

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

BIONIME CORPORATION AND ITS SUBSIDIARIES

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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The 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 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 as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Bionime Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Bionime Corporation and its Subsidiaries

Chairman: HUANG, CHUN-MU

Date: March 16, 2018

Independent Auditors' Report

To the Board of Directors of Bionime Corporation:

Opinion

We have audited the consolidated financial statements of Bionime Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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"), interpretation, as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4 (n), Note 5 (a), and Note 6 (q) for the accounting principle of revenue recognition, accounting estimation and assumption uncertainty of allowance for sales returns and discounts, and the explanation about allowance for sales returns and discounts, respectively.

The explanation of key audit matters:

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

How the matter was addressed in our audit

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

2. Assessment of Inventory

Please refer to Note 4 (h) "Inventory", Note 5(b), and Note(6) for the accounting principle of inventory, the assessment of accounting estimate and assumption uncertainty , and the explanation of inventory assessment ,respectively.

The explanation 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 because high-tech products change fast and the industry in which the Group operates is very competitive. Therefore, inventory evaluation is key audit matter.

How the matter was addressed in our audit

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

3. Assessment of Accounting Receivable

The accounting principle of accounts receivable refers to Note 4 (g) "Financial instruments "; accounting receivable of accounting assumptions, judgments and estimation uncertainty, refers to consolidated financial statements Note 5 (c) ; The explanation of accounting receivable refer to consolidated financial statements Note 6 (c) "Notes and Account Receivable, Account Receivable-related parties and Other Receivables".

The explanation of key audit matters:

The Group's accounts receivable concentrate to some customers. Allowance evaluation of accounts receivable contains management's subjective judgment. Therefore, Assessment of accounts receivable is one of the key audit matter.

How the matter was addressed in our audit:

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

Other Matter

Bionime Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, 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, interpretation as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 16, 2018

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

Consolidated Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2017		December 31, 2016		Liabilities and Equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6 (a))	\$ 174,348	4	588,877	13	Short-term borrowings (note 6 (i) and 8)	\$ 899,449	21	706,610	15
Notes receivable, net (note 6 (c))	9,188	-	8,071	-	Short-term notes and bills payable (note 6 (h))	159,837	4	-	-
Accounts receivable, net (note 6 (c))	521,050	12	411,278	9	Notes payable	19	-	38	-
Accounts recivable-related parties, net (note 6 (c))	76,939	2	-	-	Accounts payable	144,799	4	188,727	4
Other receivables (note 6 (c))	6,641	-	1,597	-	Other payables(note 7)	231,276	5	215,200	6
Inventories (note 6 (d))	364,390	8	310,865	7	Payable on machinery and equipment	26,101	-	14,893	-
Prepayments	8,440	-	5,847	-	Current income tax liabilities	27,322	-	36,346	1
Other current assets (note 6 (g))	16,001	-	19,349	-	Other current liabilities(note 7)	8,152	-	40,141	1
Other current financial assets (note 6 (b))	<u>312,280</u>	<u>8</u>	<u>400,000</u>	<u>9</u>	Long-term borrowings, current portion (note 6 (j) and 8)	<u>62,330</u>	<u>1</u>	<u>62,330</u>	<u>1</u>
	<u>1,489,277</u>	<u>34</u>	<u>1,745,884</u>	<u>38</u>		<u>1,559,285</u>	<u>35</u>	<u>1,264,285</u>	<u>28</u>
Non-current assets:					Non-Current liabilities:				
Non-current financial assets at cost, net (note 6 (b))	30,100	1	-	-	Long-term borrowings (note 6 (j) and 8)	737,576	17	794,712	17
Property, plant and equipment (note 6 (e))	2,707,104	62	2,729,685	59	Deferred tax liabilities (note 6 (m))	453	-	457	-
Intangible assets (note 6 (f))	11,759	-	16,565	-	Defined benefit liabilities, net (note 6 (l))	<u>-</u>	<u>-</u>	<u>261</u>	<u>-</u>
Deferred tax assets (note 6 (m))	23,254	1	14,530	-		<u>738,029</u>	<u>17</u>	<u>795,430</u>	<u>17</u>
Prepayments for business facilities	56,155	1	40,453	1		<u>2,297,314</u>	<u>52</u>	<u>2,059,715</u>	<u>45</u>
Guarantee deposits paid	2,878	-	2,590	-	Total liabilities				
Defined benefit assets, net (note 6 (l))	229	-	-	-	Equity attributable to owners of parent:(note 6 (n))				
Other non-current assets (note 6 (g))	<u>54,160</u>	<u>1</u>	<u>96,824</u>	<u>2</u>	Ordinary share	594,468	14	634,468	14
	2,885,639	66	2,900,647	62	Capital surplus	1,532,096	35	1,693,813	36
					Retained earnings	97,771	2	257,890	5
					Other equity interest	(8,592)	-	645	-
					Treasuny shares	<u>(138,141)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
					Total equity	<u>2,077,602</u>	<u>48</u>	<u>2,586,816</u>	<u>55</u>
Total assets	<u>\$ 4,374,916</u>	<u>100</u>	<u>4,646,531</u>	<u>100</u>	Total liabilities and equity	<u>\$ 4,374,916</u>	<u>100</u>	<u>4,646,531</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 AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
Net operating revenues (note 6 (q) and 7)	\$ 1,820,267	100	1,740,309	100
Operating costs (note 6 (d), (f) and (r))	<u>1,024,494</u>	<u>56</u>	<u>969,822</u>	<u>56</u>
Gross profit from operations	<u>795,773</u>	<u>44</u>	<u>770,487</u>	<u>44</u>
Operating expenses (note 6 (f), (l),(r) and 7))				
Selling expenses	172,064	10	149,765	9
Administrative expenses	214,678	12	221,935	12
Research and development expenses	<u>159,960</u>	<u>9</u>	<u>140,385</u>	<u>8</u>
	<u>546,702</u>	<u>31</u>	<u>512,085</u>	<u>29</u>
Net operating income	<u>249,071</u>	<u>13</u>	<u>258,402</u>	<u>15</u>
Non-operating income and expenses:				
Other income (note 6 (s))	21,103	1	24,181	1
Other gains and losses (note 6 (s))	(58,177)	(3)	(46,264)	(4)
Finance costs (note 6 (s))	<u>(22,541)</u>	<u>(1)</u>	<u>(22,388)</u>	<u>(1)</u>
	<u>(59,615)</u>	<u>(3)</u>	<u>(44,471)</u>	<u>(4)</u>
Profit before income tax	189,456	10	213,931	11
Less: income tax expense (note 6 (m))	<u>39,848</u>	<u>2</u>	<u>35,141</u>	<u>2</u>
Profit	<u>149,608</u>	<u>8</u>	<u>178,790</u>	<u>9</u>
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurements from defined benefit plans (note 6 (l))	<u>83</u>	<u>-</u>	<u>505</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(9,237)	-	(9,125)	-
Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss(note 6 (m))	<u>-</u>	<u>-</u>	<u>(1,660)</u>	<u>-</u>
	<u>(9,237)</u>	<u>-</u>	<u>(7,465)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>(9,154)</u>	<u>-</u>	<u>(6,960)</u>	<u>-</u>
Comprehensive income, attributable to owners of parent	<u><u>\$ 140,454</u></u>	<u><u>8</u></u>	<u><u>171,830</u></u>	<u><u>9</u></u>
Earnings per share (NT dollars) (note 6 (p))				
Basic earnings per share	<u>2.52</u>		<u>2.82</u>	
Diluted earnings per share	<u>2.49</u>		<u>2.80</u>	

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION AND ITS SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2017 and 2016****(expressed in thousands of New Taiwan dollars)**

	Equity attributable to owners of parent							
	Retained earnings					Exchange differences on translation of foreign financial statements	Treasury Stocks	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total			
Balance as of January 1, 2016	\$ 634,468	1,731,881	68,478	98,943	167,421	8,110	-	2,541,880
Profit for the year ended December 31, 2016	-	-	-	178,790	178,790	-	-	178,790
Other comprehensive income for the year ended December 31, 2016	-	-	-	505	505	(7,465)	-	(6,960)
Total comprehensive income for 2016	-	-	-	179,295	179,295	(7,465)	-	171,830
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	9,879	(9,879)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(88,826)	(88,826)	-	-	(88,826)
Capital surplus cash dividends	-	(38,068)	-	-	-	-	-	(38,068)
Balance as of December 31, 2016	\$ 634,468	1,693,813	78,357	179,533	257,890	645	-	2,586,816
Balance as of January 1, 2017	634,468	1,693,813	78,357	179,533	257,890	645	-	2,586,816
Profit for the year ended December 31, 2017	-	-	-	149,608	149,608	-	-	149,608
Other comprehensive income for the year ended December 31, 2017	-	-	-	83	83	(9,237)	-	(9,154)
Total comprehensive income for 2017	-	-	-	149,691	149,691	(9,237)	-	140,454
Appropriation and distribution of retained earnings :								
Legal reserve	-	-	17,879	(17,879)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(161,155)	(161,155)	-	-	(161,155)
Employee stock options exercised	-	15,147	-	-	-	-	-	15,147
Conversion of preference share	-	-	-	-	-	(423,717)	-	(423,717)
Issue of preference share	(40,000)	(96,921)	-	(148,655)	(148,655)	-	285,576	-
Redemption of preference share	-	15,147	-	-	-	-	-	15,147
Issue of ordinary share, others	-	(79,943)	-	-	-	-	-	(79,943)
Purchase of treasury share	-	-	-	-	-	(423,717)	-	(423,717)
Balance at December 31, 2017	\$ 634,468	1,708,960	96,236	150,190	246,426	(8,592)	-	2,581,262

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION AND ITS SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2017 and 2016****(expressed in thousands of New Taiwan dollars)**

	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 189,456	213,931
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	132,250	142,619
Amortization expense	13,547	15,395
Provision (reversal) for bad debt expense	3,968	(10,568)
Interest expense	22,541	22,388
Interest revenue	(1,610)	(1,279)
Share-based payments transactions	15,147	-
Loss from disposal of property, plant and equipment	-	400
Impairment loss on non-financial assets	60,000	45,000
Total adjustments to reconcile profit	<u>245,843</u>	<u>213,955</u>
Changes in operating assets and liabilities:		
Notes receivable	(1,117)	(2,326)
Accounts receivable	(113,696)	(79,697)
Accounts Receivable-Related Parties	(76,939)	-
Other receivables	(4,710)	6,620
Inventories	(53,525)	36,621
Other operating assets	<u>(16,581)</u>	<u>(26,857)</u>
	<u>(266,568)</u>	<u>(65,639)</u>
Notes payable	(19)	38
Accounts payable	(43,928)	59,495
Other payables	15,856	39,567
Other operating liabilities	<u>(32,396)</u>	<u>29,370</u>
	<u>(60,487)</u>	<u>128,470</u>
Total changes in operating assets and liabilities	<u>(327,055)</u>	<u>62,831</u>
Total adjustments	<u>(81,212)</u>	<u>276,786</u>
Cash inflow generated from operations	108,244	490,717
Interest received	1,276	1,279
Interest paid	(22,321)	(21,745)
Income taxes paid	<u>(57,600)</u>	<u>(12,415)</u>
Net cash flows from (used in) operating activities	<u>29,599</u>	<u>457,836</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at cost	(30,100)	-
Acquisition of property, plant and equipment	(82,779)	(11,273)
Increase (decrease) in refundable deposits	(288)	1,889
Acquisition of intangible assets	(8,741)	(6,181)
Decrease (increase) in other financial assets	87,720	(380,042)
Increase in prepayments for business facilities	<u>(31,539)</u>	<u>(19,342)</u>
Net cash flows from (used in) investing activities	<u>(65,727)</u>	<u>(414,949)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,777,412	507,523
Decrease in short-term loans	(1,577,093)	(72,013)
Increase in short-term notes and bills payable	159,837	-
Repayments of long-term debt	(57,136)	(569,841)
Increase in guarantee deposits received	-	(160)
Cash dividends paid	(241,098)	(126,894)
Cost of increase in treasury stock	<u>(423,717)</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>(361,795)</u>	<u>(261,385)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(16,606)</u>	<u>(8,900)</u>
Net decrease in cash and cash equivalents	(414,529)	(227,398)
Cash and cash equivalents at beginning of period	<u>588,877</u>	<u>816,275</u>
Cash and cash equivalents at end of period	<u>\$ 174,348</u>	<u>588,877</u>

See accompanying notes to consolidated financial statements.

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BIONIME CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

Bionime Corporation (the “Company”) was incorporated on April 14, 2003 as a Group limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Group’s registered office is No.100, Sec. 2, Daqing St., South Dist., Taichung City, Taiwan. The consolidated financial statements of the Group as of and for the year ended December 31, 2017, comprise the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’). The Group primarily is involved in the manufacturing and selling medical instruments, providing biotechnology services, examining pharmaceuticals, and selling precision instruments.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2018.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements-Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 “Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group assessed that the initial application of the above IFRSs would not have any material impact on its consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

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

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

(i) IFRS 9 "Financial Instruments"

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

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It also contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had financial assets measured at cost of \$30,100 that is held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income. No impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated that the above mentioned would not have material impact.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

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BIONIME CORPORATION AND ITS SUBSIDIARIES

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Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group estimated that the adoption of IFRS9, will not have any material impact on its consolidated financial statements

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to obtain the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Sales of goods

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

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the goods are delivered to the customers' premises. The Group estimated that the point in time at the related risks and rewards of ownership transfer is similar to that of the control over the goods and do not expect to have any material impact.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Group estimates that the adoption of IFRS 15, will not have any material impact on its consolidated financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

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

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

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

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

As of the date, the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: · For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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BIONIME CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(4) Summary of significant accounting policies

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 consolidated financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing 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.

(ii) List of subsidiaries in the consolidated financial

Investor	Subsidiary	Primary Business	Primary business	
			December 31, 2017	December 31, 2016
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 Incorporated (B.V.I.)	Bionime (Shenzhen) Limited Company	Merchandise trading	100 %	100 %
Bionime(Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Manufacturing	100 %	100 %

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

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

1) Available-for sale financial assets

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

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

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is recognized in profit or loss under non-operating income and expenses.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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2) Loans and receivables

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

Interest income is recognized in profit or loss, under non-operating income and expenses.

3) Impairment of financial assets

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

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

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

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

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

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

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

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

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

4) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” is recognized in profit or loss, and included in non-operating income and expenses.

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(h) Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less, the

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estimated costs of completion and selling expenses.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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(i) Property, plant and equipment

(i) Recognition and measurement

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and depreciation method of that significant part are the same as those of another significant parts of that same item.

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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Buildings and structures constitutes mainly building, wastewater treatment plant, and the 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. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(j) Leases

Leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(k) Intangible assets

(i) Research and development

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

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

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

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

(ii) Other intangible assets

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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(iii) Subsequent expenditure

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

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value.

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

- 1) Trademarks: 5 years
- 2) Computer software: 1~5 years

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

(l) Impairment of non-financial assets

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

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell and its value in use.

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

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

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Treasury Stock

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

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

(n) Revenue

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international trade where FOB shipping point is mainly adopted, transfers occur upon loading the goods onto the relevant carrier at the port. For domestic trade, transfers usually occur when the product is received at the customer’s warehouse.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted.

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

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

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group reclassify the amounts recognized in other comprehensive income to retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

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

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

(p) Share-based payment

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

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(q) Income taxes

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

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

- (i) Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following: Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Earnings per share

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

(s) Operating segments

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). The Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance regulatory reviews operating results of the operating segment. Each operating segment consists of standalone financial information.

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Revenue recognition

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

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Valuation of inventories

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

(c) Impairment of accounts receivable

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6 (c) for further description of the impairment of accounts receivable.

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	December 31, 2017	December 31, 2016
Cash on hand	\$ 578	643
Demand deposits	129,130	564,259
Time deposits	44,640	23,975
Cash and cash equivalents	\$ 174,348	588,877

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

(b) Financial assets

(i) Other financial assets

	December 31, 2017	December 31, 2016
Other financial assets - current	\$ 312,280	400,000

Other financial assets – current were restricted bank deposit, and time deposit which the term is more than three months. As of December 31, 2017 and 2016, the other financial assets of the Group had been pledged as collateral for borrowings. Please refer to Note 8 for details.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial assets measured at cost

	December 31, 2017	December 31, 2016
Available-for-sale financial assets		
Darnestic unlisted comomon shares	\$ 30,100	-

The aforementioned investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.

As of December 31, 2017 and 2016, none of the financial assets measured at cost of the Group had been pledged as collateral for long-term borrowings.

(c) Notes and account receivable, account receivable-related parties and other receivables

	December 31, 2017	December 31, 2016
Note receivables from operating activities	\$ 9,188	8,071
Accounts receivable	525,580	411,884
Accounts Recuiable-Related Parties	76,939	-
Less : allowance for impairment	(4,530)	(606)
	\$ 597,989	411,278
Other receivables	\$ 6,798	1,754
Less : allowance for impairment	(157)	(157)
	\$ 6,641	1,597

The aging analysis of notes and accounts receivables and account receivables-related parties and other receivables which were past due but not impaired was as follows:

	December 31, 2017	December 31, 2016
Overdue 1 to 30 days	\$ 105,272	32,075
Overdue 30 to 90 days	98,134	6,893
Overdue 91 to 180 days	1,634	746
	\$ 205,040	39,714

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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The movement in the allowance for accounts and notes receivable, and accounts receivable-related parties and other receivables was as follows:

	Collectively assessed impairment
Balance at 1 January 2017	\$ 763
Impairment loss recognized	3,968
Foreign exchange loss	(44)
Balance at 31 December 2017	<u><u>\$ 4,687</u></u>
	Collectively assessed impairment
Balance at 1 January 2016	\$ 11,410
Impairment loss reversed	(10,568)
Foreign exchange loss	(79)
Balance at 31 December 2016	<u><u>\$ 763</u></u>

An allowance for impairment of notes and accounts receivable and accounts receivable-related parties and other receivable was assessed based on the customers' historical payment behavior and their current financial situation to estimate uncollectable amounts.

None of the receivables was discounted or pledged as collateral as of December 31, 2017 and 2016.

(d) Inventories

	December 31, 2017	December 31, 2016
Finished goods	\$ 38,079	33,527
Less: Allowance for inventory valuation losses	(6,880)	(3,899)
	<u>31,199</u>	<u>29,628</u>
Work in progress	257,343	200,750
Less: Allowance for inventory valuation losses	(9,528)	(21,030)
	<u>247,815</u>	<u>179,720</u>
Raw materials	95,685	110,679
Less: Allowance for inventory valuation losses	(10,309)	(9,162)
	<u>85,376</u>	<u>101,517</u>
	<u><u>\$ 364,390</u></u>	<u><u>310,865</u></u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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The detail of inventory write-downs as follows:

	For the years ended December 31	
	2017	2016
Provisions (reversal of provision) for inventory valuation and obsolescence	\$ (7,340)	9,131
Losses on disposal of scrap	18,526	5,202
Gains on physical inventory	(384)	(437)
Gains on disposal of leftover bits and pieces	(2,716)	(3,657)
Operating costs recognized	<u><u>\$ 8,086</u></u>	<u><u>10,239</u></u>

As of December 31, 2017 and 2016, the Group did not provide any inventories as collateral for its loans.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016 were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance at January 1, 2017	\$ 1,420,840	841,519	531,900	97,869	1,193	12,410	485,868	3,391,599
Additions	-	1,832	69,690	11,391	-	-	11,074	93,987
Disposals	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	845	12,017	1,856	-	-	1,110	15,828
Effect of movements in exchange rates	-	(68)	(78)	(399)	-	(10)	(366)	(921)
Balance at December 31, 2017	<u>\$ 1,420,840</u>	<u>844,128</u>	<u>604,701</u>	<u>110,717</u>	<u>1,193</u>	<u>12,400</u>	<u>496,268</u>	<u>3,490,247</u>
Balance at January 1, 2016	\$ 1,420,840	841,767	519,225	101,683	1,193	12,413	485,703	3,382,824
Additions	-	266	11,027	9,074	-	-	4,000	24,367
Disposals	-	-	(3,491)	(13,843)	-	-	(3,446)	(20,780)
Reclassification	-	-	5,394	1,076	-	-	-	6,470
Effect of movements in exchange rates	-	(514)	(255)	(121)	-	(3)	(389)	(1,282)
Balance at December 31, 2016	<u>\$ 1,420,840</u>	<u>841,519</u>	<u>531,900</u>	<u>97,869</u>	<u>1,193</u>	<u>12,410</u>	<u>485,868</u>	<u>3,391,599</u>
Depreciation and impairment loss :								
Balance at January 1, 2017	\$ -	63,187	351,158	84,375	1,193	11,775	150,226	661,914
Depreciation for the year	-	19,020	64,104	10,354	-	568	38,204	132,250
Disposals	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	-	-	-	-	(26)	26	-
Effect of movements in exchange rates	-	-	(34)	(388)	-	(11)	(342)	(775)
Balance at December 31, 2017	<u>\$ -</u>	<u>82,207</u>	<u>406,400</u>	<u>94,341</u>	<u>1,193</u>	<u>12,306</u>	<u>186,696</u>	<u>783,143</u>
Balance at January 1, 2016	\$ -	43,701	282,507	89,085	1,174	11,141	112,492	540,100
Depreciation for the year	-	19,499	72,179	9,128	19	636	41,158	142,619
Disposals	-	-	(3,491)	(13,733)	-	-	(3,156)	(20,380)
Effect of movements in exchange rates	-	(13)	(37)	(105)	-	(2)	(268)	(425)
Balance at December 31, 2016	<u>\$ -</u>	<u>63,187</u>	<u>351,158</u>	<u>84,375</u>	<u>1,193</u>	<u>11,775</u>	<u>150,226</u>	<u>661,914</u>
Carrying amounts:								
Balance at December 31, 2017	<u>\$ 1,420,840</u>	<u>761,921</u>	<u>198,301</u>	<u>16,376</u>	<u>-</u>	<u>94</u>	<u>309,572</u>	<u>2,707,104</u>
Balance at December 31, 2016	<u>\$ 1,420,840</u>	<u>778,332</u>	<u>180,742</u>	<u>13,494</u>	<u>-</u>	<u>635</u>	<u>335,642</u>	<u>2,729,685</u>
Balance at January 1, 2016	<u>\$ 1,420,840</u>	<u>798,066</u>	<u>236,718</u>	<u>12,598</u>	<u>19</u>	<u>1,272</u>	<u>373,211</u>	<u>2,842,724</u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Disclosures on pledges

As of December 31, 2017 and 2016, 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, 2017 and 2016, capitalized borrowing costs related to the construction of the new plant amounted to \$476 and \$630, with a capitalization rate of 1.435% and 1.86% respectively.

(f) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2017 and 2016 were as follows:

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
Costs:			
Balance at January1, 2017	\$ 62,360	39,579	101,939
Additions	-	8,741	8,741
Disposal	-	(19,091)	(19,091)
Balance at December 31, 2017	<u>\$ 62,360</u>	<u>29,229</u>	<u>91,589</u>
Balance at January1, 2016	\$ 62,360	33,398	95,758
Additions	-	6,181	6,181
Balance at December 31, 2016	<u>\$ 62,360</u>	<u>39,579</u>	<u>101,939</u>
Amortization and Impairment Loss:			
Balance at January1, 2017	\$ 50,425	34,949	85,374
Amortization for the year	5,967	7,580	13,547
Disposal	-	(19,091)	(19,091)
Balance at December 31, 2017	<u>\$ 56,392</u>	<u>23,438</u>	<u>79,830</u>
Balance at January1, 2016	\$ 44,457	25,522	69,979
Amortization for the year	5,968	9,427	15,395
Balance at December 31, 2016	<u>\$ 50,425</u>	<u>34,949</u>	<u>85,374</u>
Carrying amounts:			
Balance at December 31, 2017	<u>\$ 5,968</u>	<u>5,791</u>	<u>11,759</u>
Balance at December 31, 2016	<u>\$ 11,935</u>	<u>4,630</u>	<u>16,565</u>
Balance at January 1, 2016	<u>\$ 17,903</u>	<u>7,876</u>	<u>25,779</u>

Based on the resolutions approved by the Board of Directors' meeting, the Group signed a trademark license agreement with GE on March 16, 2011 for its operating plan, future development and strengthening of its competitiveness on March 16, 2011. The Group paid USD2,000 (TWD 62,360) for the right to use GE monogram trademark.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization

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

	<u>2017</u>	<u>2016</u>
Operating costs	\$ -	165
Operating expenses	\$ 13,547	15,230

(ii) Disclosures on pledges

As of December 31, 2017 and 2016, none of the intangible assets of the Group had been pledged as collateral.

(g) Other current assets and other non-current assets

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Overpaid sales tax	\$ 11,940	13,941
Temporary payments	2,951	4,581
Other current assets-other	1,110	827
	<u>\$ 16,001</u>	<u>19,349</u>
Other non-current assets-other	\$ 174,160	156,824
Less : accumulated impairment	(120,000)	(60,000)
	<u>\$ 54,160</u>	<u>96,824</u>

For the years ended December 31, 2017 and 2016, the Group recognized the impairment loss of \$60,000 and \$45,000 to write down the carrying amount of prepaid royalty of GE to the estimated recoverable value.

(h) Short-term notes and bills payable

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

	<u>December 31, 2017</u>		
	<u>Guarantee or acceptance institution</u>	<u>Range of interest rate (%)</u>	<u>Amounts</u>
Commercial paper payable	Taiwan Corperation Bank	0.902%~1.2%	\$ 100,000
Commeraial paper payable	Mega Bank	1.188%	60,000
Less: Dicount on short-term notes and bills payable			(163)
Total			<u>\$ 159,837</u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2017	December 31, 2016
Unsecured bank loans	\$ 598,002	306,610
Secured bank loans	301,447	400,000
	899,449	706,610
Unused credit line	\$ 1,462,373	1,924,206
Range of Interest rates	0.35%~4.8%	0.33%~2.3879%

Please refer to Note 8 for details of the related assets pledged as collateral.

(j) Long-term borrowings

The details were as follows:

December 31, 2017				
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.52%~1.72%	2026	\$ 799,906
Less: current portion				(62,330)
Total				\$ 737,576
Unused credit line				\$ -

December 31, 2016				
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.52%~2.06%	2026	\$ 857,042
Less: current portion				(62,330)
Total				\$ 794,712
Unused credit line				\$ -

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

(k) Operating Lease

Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2017	December 31, 2016
Less than one year	\$ 4,669	3,977
Between one and five years	6,997	7,863
	\$ 11,666	11,840

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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(l) Employee Benefits

(i) Defined benefit plans

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

	December 31, 2017	December 31, 2016
Present value of the defined benefit obligations	\$ 3,221	3,272
Fair value of plan assets	(3,450)	(3,011)
Net defined benefit liabilities (assets)	<u>\$ (229)</u>	<u>261</u>

The Group's employee benefit liabilities were as follows:

	December 31, 2017	December 31, 2016
Short-term vacation liability	<u>\$ 10,593</u>	<u>11,431</u>

The Group made defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive 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 \$3,439 as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of defined benefit obligations for the Group were as follows:

	2017	2016
Defined benefit obligation at January 1	\$ 3,272	3,732
Current service costs and interest	57	74
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
— financial assumptions	(108)	(534)

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Defined benefit obligation at December 31	\$ <u><u>3,221</u></u>	<u><u>3,272</u></u>
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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

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

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at January 1	\$ 3,011	2,576
Interest income	56	56
Benefits paid by the plan	408	408
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	(25)	(29)
Fair value of plan assets at December 31	<u><u>\$ 3,450</u></u>	<u><u>3,011</u></u>

4) Expenses recognized in profit or loss

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

	<u>2017</u>	<u>2016</u>
Net interest of net liabilities for the defined benefit obligation	<u><u>\$ 1</u></u>	<u><u>19</u></u>
Administration expenses	<u><u>\$ 1</u></u>	<u><u>19</u></u>

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Accumulated amount at January 1	\$ (2,302)	(2,807)
Recognized during the period	83	505
Accumulated amount at December 31	<u><u>\$ (2,219)</u></u>	<u><u>(2,302)</u></u>

6) Actuarial assumptions

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate	1.60 %	1.75 %
Future salary increase rate	3.00 %	3.00 %

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
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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 \$408.

The weighted average lifetime of the defined benefit plans is 22 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

As of December 31, 2017, the present value of defined benefit obligation impact was as follow:

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2017	\$ 927	(431)
Discount rate	(166)	175
Future salary increasing rate	761	(606)
	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2016	\$ 940	(436)
Discount rate	(167)	178
Future salary increasing rate	773	(614)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(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 paid a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to \$17,151 and \$14,868 for the years ended December 31, 2017 and 2016, respectively.

Other subsidiaries established their retirement plans in accordance with each local regulation. The Group booked recognized the pension costs of \$4,154 and \$2,641 in 2017 and 2016, respectively.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Income Taxes

(ii) Income Tax Expense

The components of income tax in the years 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current income tax expense		
Current period	\$ 42,450	40,853
Adjustment for prior period	6,100	836
10% surtax on un-distributed earnings	<u>26</u>	<u>-</u>
	<u>48,576</u>	<u>41,689</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(8,728)</u>	<u>(6,548)</u>
Income tax expense	<u><u>\$ 39,848</u></u>	<u><u>35,141</u></u>

The amount of income tax recognized in other comprehensive income for years 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	<u>\$ -</u>	<u>(1,660)</u>

Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows.

	<u>2017</u>	<u>2016</u>
Profit excluding income tax	\$ <u>189,456</u>	<u>213,931</u>
Income tax using the Company's domestic tax rate	32,751	36,368
Effect of tax rates in foreign jurisdiction	9,589	6,453
Reduction in tax rate	(901)	-
Non-deductible expenses	(187)	550
Tax-exempt income	(5,910)	(7,194)
Recognition of previously unrecognized taxes loss	(832)	-
Current-year losses for which no deferred tax asset was recognized	-	(2,712)
Changes in unrecognized temporary differences	(788)	840
Prior years income tax adjustment	6,100	836
10% surtax on undistributed earnings	<u>26</u>	<u>-</u>
	<u><u>\$ 39,848</u></u>	<u><u>35,141</u></u>

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2017	December 31, 2016
Tax effect of deductible temporary differences	\$ 2,832	3,620
The carry-forward of unused tax losses	61,897	114,327
	\$ 64,729	117,947

As the profitability of its subsidiaries is yet to stabilize, the tax losses is not recognized as deferred tax assets since it is not probable that it will be realized.

As at December 31 2017, the information of the subsidiaries's unutilized business losses for which no deferred tax assets were recognized are as follows:

Subsidiaries	Year of loss	Unutilized business loss	Expiry date
Bionime USA Corporation	2009	\$ 11,076	2029
Bionime USA Corporation	2010	19,930	2030
Bionime USA Corporation	2011	75,044	2031
Bionime USA Corporation	2012	140,649	2032
Bionime USA Corporation	2013	39,788	2033
Bionime USA Corporation	2014	8,259	2034
		\$ 294,746	

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with its investments in subsidiaries as at December 31, 2017 and 2016. 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, 2017	December 31, 2016
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 331,336	315,393
Unrecognized deferred tax assets	\$ 56,327	53,617

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2017 and 2016. 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, 2017	December 31, 2016
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 8,488	37,312
Unrecognized deferred tax liabilities	\$ 1,443	6,343

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized inter- company profits resulting from sales to affiliated companies	Impairment loss	Others	Total
Balance at January 1, 2017	\$ 2,808	1,479	10,200	43	14,530
Recognized in profit or loss	(788)	(645)	10,200	(43)	8,724
Balance at December 31, 2017	\$ 2,020	834	20,400	-	23,254
Balance at January 1, 2016	\$ 1,968	2,324	2,550	1,060	7,902
Recognized in profit or loss	840	(845)	7,650	(1,017)	6,628
Balance at December 31, 2016	\$ 2,808	1,479	10,200	43	14,530

Deferred Tax Liabilities:

	Unrealized foreign exchange gain	Foreign currency translation differences for foreign operations	Others	Total
Balance at January 1, 2017	\$ 457	-	-	457
Recognized in profit or loss	(30)	-	26	(4)
Balance at December 31, 2017	\$ 427	-	26	453
Balance at January 1, 2016	\$ 377	1,660	-	2,037
Recognized in profit or loss	80	-	-	80
Foreign currency translation differences for foreign operations	-	(1,660)	-	(1,660)
Balance at December 31, 2016	\$ 457	-	-	457

(iii) Examination and approval

The Company's tax returns for the years through 2014 were examined and approved by the Tax Authority.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Information related to the ICA is summarized as follows:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	\$ (Note)	179,533
Balance of imputation credit account	\$ (Note)	9,048
	2017(Estimated)	2016(Actual)
Creditable ratio for earnings distribution to R.O.C residents	(Note)	20.50%

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(n) **Capital and Other Equity**

As of December 31 2017 and 2016, the numbers of authorized ordinary shares were 70,000 shares for each year, with par value of \$10 per share. The total value of authorized ordinary shares both amounted to \$700,000, and of which \$60,000 for each year was reserved for the exercising of employee share options; 59,447 and 63,447 of ordinary shares, amounting \$594,468 and \$634,468 were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2017 and 2016 was as follows:

	Ordinary Shares	
	2017	2016
Balance on January 1	\$ 63,447	63,447
Cancellation of treasury stock	(4,000)	-
Balance on December 31	\$ 59,447	63,447

The Company cancelled the treasury stock 4,000 shares which repurchased during April to July 2017, and reduced Capital surplus-premium of share capital and retained earnings \$96,921 and \$148,655 respectively.

(i) **Capital surplus**

The balances of capital surplus as of December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Share capital	\$ 1,440,412	1,617,276
Employee share options	11,703	-
Expired options	79,981	76,537
	\$ 1,532,096	1,693,813

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy depends on the Company's capital expenditure budget and working capital required. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend can not be less than 5% of the total dividends distributed.

1) Legal reserve

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity resulting from the first-time adoption of IFRSs and the carrying amount of special reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

Earnings distribution for 2016 and 2015 were decided via the general meeting of the shareholders held on June 22, 2017 and June 26, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	2016		2015	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders				
Cash	\$ 2.54	<u>161,155</u>	1.40	<u>88,826</u>

The Company's general meeting of the shareholders resolved to distribute the cash dividends \$79,943 and \$38,068 on June 22, 2017 and June 26, 2016, respectively.

(iii) Treasury shares

On March 13, 2017, the Company's Board of Directors resolved to repurchase 2,000 shares as treasury shares with a per valued \$55~\$75 per share, from March 14 to April 2, 2017, in order to transfer shares to employees. If market price is lower than the resolved price floor, the Company will continue implementing to repurchase shares. As of December 31, 2017, the Company had repurchased 2,000 shares as treasury shares, with a total value of \$138,141.

On March 13, 2017, the Company's Board of Directors resolved to repurchase 4,000 shares as treasury shares with a per valued \$55~\$75 per share from April 3 to May 12, 2017 in order to protect the Company's integrity and shareholders equity. If market price is lower than resolved price floor, the company continue implementing to repurchase shares. As of December 31, 2017, the Company had repurchased 2,550 shares, with a total value of \$183,939. In August, the Company's Board of Directors resolved to cancel treasury stock 2,550 shares and finished the alteration registration of share cancellation.

On May 14, 2017, the Company's Board of Directors resolved to repurchase 1,450 shares as treasury shares with a per valued \$55~\$78 per share from April 5 to May 12, 2017 and from May 25 to July 23, 2017 in order to protect the Company's integrity and shareholders equity. If market price is lower than resolved price floor, the company continue implementing to repurchase shares. As of December 31, 2017, the Company had repurchased 1,450 shares, with a total value of \$101,587. In August, the Company's Board of Directors resolved to cancel treasury stock 1,450 shares and finished the alteration registration of share cancellation.

As of December 31, 2017, a total of 2,000 shares were not yet cancelled.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of June 30 2017, the Company could repurchase no more than 6,345 shares, with a total value of no more than \$1,773,235.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

- (iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2017	\$ 645
Exchange differences on foreign operations, net of taxes:	
The Group	(9,237)
Balance at December 31, 2017	\$ (8,592)
Balance at January 1, 2016	\$ 8,110
Exchange differences on foreign operations, net of taxes:	
The Group	(7,465)
Balance at December 31, 2016	\$ 645

(o) **Share-Based Payment**

- (i) Employee stock options

As of December 31, 2017, details of the Employee Stock Option Plans ("ESOP") were as follows:

	2010 ESOP	2012 ESOP	2017 ESOP
Grant date	2011.8.31	2012.9.5	2017.1.13
Units issued	1,000,000	2,000,000	3,000,000
Term of grant	2011.8.31~2016.8.30	2012.9.5~2016.9.4	2017.1.13~2019.1.12
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

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Determining the fair value of equity instruments granted

The Company used Hull&White and Ritchken model and Lattice model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2017			2016	
	2010 ESOP	2012 ESOP	2017 ESOP	2010 ESOP	2012 ESOP
Fair value at grant date	\$26.485~ \$28.594	\$11.135~ \$11.339	\$16.07~ \$17.35	\$26.485~ \$28.594	\$11.135~ \$11.339
Share price at grant date	109	72.9	56.9	109.0	72.9
Exercise price at grant date	91.2	65.5	53.6	91.2	65.5
Expected volatility (%)	33.16%	22.01%	40.70%	33.16%	22.01%
Expected life (years)	Five years	Four years	Four years	Four years	Four years
Expected dividend	1.5%	1.5%	-	1.5	1.5
Risk-free interest rate (%)	1.0731%	0.9015%	0.66%~0.70%	1.0731%	0.9015%

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, which are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2017		2016	
	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>
(in dollars)				
Outstanding at January 1	\$ -	-	83.09	1,874,000
Granted during the year (number)	-	3,000,000	-	-
Forfeited during the year (number)	-	(276,000)	-	-
Expired during the year (number)	-	-	-	(1,874,000)
Outstanding at December 31	53.6	<u>2,724,000</u>	-	<u>-</u>
Exercisable at December 31	-	<u>2,724,000</u>	-	<u>-</u>

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Employee recognized in profit or loss

The Group incurred expenses and liabilities of share-based arrangements in 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenses resulting from granted employee share options	\$ <u><u>15,147</u></u>	<u><u>-</u></u>

(p) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31 2017 and 2016 were based on the profit attributable to ordinary shareholders of the Company of \$149,608 and \$178,790; respectively; and the weighted average number of ordinary shares outstanding of 59,365 thousand and 63,447 thousand were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2017</u>	<u>2016</u>
Profit attributable to ordinary shareholders of the Company	\$ <u><u>149,608</u></u>	<u><u>178,790</u></u>

2) Weighted average number of ordinary shares (diluted)

	<u>2017</u>	<u>2016</u>
Weighted-average number of ordinary shares at December 31	<u><u>59,365</u></u>	<u><u>63,447</u></u>
Basic earnings per share	\$ <u><u>2.52</u></u>	<u><u>2.82</u></u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2017 and 2016 were based on profit attributable to ordinary shareholders of the Company of \$149,608 and \$178,790, respectively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,031 thousand shares and 63,891 thousand shares were calculated as follows.

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

	<u>2017</u>	<u>2016</u>
Profit attributable to ordinary shareholders of the Company	\$ <u><u>149,608</u></u>	<u><u>178,790</u></u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2017	2016
Weighted-average number of ordinary shares (basic)	59,365	63,447
Effect of issuance of employee share options	255	-
Effect of employee share bonus	411	444
Weighted-average number of ordinary shares (diluted) at December 31	<u>60,031</u>	<u>63,891</u>
Diluted earnings per share	<u>\$ 2.49</u>	<u>2.80</u>

The average market value of the Group's shares for purposes of calculating the dilutive effect of share options was based on the quoted market prices for the period during which the options were outstanding.

The following items have an anti-dilutive effect, and hence, they are not included in the calculation of the weighted average number of shares (diluted).

Unit: Thousand shares

	2017	2016
Options	<u>-</u>	<u>3,101</u>
(q) Revenue		

The details of revenue for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Sale of goods	\$ 1,829,079	1,750,171
Sales returned	(2,794)	(5,272)
Sales discount	(6,018)	(4,590)
Total	<u>\$ 1,820,267</u>	<u>1,740,309</u>

The Group, according to the historical experience and other reasons, which were already know to estimate the sales returned and sales discount and less from the sales revenue.

(r) 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 higher 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 amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to 18,962 and 24,108, and directors' and supervisors' remuneration amounting to 4,000 and 5,000, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2017.

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to 18,962 and 24,108, and directors' and supervisors' remuneration amounting to 4,000 and 5,000, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(s) Non-operating Income and Expenses

(i) Other income

The details of other income were as follows:

	<u>2017</u>	<u>2016</u>
Interest income:		
Bank deposits	\$ 1,610	1,279
Others	<u>19,493</u>	<u>22,902</u>
	<u><u>\$ 21,103</u></u>	<u><u>24,181</u></u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2017</u>	<u>2016</u>
Foreign exchange gains or loss, net	\$ 1,823	(864)
Loss on disposals of property, plant and equipment	-	(400)
Impairment losses	<u>(60,000)</u>	<u>(45,000)</u>
	<u><u>\$ (58,177)</u></u>	<u><u>(46,264)</u></u>

(iii) Finance costs

The details of financial costs were as follows:

	<u>2017</u>	<u>2016</u>
Interest expenses:		
Bank loans	\$ (23,008)	(23,018)
Less : Capitalization of interest	<u>467</u>	<u>630</u>
	<u><u>\$ (22,541)</u></u>	<u><u>(22,388)</u></u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) **Financial Instruments**

(i) Credit risk

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the consolidated balance sheet which were \$788,166 and \$1,009,823 respectively, as of December 31, 2017 and 2016.

The major clients of Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the accounts receivable and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2017 and 2016, 64% and 57%, respectively, of accounts receivable were from five customers. Thus, the credit risk is significantly concentrated.

(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, 2017						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,101,353	1,126,386	376,124	63,402	190,207	496,653
Unsecured bank loans	598,002	610,201	610,201	-	-	-
Short-term notes and bills payable	159,837	160,000	160,000	-	-	-
Notes and Accounts payable	144,818	144,818	144,818	-	-	-
Other payables	136,575	136,575	136,575	-	-	-
Payable on machinery and equipment	<u>26,101</u>	<u>26,101</u>	<u>26,101</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,166,686</u>	<u>2,204,081</u>	<u>1,453,819</u>	<u>63,402</u>	<u>190,207</u>	<u>496,653</u>
December 31, 2016						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,257,042	1,273,243	464,862	63,402	190,207	554,772
Unsecured bank loans	306,610	311,900	311,900	-	-	-
Notes and Accounts payable	188,765	188,765	188,765	-	-	-
Other payables	170,783	170,783	170,783	-	-	-
Payable on machinery and equipment	<u>14,893</u>	<u>14,893</u>	<u>14,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,938,093</u>	<u>1,959,584</u>	<u>1,151,203</u>	<u>63,402</u>	<u>190,207</u>	<u>554,772</u>

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

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(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2017			December 31, 2016		
		Foreign currency	Exchang e rates	TWD	Foreign currency	Exchange rates	TWD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	USD	18,901	29.76	562,494	USD 12,553	32.20	404,204
EUR	EUR	3,342	35.55	118,808	EUR 3,325	33.89	112,688
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	USD	16,132	29.76	480,088	USD 8,537	32.20	274,898
EUR	EUR	2,609	35.55	92,750	EUR 2,693	33.89	91,279

2) Sensitivity analysis

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

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2017 and 2016, would have increased (decreased) the net profit after tax by \$450 and \$625, respectively. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact resulting from the forecasted sales and purchases. The analysis is performed on the same basis for 2016 (prior year).

3) Foreign exchange gain and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2017 and 2016, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$1,823 and \$2,108, respectively.

(iv) Interest rate risk

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

(Continued)

BIONIME CORPORATION AND ITS SUBSIDIARIES
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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 basis points, the Group's net income would have increased / decreased by \$7,052 thousand and \$6,489 thousand for the year ended December 31, 2017 and 2016, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(u) 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 available-for sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

		December 31, 2017				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Financial assets measured at cost		\$ 30,100	-	-	-	-
Loans and receivables						
Cash and cash equivalents		\$ 174,348	-	-	-	-
Notes and accounts receivables and other receivables		613,818	-	-	-	-
Other financial assets-non-current		312,280	-	-	-	-
Total		\$ 1,100,446	-	-	-	-
Financial liabilities at amortized cost						
Short-term borrowings		\$ 899,449	-	-	-	-
Short-term notes and bills payable		159,837	-	-	-	-
Notes and accounts payable, and other payables		281,393	-	-	-	-
Payable on machinery and equipment		26,101	-	-	-	-
Long-term borrowings, including current portion		799,906	-	-	-	-
Total		\$ 2,166,686	-	-	-	-

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		December 31, 2016			
	Carrying amount	Fair Ulue			
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$ 588,877	-	-	-	-
Notes and accounts receivable, and other receivables	420,946	-	-	-	-
Other financial assets-non-current	400,000	-	-	-	-
Total	<u>\$ 1,409,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 706,610	-	-	-	-
Notes and accounts payable and other payables	359,548	-	-	-	-
Payable on machinery and equipment	14,893	-	-	-	-
Long-term borrowings, including current portion	857,042	-	-	-	-
Total	<u>\$ 1,938,093</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:

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

3) Transfers between Level 1 and Level 2

As of December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2

(u) Financial Risk Management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

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

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects on these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, and supervises and manages financial risks related to the Group's operation based on internal risk report about exposure to risk with the analysis of the extent and width of risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is documentation regarding exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments and investment in the remaining current capital. The internal auditors of the Group continue with the review of the compliance with the policy and the extent of the exposure to risk. 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 that arise principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish credit 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 the 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 31 December 2017 no guarantees were outstanding (2016: none).

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BIONIME CORPORATION AND ITS 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. Its 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, 2017 and 2016, the Group's unused credit lines were amounted to 1,462,373 thousand and 1,924,206 thousand, respectively.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which affects the 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 (TWD), EUR and US Dollars (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group maintains an appropriate proportion of the fixed and variable interest rate instruments by using interest rate swap contracts to mitigate the floating interest rate risk. The Group will assess the hedging activities for consistent interest rates within its risk preferences and use the most cost-effective hedging strategy on a regular basis.

3) Other market price risk

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

(v) **Capital Management**

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

In order to maintain or adjust the capital structure, the 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.

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BIONIME CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2017, the Group's capital management strategy is consistent with that of the prior year, 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, 2017	December 31, 2016
Total liabilities	\$ 2,297,314	2,059,715
Less: cash and cash equivalents	<u>174,348</u>	<u>588,877</u>
Net debt	<u>\$ 2,122,966</u>	<u>1,470,838</u>
Total equity	<u>\$ 2,077,602</u>	<u>2,586,816</u>
Adjusted capital	<u>\$ 4,200,568</u>	<u>4,057,654</u>
Debt-to-equity ratio at 31 December	<u>50.53%</u>	<u>36.24%</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) Name and relationship with related parties

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

<u>Name of related Party</u>	<u>Relationship with the Group</u>
Tonghua Dongbao Pharmaceutical Co.,Ltd. (Tonghua Dongbao)	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 parties were as follow:

	2017	2016
Key management personnel of the Group—Tonghua Dongbao	<u>354,756</u>	<u>384,736</u>

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BIONIME CORPORATION AND ITS SUBSIDIARIES
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The price given to the related-party is not comparable to other non-related products due to product characteristics. The general customer's collection term is about 45 to 120 days or advance sales receipts the key management personal of the Group of the collection conditions is advance sales receipts.

(ii) Receivables from Related Parties

The receivables from related parties were as follow:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Account receivable	Key management personnel of the Group— Tonghua Dongbao	\$ <u>76,939</u>	<u>-</u>

(iii) Payables to Related Parties

The payables to related parties were as follow:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other payables	Key management personnel of the Group— —Tonghua Dongbao	\$ <u>6,168</u>	<u>6,227</u>

(iv) Advance sales receipts and others

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Advance sales receipts	Key management personnel of the Group— Tonghua Dongbao	\$ -	22,830
Temporary receipts	Key management personnel of the Group— Tonghua Dongbao	<u>4</u>	<u>4</u>
		\$ <u>4</u>	<u>22,834</u>

(v) others

- 1)The sales expense of \$6,000 thousand in 2016 which caused by signing contract with key managemant personal of the Group-Tonghua Dongbao was under selling expenses.
- 2)The Group entered into a patent license agreement with the main 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 AND ITS SUBSIDIARIES
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(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 27,613	26,765
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	<u>\$ 27,613</u>	<u>26,765</u>

(8) Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Property, plant and equipment	Guarantee for bank loans	\$ 2,175,041	2,192,874
Other financial assets-current	Guarantee for bank loans	302,796	400,000
		<u>\$ 2,477,837</u>	<u>2,592,874</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments are as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Acquisition of property, plant and equipment	<u>\$ 9,401</u>	<u>9,455</u>

(b) Contingencies

- (i) The Group had entered into a trademark license agreement with GE in March 2011. According to the addendum contract in July 2013, the future minimum royalty payments were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 29,760
2019	35,712
2020	44,640
	<u>\$ 110,112</u>

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018.

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- (ii) The Group signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will compensate the Company for any loss due to the insufficient purchase amount if Tonghua Dongbao, fails.
- (iii) The Group signed a patent license agreement with the main management. The agreement is from Jan 30, 2004 to April 17, 2023 and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$4,104 and \$80, respectively.

(12) Other:

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

By function By item	2017			2016		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	281,116	223,906	505,022	234,940	203,045	437,985
Labor and health insurance	20,334	19,932	40,266	17,148	16,303	33,451
Pension	9,874	11,432	21,306	8,836	8,692	17,528
Others	14,116	10,954	25,070	11,696	9,239	20,935
Depreciation	98,045	34,205	132,250	104,336	38,283	142,619
Amortization	-	13,547	13,547	165	15,230	15,395

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(13) Segment information:

(a) General information

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

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

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

The segment profit includes depreciation and amortization expenses, income tax expense (income), unusual profit (loss), and other significant non-monetary items. The reporting amount is the same with that of the chief operating decision maker used.

There is no inconsistency between the accounting principles of the operating segment and the accounting principle described in Note 4.

	Biotechnology	
	2017	2016
Revenue :		
Revenue from external customers	\$ 1,820,267	1,740,309
Interest revenue	1,610	1,279
Total revenue	<u><u>\$ 1,821,877</u></u>	<u><u>1,741,588</u></u>
Interest expenses	\$ 22,541	22,388
Depreciation and amortization	145,797	158,014
Reportable segment profit or loss	<u><u>149,608</u></u>	<u><u>178,790</u></u>
Capital expenditure	<u><u>\$ 91,520</u></u>	<u><u>30,548</u></u>
Reportable segment assets	<u><u>\$ 4,374,916</u></u>	<u><u>4,646,531</u></u>
Reportable segment liabilities	<u><u>\$ 2,297,314</u></u>	<u><u>2,059,715</u></u>

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(c) Production and service information

The Group's main segment is biotechnology segment. Its main operating activities are manufacturing and selling self monitoring blood glucose and test strips. The Group effectively operate in a single industry segment, because the operating revenue, profit and assets of the segment constitute more than 90% of the consolidated revenue, profit and assets.

(d) Geographic information

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

Geographical information	2017	2016
Revenue from external customers :		
United States	\$ 141,788	184,565
Switzerland	231,068	316,840
Mainland Chinese	400,304	419,854
Other countries	<u>1,047,107</u>	<u>819,050</u>
Total	<u>\$ 1,820,267</u>	<u>1,740,309</u>
Non-current assets :		
Taiwan	\$ 2,817,290	2,857,146
Other countries	<u>11,888</u>	<u>11,306</u>
Total	<u>\$ 2,829,178</u>	<u>2,868,452</u>

(e) Major customers

	2017	2016
Customer A of biotechnology division	\$ 311,679	316,840
Customer B of biotechnology division	<u>354,756</u>	<u>384,736</u>
	<u>\$ 666,435</u>	<u>701,576</u>