<u><u>35,218</u></u>	<u><u>49,503</u></u>

The Group is dedicated to developing the new product, Continuous Glucose Monitoring (CGM). For the year ended December 31, 2019, the product has met the criteria to capitalize, and therefore capitalized relevant development cost and amortized in 4 years after the capitalized period ended. For the year ended December 31, 2021, the Group capitalized \$327,708 thousand.

(i) Amortization

The amortization of intangible assets are included in the statement of comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Operating costs	<u><u>\$ 352</u></u>	<u><u>563</u></u>
Operating expenses	<u><u>\$ 10,540</u></u>	<u><u>10,368</u></u>

(ii) Disclosures on pledges

As of December 31, 2021 and 2020, none of the intangible assets of the Group had been pledged as collateral.

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(i) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

	December 31, 2021	December 31, 2020
Other financial assets		
Other current financial assets	\$ <u>59,825</u>	<u>56,050</u>
Other current assets		
Overpaid sales tax	\$ 8,317	8,334
Temporary payments	7,285	5,737
Others	<u>2,397</u>	<u>1,011</u>
	<u>\$ 17,999</u>	<u>15,082</u>
Other non-current assets		
Other non-current assets-other	\$ <u>46,717</u>	<u>54,158</u>

- (i) Other financial assets-current are the time deposits which are over three months of original expiry date. For the collateral pledged status, please refer to note 8.
- (ii) For further credit risk information, please refer to note 6(w).
- (iii) Other non-current assets-other mainly consist of prepayment of royalties to GE company, for further contract details please refer to note 9(b).

(j) Short-term notes and bills payable

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

	December 31, 2020		
	Guarantee or acceptance institution	Range of interest rate (%)	Amounts
Commercial paper payable	Unsecured commercial paper	1.13%	\$ 40,000
Less: Discount on short-term notes and bills payable			<u>(50)</u>
Total			<u>\$ 39,950</u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 457,778	383,349
Secured bank loans	50,000	100,000
	<u>\$ 507,778</u>	<u>483,349</u>
Unused credit line	<u>\$ 1,283,972</u>	<u>1,057,151</u>
Range of Interest rates	<u>0.6846%~1.1100%</u>	<u>0.6086%~2.8938%</u>

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

(l) Other current liabilities

The other current liabilities were as follows:

	December 31, 2021	December 31, 2020
Temporary receipts	\$ 3,140	323
Contract liability	2,285	15,006
Others	2,538	3,939
	<u>\$ 7,963</u>	<u>19,268</u>

(m) Long-term borrowings

The details were as follows:

December 31, 2021				
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	NTD	1.00%	2023~2030	\$ 1,467,291
Unsecured bank loans	NTD	1.10%	2023	50,000
Less: current portion				(361,083)
Total				<u>\$ 1,156,208</u>
Unused credit line				<u>\$ -</u>

December 31, 2020				
	Currency	Interest rates	Maturity year	Amount
Unsecured bank loans	NTD	1.00%	2023~2030	\$ 1,422,125
Secured bank loans	NTD	1.20%	2021	50,000
Less: current portion				(304,833)
Total				<u>\$ 1,167,292</u>
Unused credit line				<u>\$ -</u>

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

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>4,860</u>	<u>5,272</u>
Non-current	\$ <u>724</u>	<u>5,321</u>

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

The amounts recognized in profit or loss was as follows:

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$ <u>262</u>	<u>427</u>
Expenses relating to short-term leases	\$ <u>13,010</u>	<u>10,868</u>
COVID-19 related rent concessions (recognized as deduction of rent expenses)	\$ <u>-</u>	<u>189</u>

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

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	\$ <u>18,538</u>	<u>16,196</u>

(i) Real estate leases

The Group leases land and buildings for its office space and warehouses. 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.

Some leases contain extension or cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

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

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Employee Benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 4,060	3,919
Fair value of plan assets	<u>(4,599)</u>	<u>(4,371)</u>
Net defined benefit liabilities (assets)	<u>\$ (539)</u>	<u>(452)</u>

The Group's employee benefit liabilities were as follows:

	December 31, 2021	December 31, 2020
Short-term vacation liability	<u>\$ 9,012</u>	<u>7,848</u>

The Group 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 Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$4,598 thousand as of December 31, 2021. 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 the defined benefit obligations of the Group were as follows:

	2021	2020
Defined benefit obligation at January 1	\$ 3,919	4,090
Current service costs and interest cost	35	45
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
— financial assumptions	<u>106</u>	<u>(216)</u>
Defined benefit obligation at December 31	<u>\$ 4,060</u>	<u>3,919</u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets of the Group were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 4,371	4,075
Interest income	40	46
Contributions paid by the employer	150	150
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	38	100
Fair value of plan assets at December 31	<u>\$ 4,599</u>	<u>4,371</u>

4) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Net interest of net liabilities for the defined benefit obligations	\$ <u>(5)</u>	<u>(1)</u>
Administration expenses	\$ <u>(5)</u>	<u>(1)</u>

5) Actuarial assumptions

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.60 %	0.90 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$150 thousand.

The weighted average lifetime of the defined benefit plans is 20.8 years.

6) Sensitivity analysis

As of December 31, 2021 and 2020, the impact on the present value of the defined benefit obligation, due to the change in actuarial assumption, was as follows:

	<u>Influences of defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2021		
Discount rate	\$ (199)	211
	<u>Increase 1.00%</u>	<u>Decrease 1.00%</u>
Future salary increases rate	\$ 891	(732)

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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	Influences of defined benefit obligation	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2020		
Discount rate	\$ (201)	214
Future salary increases rate	909	(739)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions 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 2021 and 2020.

(ii) Defined benefit plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the defined contribution plan have been contributed to the Bureau of the Labor Insurance. The amounts of \$2,101 thousand and \$2,061 thousand for the years ended December 31, 2021 and 2020 respectively were transferred to intangible assets as they were eligible for capitalization, please refer to note 6(h), and the remaining pension costs are \$21,077 thousand and \$21,035 thousand separately.

Other subsidiaries established their retirement plans in accordance with each local regulation. The Group recognized the pension costs of \$10,180 thousand and \$4,278 thousand in 2021 and 2020, respectively.

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Income Taxes

(i) Income Tax Income

The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Current period	\$ 2,799	811
Adjustment for prior periods	4,380	(7,911)
5% surtax on un-distributed earnings	<u>5</u>	<u>9</u>
	<u>7,184</u>	<u>(7,091)</u>
Deferred tax expense		
Origination and reversal of temporary differences	\$ (21,924)	(25,318)
Tax income	<u><u>\$ (14,740)</u></u>	<u><u>(32,409)</u></u>

None of the amount of income tax recognized in other comprehensive income for 2021 and 2020.

Reconciliation of income tax and profit before tax for 2021 and 2020, is as follows.

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	\$ 74,585	31,111
Income tax using the Company's domestic tax rate	\$ 14,917	6,222
Effect of tax rates in foreign jurisdiction	2,287	(4,404)
Non-deductible expenses	761	26
Book-tax income differences of the revenue and expense	(27,028)	(31,543)
Recognition of previously unrecognized tax losses	(2,709)	(2,877)
Changes in unrecognized temporary differences	(6,401)	8,069
Prior years income tax adjustment	4,380	(7,911)
Adjustment of deferred tax assets for prior years	(952)	-
5% surtax on undistributed earnings	<u>5</u>	<u>9</u>
	<u><u>\$ (14,740)</u></u>	<u><u>(32,409)</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Tax effect of deductible temporary differences	\$ 5,712	12,114
The carry-forward of unused tax losses	<u>49,181</u>	<u>56,786</u>
	<u><u>\$ 54,893</u></u>	<u><u>68,900</u></u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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As the profitability of its subsidiaries is yet to stabilize, the tax losses are not recognized as deferred tax assets since it is not probable that it will be realized.

As of December 31 2021, the information of the subsidiaries unused tax losses, for which no deferred tax assets were recognized, are as follows:

Subsidiaries	Year of loss	Unused tax loss	Remark
Bionime USA Corporation	2011	\$ 45,497	Number of declarations
Bionime USA Corporation	2012	140,649	Number of declarations
Bionime USA Corporation	2013	39,788	Number of declarations
Bionime USA Corporation	2014	8,259	Number of declarations
		<u><u>\$ 234,193</u></u>	

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at December 31, 2021 and 2020. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets. Details are as follows:

	December 31, 2021	December 31, 2020
Aggregated amount of temporary differences related to investments in subsidiaries	<u><u>\$ 257,962</u></u>	<u><u>270,923</u></u>
Unrecognized deferred tax assets	<u><u>\$ 51,592</u></u>	<u><u>54,185</u></u>

2) **Unrecognized deferred tax liabilities**

The consolidated entity is able to control the timing of the temporary differences associated with its investments in subsidiaries as at December 31, 2021 and 2020. 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, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	<u><u>\$ 25,305</u></u>	<u><u>27,902</u></u>
Unrecognized deferred tax liabilities	<u><u>\$ 5,061</u></u>	<u><u>5,580</u></u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020, 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	Operating loss carry forward	Reserve liability	Total
Balance at January 1, 2021	\$ 3,891	-	3,866	20,582	-	28,339
Recognized in profit or loss	(1,090)	-	155	23,075	57	22,197
Balance at December 31, 2021	<u>\$ 2,801</u>	<u>-</u>	<u>4,021</u>	<u>43,657</u>	<u>57</u>	<u>50,536</u>
Balance at January 1, 2020	\$ 2,023	274	602	-	-	2,899
Recognized in profit or loss	1,868	(274)	3,264	20,582	-	25,440
Balance at December 31, 2020	<u>\$ 3,891</u>	<u>-</u>	<u>3,866</u>	<u>20,582</u>	<u>-</u>	<u>28,339</u>

Deferred Tax Liabilities:

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2021	\$ 36	182	218
Recognized in profit or loss	226	47	273
Balance at December 31, 2021	<u>\$ 262</u>	<u>229</u>	<u>491</u>
Balance at January 1, 2020	\$ -	96	96
Recognized in profit or loss	36	86	122
Balance at December 31, 2020	<u>\$ 36</u>	<u>182</u>	<u>218</u>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Subsidiaries	Year of loss	Unused tax loss	Remark
Parent Company	2020	\$ 45,497	Number of declarations
Parent Company	2021	140,649	Number of declarations
		<u>\$ 234,193</u>	

(iii) Assessment of tax

The Group's tax returns for the years through 2019 were assessed by the Tax Authority.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital and Other Equity

As of December 31 2021 and 2020, the numbers of authorized ordinary shares were 100,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$1,000,000 thousand (and of which \$60,000 thousand was reserved for the exercising of employee share options for each year). As of the date, 62,289 thousand (2019: 61,756 thousand) of ordinary thousand shares amounted to \$622,888 thousand (2019: \$617,558 thousand) were issued.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2021	2020
Balance on January 1	\$ 61,756	59,670
Exercise of share options	533	2,086
Balance on December 31	<u><u>\$ 62,289</u></u>	<u><u>61,756</u></u>

(i) Ordinary shares

The Group issued 68 thousand, 173 thousand, 231.5 thousand and 145.2 thousand new shares for employee stock options, with a par value of \$10 per share. The shares were exercised at \$46.4, \$46.6, \$48 and \$56.7 per share, with the carrying values of \$3,155 thousand, \$8,062 thousand, \$11,112 thousand and \$8,233 thousand, respectively, in 2021.

Among the shares exercised, 68 thousand shares and 164 thousand shares had the exercise prices of \$46.4 and \$48, respectively, which were registered on June 24, 2021. 40.5 thousand shares had the exercise prices of \$48 which were registered on August 30, 2021. In addition, 26 thousand shares and 27 thousand shares had the exercise prices of \$46.6 and \$48, respectively, which were registered on November 15, 2021. The payments for all of the above shares had been received as of the reporting date. Furthermore, the amount of \$15,083 thousand from the remaining 292.2 thousand unregistered shares had been collected for the year ended December 31, 2021. 207.5 thousand shares which had issued in 2020 were registered on February 18, 2021. All issued shares were paid upon issuance and the relevant statutory registration procedures have since been completed.

The Group issued 836 thousand, 183 thousand, 346 thousand and 62.5 thousand new shares for employee stock options, with a par value of \$10 per share. The shares were exercised at \$47.7, \$49.4, \$46.4 and \$48 per share, with the carrying values of \$39,877 thousand, \$9,040 thousand, \$16,054 thousand and \$3,000 thousand, respectively, in 2020.

Among the shares exercised, 804 thousand shares and 182 thousand shares had the exercise prices of \$47.7 and \$49.4, respectively, which were registered on May 18, 2020. In addition, 190 thousand shares and 44 thousand shares had the exercise prices of \$46.4 and \$48, respectively, which were registered on October 19, 2020. The payment for all of the above shares have been received as of the reporting date. Furthermore, the amount of \$9,702 thousand from the remaining 207.5 thousand unregistered shares had been collected for the year ended December 31, 2020. The Group had received the approval from the Financial Suspensory Commission for the above capital increase, with the base date set on February 18, 2021. All the relevant statutory registration procedures have since been completed.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(ii) Capital surplus

The balance of capital surplus as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 1,100,804	1,173,510
Share capital for employee share options exercised	107,083	87,233
Employee share options	55,437	48,865
Expired options	98,884	92,683
The variation of ownership recognized in the subsidiary	15	15
	<u><u>\$ 1,362,223</u></u>	<u><u>1,402,306</u></u>

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 capital surplus in excess of the par value should not exceed 10% of the total common stock outstanding.

The company has determined to distribute \$72,706 thousand and \$29,073 thousand as cash dividends out of APIC (Additional Paid-In Capital) on August 30, 2021 and June 30, 2020 with approval subjected to the stockholders' meeting, respectively.

(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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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2) Special reserve

During the earnings of distribution, the amount to be reclassified as a special reserve (which does not qualify for earnings distribution) should be equal to the total net current-period reduction of other shareholders' equity in accordance with the regulation of Taiwan Stock Exchange Authority. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The balance of the special reserve amounted to \$11,757 thousand and \$6,962 thousand for the years ended December 31, 2021 and 2020, respectively.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2020 and 2019 had been approved during the board meeting on August 30, 2021 and June 30, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ <u>0.83</u>	<u>51,578</u>	<u>1.51</u>	<u>89,591</u>

The amounts of cash dividends on the appropriations of earnings for 2021 had been approved during the board meeting and shareholders' meeting on March 22, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
	\$ <u>1.25</u>	<u>75,753</u>

(iii) Treasury shares

As of December 31, 2021, a total of 2,000 thousand shares of the Company 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 thousand shares, with a total value of no more than \$1,773,235 thousand.

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.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(iv) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2021	\$ (15,550)
Exchange differences on foreign operations	(2,675)
Balance at December 31, 2021	\$ (18,225)
Balance at January 1, 2020	\$ (11,007)
Exchange differences on foreign operations	(4,543)
Balance at December 31, 2020	\$ (15,550)

(r) Share-Based Payment

(i) Employee stock options

As of December 31, 2021, details of the Employee Stock Option Plans ("ESOP") issued by the Company 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	2019.11.5~2024.11.4
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:

	2021		
	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	46.4	46.6	56.7
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%

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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	2020		
	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	46.4	48.0	58.5
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%

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Group determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, and they are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2021		2020	
(in dollars)	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	\$ 56.87	3,160,000	55.45	4,880,000
Granted during the year (number)		-		-
Forfeited during the year (number)		(400,800)		(292,000)
Exercised during the year (number)		(617,700)		(1,427,500)
Expired during the year (number)		(6,500)		(500)
Outstanding at December 31	56.70	<u>2,135,000</u>	56.87	<u>3,160,000</u>
Exercisable at December 31		<u>2,135,000</u>		<u>3,160,000</u>

(ii) Employee recognized in profit or loss

The Group incurred expenses and liabilities of share-based arrangements in 2021 and 2020 were as follows:

	2021	2020
Expenses resulting from granted employee share options	<u>\$ 12,773</u>	<u>15,535</u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per Share

(i) Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2021 and 2020 were based on the profit attributable to ordinary shareholders of the Company amounting to \$87,413 thousand and \$62,434 thousand, respectively; and the weighted average number of ordinary shares outstanding of 60,078 thousand shares and 59,176 thousand shares, respectively, were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ <u><u>87,413</u></u>	<u><u>62,434</u></u>

2) Weighted average number of ordinary shares

	2021	2020
Weighted-average number of ordinary shares at December 31	<u><u>60,078</u></u>	<u><u>59,176</u></u>

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2021 and 2020 were based on profit attributable to ordinary shareholders of the Company amounting \$87,413 thousand and \$62,434 thousand, respectively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,827 thousand shares and 60,376 thousand shares were calculated as follows:

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

	2021	2020
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u><u>87,413</u></u>	<u><u>62,434</u></u>

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

	2021	2020
Weighted-average number of ordinary shares (basic)	60,078	59,176
Effect of dilutive potential ordinary shares		
Effect of issuance of employee share options	611	1,128
Effect of employee share bonus	<u>138</u>	<u>72</u>
Weighted-average number of ordinary shares (diluted) at December 31	<u><u>60,827</u></u>	<u><u>60,376</u></u>

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
<u>Primary geographical markets</u>		
China	\$ 329,827	173,625
Switzerland	234,484	235,501
United State	190,928	177,635
Algeria	141,809	251,467
Egypt	76,253	96,809
Other	<u>876,623</u>	<u>733,549</u>
	<u><u>\$ 1,849,924</u></u>	<u><u>1,668,586</u></u>
<u>Major products</u>		
Meter and Strips	<u><u>\$ 1,849,924</u></u>	<u><u>1,688,586</u></u>

(ii) Contract balance

	<u>2021</u>	<u>2020</u>
Contract liabilities	<u><u>\$ 2,285</u></u>	<u><u>15,006</u></u>

The amount of revenue recognized for the years ended December 31, 2021 sand 2020 that was included in the contact liability balance at the beginning of the period were \$15,006 thousand and \$1,228 thousand, respectively.

(u) Employee compensation, directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1.5% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$10,000 thousand and \$2,200 thousand and directors and supervisors remuneration amounting to \$2,430 thousand and \$500 thousand 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 2021 and 2020. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Non-operating Income and Expenses

(i) Interest income

The details of interest income for the years 2021 and 2020 were as follows:

	2021	2020
Interest income from bank deposits	\$ <u>713</u>	<u>1,315</u>

(ii) Other income

The details of other income for the years 2021 and 2020 were as follows:

	2021	2020
Rent income	\$ 487	548
Other income, others	<u>16,213</u>	<u>25,299</u>
	\$ <u>16,700</u>	<u>25,847</u>

(iii) Other gains and losses

The details of other gains and losses for the years 2021 and 2020 were as follows:

	2021	2020
Foreign exchange gains	\$ 939	4,392
Losses on disposals of property, plant and equipment	(4)	(24)
(Loss) profit of lease modification	<u>(6)</u>	<u>12</u>
	\$ <u>929</u>	<u>4,380</u>

(iv) Finance costs

The details of financial costs for the years 2021 and 2020 were as follows:

	2021	2020
Interest expenses-bank loans	\$ 18,789	21,125
Interest of lease liabilities	<u>262</u>	<u>427</u>
	\$ <u>19,051</u>	<u>21,552</u>

(w) 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 consolidated balance sheet.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The major clients of Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the trade receivable and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2021 and 2020, 43% and 54%, respectively, of trade receivables were comprised of five major customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to note 6 (c).

Other financial assets at amortized cost includes other receivables and time deposits. For the details on loss allowance, please refer to note 6(d) and note 6 (i).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 -2 years</u>	<u>2 -5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,517,291	1,532,505	415,234	382,580	542,791	191,900
Unsecured bank loans	507,778	512,849	462,299	50,550	-	-
Notes and trade payables	151,987	151,987	151,987	-	-	-
Other payables (including related parties)	275,048	275,048	275,048	-	-	-
Payable on machinery and equipment	13,152	13,152	13,152	-	-	-
Lease liabilities (Current and Non-Current)	<u>5,584</u>	<u>5,668</u>	<u>4,941</u>	<u>633</u>	<u>94</u>	<u>-</u>
	<u>\$ 2,470,840</u>	<u>2,491,209</u>	<u>1,322,661</u>	<u>433,763</u>	<u>542,885</u>	<u>191,900</u>

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 -2 years</u>	<u>2 -5 years</u>	<u>Over 5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,522,125	1,537,426	358,462	328,923	606,968	243,073
Unsecured bank loans	433,349	437,245	437,245	-	-	-
Short-term notes and bills payable	39,950	40,000	40,000	-	-	-
Notes and trade payables	147,165	147,165	147,165	-	-	-
Other payables (including related parties)	223,556	223,556	223,556	-	-	-
Payable on machinery and equipment	12,894	12,894	12,894	-	-	-
Lease liabilities (Current and Non-Current)	<u>10,593</u>	<u>10,936</u>	<u>5,533</u>	<u>4,870</u>	<u>533</u>	<u>-</u>
	<u>\$ 2,389,632</u>	<u>2,409,222</u>	<u>1,224,855</u>	<u>333,793</u>	<u>607,501</u>	<u>243,073</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

		<u>December 31, 2021</u>			<u>December 31, 2020</u>		
		<u>Foreign currency</u>	<u>Exchange rates</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rates</u>	<u>NTD</u>
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	USD	11,862	27.67	328,221	USD 14,897	28.10	418,606
EUR	EUR	3,253	31.37	102,047	EUR 3,161	34.53	109,149
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	USD	13,062	27.67	361,426	USD 14,473	28.10	406,691
EUR	EUR	2,694	31.37	84,511	EUR 2,197	34.53	75,862

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the NTD against the USD and the EUR as of December 31, 2021 and 2020, would have (decreased) increased the net profit after tax by \$63 thousand and \$181 thousand, respectively.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2021 and 2020, the foreign exchange gain (including realized and unrealized portions) amounted to \$939 thousand and \$4,392 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5%, the Group's net income would have increased / decreased by \$8,100 thousand and \$7,822 thousand for the year ended December 31, 2021 and 2020, respectively with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	\$ 253,085	-	-	-	-
Notes and trade receivables (including related parties)	373,686	-	-	-	-
Other receivables	5,103	-	-	-	-
Other financial assets-current	59,825	-	-	-	-
	691,699	-	-	-	-
	\$ 727,799	-	-	36,100	36,100

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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		December 31, 2021			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	\$ 507,778	-	-	-	-
Notes and trade payables, and other payables (including related parties)	427,035	-	-	-	-
Payable on machine and equipment	13,152	-	-	-	-
Lease liabilities (Current and Non-current)	5,584	-	-	-	-
Long-term borrowings, including current portion	1,517,291	-	-	-	-
	<u>\$ 2,470,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2020			
		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	\$ 343,247	-	-	-	-
Notes and trade receivables (including related parties)	449,389	-	-	-	-
Other receivables	5,318	-	-	-	-
Other financial assets-current	56,050	-	-	-	-
	<u>854,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 890,104</u>	<u>-</u>	<u>-</u>	<u>36,100</u>	<u>36,100</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 483,349	-	-	-	-
Short-term notes and bills payable	39,950	-	-	-	-
Notes and trade payables, and other payables (including related parties)	370,721	-	-	-	-
Payable on machine and equipment	12,894	-	-	-	-
Lease liabilities (Current and Non-current)	10,593	-	-	-	-
Long-term borrowings, including current portion	1,472,125	-	-	-	-
	<u>\$ 2,389,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value :

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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3) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2021 and 2020.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2021 (i.e. December 31, 2021)	\$ 36,100
Opening balance, January 1, 2020 (i.e. December 31, 2020)	\$ 36,100

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value is "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

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, 2021 ; 25%~100%) - Weight average capital cost (December 31, 2021 ; 9.50%)	- the annual revenue growth rate was higher, the fair value was higher - the weight average capital cost was higher, the fair value was lower

(x) Financial Risk Management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arise principally from the Group's receivables from customers and investment in debt securities.

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish 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.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantee

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2021, no guarantees were outstanding (2020: none).

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2021 and 2020, the Group's unused credit lines were amounted to \$1,283,972 thousand and \$1,057,151 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the operating center.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily New Taiwan Dollars (NTD) 、EUR 、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 Group by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are :

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

3) Other market price risk

The Group is not exposed to equity price risk from its investments in equity securities.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(y) Capital Management

The Group's objectives for managing capital to safeguard its capacity to continue to operate, and provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2021, the Group's capital management strategy is consistent with that of the prior year as of December 31, 2020 and the debt to equity ratio is maintained within 30% to 75% to ensure financing at reasonable cost. The Group's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 2,487,805	2,414,269
Less: cash and cash equivalents	<u>253,085</u>	<u>343,247</u>
Net debt	<u>\$ 2,234,720</u>	<u>2,071,022</u>
Total equity	<u>\$ 2,076,077</u>	<u>2,070,783</u>
Total capital	<u>\$ 4,310,797</u>	<u>4,141,805</u>
Debt-to-equity ratio at 31 December	<u>51.84%</u>	<u>50.00%</u>

(z) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows :

- (i) For right-of-assets under leases, please refer to note 6(n).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2021	Cash flows	Non-cash changes				December 31,2021
			Additions	Foreign exchange movement	Release the lease	(Profit) loss of lease modification	
Long-term borrowings	\$ 1,472,125	45,166	-	-	-	-	1,517,291
Short-term borrowings	483,349	23,968	-	461	-	-	507,778
Lease liabilities (current and non-current)	<u>10,593</u>	<u>(5,266)</u>	<u>470</u>	<u>(74)</u>	<u>(145)</u>	<u>6</u>	<u>5,584</u>
Total liabilities from financing activities	<u>\$ 1,966,067</u>	<u>63,868</u>	<u>470</u>	<u>387</u>	<u>(145)</u>	<u>6</u>	<u>2,030,653</u>

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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	January 1,2020	Cash flows	Additions	Non-cash changes			December 31,2020
				Foreign exchange movement	(Profit) loss of lease modification	Changes in lease payments	
Long-term borrowings	\$ 1,172,792	299,333	-	-	-	-	1,472,125
Short-term borrowings	465,799	12,201	-	5,349	-	-	483,349
Lease liabilities (current and non-current)	6,663	(4,901)	9,329	(297)	(12)	(189)	10,593
Total liabilities from financing activities	<u>\$ 1,645,254</u>	<u>306,633</u>	<u>9,329</u>	<u>5,052</u>	<u>(12)</u>	<u>(189)</u>	<u>1,966,067</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with a related party during the periods covered in the consolidated financial statements.

<u>Name of related Party</u>	<u>Relationship with the Group</u>
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 personnel
HUANG, CHUN-MU	Key management personnel

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to its related party were as follows:

	<u>2021</u>	<u>2020</u>
Key management personnel of the Group — Tonghua Dongbao	\$ 103,989	122,630
Other related parties — Juyi	-	2,367
	<u>\$ 103,989</u>	<u>124,997</u>

The price given to the related-party is lower than general customers. The general customer's collection term is about 45 to 120 days or advance sales receipts, for the key management personnel of the Group, the collection conditions is advance sales receipts or 45 days from the end of the month of when the invoice is issued.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(ii) Purchases

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

	<u>2021</u>	<u>2020</u>
Key management personnel of the Group		
— Tonghua Dongbao	\$ -	43,074

The payment terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trade receivables	Key management personnel of the Group		
	— Tonghua Dongbao	\$ -	40,038
Trade receivables	Other related parties — Juyi	-	283
		<u>\$ -</u>	<u>40,321</u>

(iv) Payables to Related Parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Key management personnel of the Group		
	— Tonghua Dongbao	\$ 4,129	12,739

(v) Others(account for other current liabilities)

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Advance sales receipts	Key management personnel of the Group		
	— Tonghua Dongbao	\$ -	8,633

(vi) Others

- 1) The service expense of \$5,124 thousand and \$21,842 thousand in 2021 and 2020, respectively, which caused by signing contract with other related parties — Juyi was under selling expenses.
- 2) The sales expense of \$511 thousand and \$0 in 2021 and 2020, respectively, which caused by signing contract with key management personnel of the Group-Tonghua Dongbao was under selling expenses.
- 3) The Group entered into a patent license agreement with the key management. The agreement is from June 30, 2004, to April 17, 2023, and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 17,947	16,506
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payments	920	991
	<u>\$ 18,867</u>	<u>17,497</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Property, plant and equipment	Guarantee for bank loans	\$ 2,124,495	2,145,399
Other financial assets-current	Purchase deposit	200	200
		<u>\$ 2,124,695</u>	<u>2,145,599</u>

(9) Significant commitments and contingencies

(a) Unrecognized contractual commitments are as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Acquisition of property, plant and equipment	\$ 14,032	20,184

(b) Contingencies

- (i) The Group had entered into a trademark license agreement with GE in February 2020, with contract period of 10 years, and a minimum royalty of USD 2,500 thousand, which had been fully prepaid at the end of March 2020. The royalty expenses will be recognized in the future years in accordance with the GE contract, and will be included in the prepayments and other non-current assets.
- (ii) The Group signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will have to compensate the Group for any loss due to the insufficient purchase amount.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Due to the impact of COVID-19 pandemic in 2020, the sales in Mainland China had slowed down. Therefore, the Group negotiated to revise the contract with terms of reducing the minimum purchase quantity with Tonghua Dongbao, and withdrew the exclusive sales right of some models of Tonghua Dongbao starting from July 1, 2020. In addition, the subsidiary-Bionime (Pingtan) Limited Company, has been delegated to buy back the remaining unsold exclusive models, and sell them to customers in China.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None

(12) Other:

- (a) A summary of employee benefits, depreciation, depletion, and amortization, by function, is as follows:

By item	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	327,187	284,865	612,052	310,737	237,198	547,935
Labor and health insurance	32,986	21,400	54,386	30,001	22,210	52,211
Pension	13,583	17,669	31,252	12,631	12,682	25,313
Remuneration of directors	-	3,751	3,751	-	1,333	1,333
Others	18,952	12,861	31,813	18,790	12,983	31,773
Depreciation	110,465	33,300	143,765	116,282	36,269	152,551
Amortization	352	10,540	10,892	563	10,368	10,931

(13) Other disclosures

- (a) Information on significant transactions:

The following is the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2021 (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	5.95%	36,100	960	5.95%	

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD 300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with an amount exceeding the lower of NTD 300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD 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/Trade receivables (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)	
The Company	Bionime (Pingtan) Limited Company	Subsidiary	Sale	(191,848)	(10.37)%	Net 90 days from the end of the month of when the invoice issued	No comparison	Net 90 days from the end of the month of when the invoice issued	54,815	14.67%	
The Company	Tonghua Dongbao Pharmaceutical Co., Ltd.	Key management personnel	Sale	(103,989)	(5.62)%	Advance receipts or net 45 days from the end of the month of when the invoice issued	No comparison	Advance receipts or net 45 days from the end of the month of when the invoice issued	-	-%	

- (viii) Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2021			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The company	Bionime (Pingtan) Limited Company	1	Purchases	1,440	Note3	0.08 %
0	The company	Bionime (Pingtan) Limited Company	1	Sales	191,848	Note3	10.37 %
0	The company	Bionime USA Corporation	1	Sales	54,122	Note3	2.93 %
0	The company	Bionime (Malaysia) Sdn. Bnd.	1	Sales	20,436	Note3	1.10 %

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2021			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The company	Bionime (Pingtan) Limited Company	1	Trade Receivables	54,815	Note3	1.20 %
0	The company	Bionime USA Corporation	1	Trade Receivables	7,096	Note3	0.16 %
0	The company	Bionime (Malaysia) Sdn Bnd	1	Trade Receivables	8,711	Note3	0.19 %
0	The company	Bionime GmbH	1	Professional service fees	20,007	No Comparison	1.08 %
0	The company	Bionime (Shenzhen) Limited Company	1	Professional service fees	12,990	No Comparison	0.70 %
1	Bionime (Pingtan) Limited Company	Bionime (Shenzhen) Limited Company	3	Professional service fees	23,218	No Comparison	1.26 %
0	The company	Bionime (Pingtan) Limited Company	1	Temporary receipts	209	No Comparison	0.00 %
0	The company	Bionime (Pingtan) Limited Company	1	Other payables	1,677	No Comparison	0.04 %
0	The company	Bionime GmbH	1	Other payables	19,967	No Comparison	0.44 %

Note 1: The number filled in as follows:

- 1) Zero represents the parent company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

- 1) 1 represents the transactions between parent company and subsidiaries.
- 2) 2 represents the transactions between subsidiaries and parent company.
- 3) 3 represents the transactions between subsidiary and subsidiary.

Note 3: The price that the Company offers to (be offered by) its related parties is not comparable to other non-related parties due to their product characteristics. The collection period for general customers ranges from 45 to 120 days; and the collection period for Bionime Incorporated (B.V.I.), Bionime GmbH, Bionime USA Corporation, Bionime Australia Pty Limited, Bionime (Malaysia) Sdn. Bhd, Bionime (Pingtan) Limited Company, and Bionime (Shenzhen) Limited Company are approximately 90 days, 60 days, 120 days, 120 days, 90 days, 90 days and 90 days, respectively.

Note 4: The transactions mentioned above have been eliminated upon consolidation.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100 %	21,087	940	940	Note4
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100 %	80,618	(7,259)	(7,259)	Note4
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100 %	80,479	12,991	12,991	Note4
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100 %	(49)	(30)	(30)	Note4
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR1,046	MYR1,046	Note3	66.06 %	11,460	5,634	3,722	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 mentioned above have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Bionime (Shenzhen) Limited Company	Merchandise trading	USD2,300	Note 1	USD850	-	-	USD850	(7,244) (Note3)	100%	(7,244)	85,435	USD2,087 (NTD63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB20,000	Note 2	-	-	-	-	5,284 (Note3)	100%	5,284	86,168	-

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD850 (NTD 27,520)	USD 2,300 (NTD 70,863)	NTD1,241,609

Note 1: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 2: Which is invested by Shenzhen subsidiary.

Note 3: Amount was recognized based on the audited financial statement.

Note 4: The transactions have been eliminated upon consolidation.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tonghua Dongbao Pharmaceutical Co., Ltd		12,000,000	19.17 %
Hua Eng Wire And Cable Co., Ltd.		7,807,900	12.47 %

(14) Disclosures required for securities firm investing in countries or regions without securities authority:

(a) General information

The Group has one reportable segment, the biotechnology segment. This segment is mainly involved in the manufacturing and selling of medical instruments, providing biotechnology services, examining pharmaceuticals products, and selling precision instruments.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The internal management report includes profit before taxation.

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The profit or loss of the reportable segment of the Group includes depreciation and amortization expenses, income tax expense (income), any extraordinary activity, and other material non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

Accounting policies for the operating segments correspond to those stated in note 4.

The reportable segment profit and loss, segment assets and segment liabilities of the Group are in accordance with the financial report, please refer to the Consolidated Balance sheet and Consolidated Statement of Comprehensive Income.

(c) Production and service information

Since the main industrial department of Group is the optical lens department, and its operating income, operating interests and the identifiable assets account for more than 90% of operating income and total assets, therefore, the Group is classified as a single product.

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and the segment non-current assets are based on the geographical location of the assets.

Region	2021	2020
Revenue from external customers:		
China	\$ 329,827	173,625
Switzerland	234,484	235,501
United States	190,928	177,635
Algeria	141,809	251,467
Egypt	76,253	96,809
Other countries	876,623	733,549
Total	<u><u>\$ 1,849,924</u></u>	<u><u>1,668,586</u></u>
Non-current assets :		
Taiwan	\$ 3,067,262	2,939,387
Other countries	14,732	18,195
Total	<u><u>\$ 3,081,994</u></u>	<u><u>2,957,582</u></u>

Non-current assets include property, plant and equipment, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(e) Major customers' information

	2021	2020
Customer A of biotechnology division	\$ 141,809	251,467
Customer B of biotechnology division	234,484	235,502
	<u><u>\$ 376,293</u></u>	<u><u>486,969</u></u>