Stock Code:4737

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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

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Representation Letter

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

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

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matters:

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

How the matter was addressed in our audit

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

2. Assessment of Inventory

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

The explanation of key audit matters:

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

How the matter was addressed in our audit

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

3. Assessment of Accounting Receivable

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

The explanation of key audit matters:

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

How the matter was addressed in our audit:

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

Other Matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(expressed in Thousands of New Taiwan Dollars)

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

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

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted

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

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

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

(Continued)

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

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

(i) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

1) Sales of goods

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

2) Impacts on financial statements

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

(ii) IFRS 9 “Financial Instruments”

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

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

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

(Continued)

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

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

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

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

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

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

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

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

(i) IFRS 16"Leases"

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

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

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1) Determining whether an arrangement contains a lease

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

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

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

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

2) Transition

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

－retrospective approach; or

－modified retrospective approach with optional practical expedients.

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

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

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

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

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

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

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

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

(Continued)

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

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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

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

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

(Continued)

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(4) Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

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

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

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

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

(Continued)

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

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

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

1) Availablefor sale financial assets

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

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

2) Loans and receivables

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(h) Inventories

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

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

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

(j) Leases

(i) Lessor

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

(ii) Lessee

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

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

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(k) Intangible assets

(i) Research and development

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

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

(Continued)

1) Trademarks and patents: 5 years

2) Computer software: 1~5 years

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

(l) Impairment of non-financial assets

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

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

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

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

(m) Treasury Stock

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

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

(n) Revenue

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

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

1) Sale of goods

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

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

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

2) Financing components

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

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

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

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

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

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

c) the costs are expected to be recovered.

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

(iii) Short-term employee benefits

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

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

(p) Share-based payment

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

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

(q) Income taxes

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

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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

(Continued)

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

(a) Revenue recognition

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

(b) Valuation of inventories

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

(c) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

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

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

(b) Financial assets

(i) Other financial assets

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

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

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

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

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

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

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as Financial assets measured at cost on December 31, 2017.

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

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

(iii) Financial assets measured at cost

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

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

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

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(c) Note and trade receivable

	December 31, 2018	December 31, 2017
Note receivables from operating activities	**$ 7,941**	**9,188**
Trade receivables-measured as amortized cost	636,478	525,580
Trade receivables from related parties-measured as amortized cost	183,868	76,939
Less：Loss allowance	(3,293)	(4,530)
	$ 817,053	**597,989**
Other receivables	$ 13,630	6,798
Less : Loss allowance	-	(157)
	$ 13,630	**6,641**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 573,772	- %	-
1 to 180 days past due	245,518	0.91 %	2,237
More than 180 days past due	1,056	100 %	1,056
	$ 820,346		**3,293**

As of December 31, 2017, the Group applied the incurred loss model to consider the loss allowance on provision for notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, as follows:

	December 31, 2017
Overdue 1 to 30 days	$ 105,272
Overdue 31 to 90 days	98,134
Overdue 91 to 180 days	1,634
	$ 205,040

(Continued)

The movement in the allowance for notes and trade receivable was as follows:

	December 31, 2018	December 31, 2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 4,530	606
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	4,530	-
Impairment losses recognized	-	3,968
Impairment losses reversed	(1,253)	-
Foreign exchange gains/(losses)	16	(44)
Balance on December 31, 2018 and 2017	**$ 3,293**	**4,530**

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

None of the receivables was discounted or pledged as collateral as of December 31, 2018 and 2017.

(d) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable	$ 13,630	6,798
Less: Loss allowance	-	(157)
	$ 13,630	**6,641**

As of December 31, 2017, the Group had no past due but non-impaired other receivables.

The movement in the allowance for other receivables was as follows:

	Collectively assessed impairment
Balance as of January 1, 2017 (T.e.Balance at December 31, 2017)	**$ 157**

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

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(e) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 52,619	38,079
Less: Allowance for inventory valuation losses	(5,279)	(6,880)
	47,340	31,199
Work in progress	266,417	257,343
Less: Allowance for inventory valuation losses	(9,848)	(9,528)
	256,569	247,815
Raw materials	120,572	95,685
Less: Allowance for inventory valuation losses	(12,058)	(10,309)
	108,514	85,376
	$ 412,423	**364,390**

The detail of inventory write-downs as follows:

	For the years ended December 31	
	2018	2017
Provisions (reversal of provision) for inventory valuation and obsolescence	$ 463	(7,340)
Losses on disposal of scrap	8,863	18,526
Gains on physical inventory	(255)	(384)
Gains on disposal of leftover bits and pieces	(3,125)	(2,716)
Operating costs recognized	**$ 5,946**	**8,086**

For the years ended December 31, 2018 and 2017, the amounts of inventories that were charged to cost of sales, and the net of provisions (reversal of provision) that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $463 and $(7,340) , respectively.

As of December 31, 2018 and 2017, the Group did not provide any inventories as collateral for its loans.

(Continued)

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(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance on January 1, 2018	$ 1,420,840	844,128	604,701	110,717	1,193	12,400	496,268	3,490,247
Additions	-	22,275	12,245	27,212	720	1,556	11,168	75,176
Disposal	-	-	(2,065)	-	(325)	-	(596)	(2,986)
Reclassification	-	3,118	30,552	7,191	-	3,230	2,244	46,335
Effect of movements in exchange rates	-	(145)	(50)	164	-	4	102	75
Balance on December 31,2018	**$ 1,420,840**	**869,376**	**645,383**	**145,284**	**1,588**	**17,190**	**509,186**	**3,608,847**
Balance on January 1, 2017	$ 1,420,840	841,519	531,900	97,869	1,193	12,410	485,868	3,391,599
Additions	-	1,832	69,690	11,391	-	-	11,074	93,987
Disposal	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	845	12,017	1,856	-	-	1,110	15,828
Effect of movements in exchange rates	-	(68)	(78)	(399)	-	(10)	(366)	(921)
Balance on December 31, 2017	**$ 1,420,840**	**844,128**	**604,701**	**110,717**	**1,193**	**12,400**	**496,268**	**3,490,247**
Depreciation and impairment loss：								
Balance on January1, 2018	$ -	82,207	406,400	94,341	1,193	12,306	186,696	783,143
Depreciation for the year	-	20,303	63,213	14,578	120	1,133	37,832	137,179
Disposals	-	-	(487)	-	(325)	-	(596)	(1,408)
Effect of movements in exchange rates	-	(14)	(8)	162	-	4	123	267
Balance on December 31,2018	**$ -**	**102,496**	**469,118**	**109,081**	**988**	**13,443**	**224,055**	**919,181**
Balance on January1, 2017	$ -	63,187	351,158	84,375	1,193	11,775	150,226	661,914
Depreciation for the year	-	19,020	64,104	10,354	-	568	38,204	132,250
Disposal	-	-	(8,828)	-	-	-	(1,418)	(10,246)
Reclassification	-	-	-	-	-	(26)	26	-
Effect of movements in exchange rates	-	-	(34)	(388)	-	(11)	(342)	(775)
Balance on December 31,2017	**$ -**	**82,207**	**406,400**	**94,341**	**1,193**	**12,306**	**186,696**	**783,143**
Carrying amounts:								
Balance on December 31, 2018	**$ 1,420,840**	**766,880**	**176,265**	**36,203**	**600**	**3,747**	**285,131**	**2,689,666**
Balance on December 31, 2017	**$ 1,420,840**	**761,921**	**198,301**	**16,376**	**-**	**94**	**309,572**	**2,707,104**
Balance on January 1, 2017	**$ 1,420,840**	**778,332**	**180,742**	**13,494**	**-**	**635**	**335,642**	**2,729,685**

(Continued)

(i) Disclosures on pledges

As of December 31, 2018 and 2017, the property, plant and equipment of the Group had been pledged as collateral for borrowings; please refer to Note 8.

(ii) Property, plant and equipment under construction

For the years ended December 31, 2018 and 2017, capitalized borrowing costs related to the construction of the new plant amounted to $843 and $467, with a capitalization rate of 1.435% respectively.

(g) Intangible Assets

The costs, amortization, and impairment loss of intangible assets, of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Trademarks	Computer software	Total
Costs:			
Balance on January1, 2018	$ 62,360	29,229	91,589
Additions	-	9,544	9,544
Reclassification	-	1,409	1,409
Disposal	-	(8,269)	(8,269)
Effect of movements in exchange rates	-	(7)	(7)
Balance on December 31, 2018	**$ 62,360**	**31,906**	**94,266**
Balance on January1, 2017	$ 62,360	39,579	101,939
Additions	-	8,741	8,741
Disposal	-	(19,091)	(19,091)
Balance on December 31, 2017	**$ 62,360**	**29,229**	**91,589**
Amortization and Impairment Loss:			
Balance on January1, 2018	$ 56,392	23,438	79,830
Amortization for the year	5,968	8,188	14,156
Disposal	-	(8,269)	(8,269)
Effect of movements in exchange rates	-	(1)	(1)
Balance on December 31, 2018	**$ 62,360**	**23,356**	**85,716**
Balance on January1, 2017	$ 50,425	34,949	85,374
Amortization for the year	5,967	7,580	13,547
Disposal	-	(19,091)	(19,091)
Balance on December 31, 2017	**$ 56,392**	**23,438**	**79,830**
Carrying amounts:			
Balance on December 31, 2018	**$ -**	**8,550**	**8,550**
Balance on December 31, 2017	**$ 5,968**	**5,791**	**11,759**

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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	Trademarks	Computer software	Total
Balance on January 1, 2017	**$ 11,935**	**4,630**	**16,565**

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

(i) Amortization

The amortization of intangible assets are included in the statement of comprehensive income:

	2018	2017
Operating costs	**$ 87**	**-**
Operating expenses	**$ 14,069**	**13,547**

(ii) Disclosures on pledges

As of December 31, 2018 and 2017, none of the intangible assets of the Group had been pledged as collateral.

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

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

	December 31, 2018	December 31, 2017
Overpaid sales tax	$ 13,656	11,940
Temporary payments	4,001	2,951
Other current assets-other	928	1,110
	$ 18,585	**16,001**
Other non-current assets-other	$ 580	174,160
Less : accumulated impairment	-	(120,000)
	$ 580	**54,160**

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017, the Group recognized the impairment loss of $57,866 and $60,000 to write down the carring amount of prepaid royalty of GE to the estimated recoverable value.

(i) Short-term notes and bills payable

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

	December 31, 2018		
	Guarantee or acceptance institution	**Range of interest rate (%)**	**Amounts**
Commercial paper payable	Taiwan Corperation Bank	1.18%	$ 100,000
Commeraial paper payable	Mega Bank	1%	60,000
Commeraial paper payable	Grand Bank	1.15%	100,000
Less: Dicount on short-term notes and bills payable			(252)
Total			**$ 259,748**

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

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2018	**December 31, 2017**
Unsecured bank loans	$ 268,440	598,002
Secured bank loans	390,945	301,447
	659,385	**899,449**
Unused credit line	**$ 1,146,709**	**1,462,373**
Range of Interest rates	**0.35%~5.655%**	**0.35%~4.8%**

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

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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(k) Other current liabilities

The other current liabilities were as follows:

	December 31, 2018	December 31, 2017
Contract liability	$ 2,010	-
Advanve payment	-	1,910
Temporary receipts	3,805	3,485
Other	1,338	2,757
	$ 7,153	**8,152**

(l) Long-term borrowings

The details were as follows:

	December 31, 2018			
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.25%~1.72%	2023~2026	$ 1,199,556
Less: current portion				(85,042)
Total				**$ 1,114,514**
Unused credit line				**$ -**

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

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

(m) Operating Lease

Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 3,433	4,669
Between one and five years	3,437	6,997
	$ 6,870	**11,666**

(n) Employee Benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 3,628	3,221
Fair value of plan assets	(3,640)	(3,450)
Net defined benefit liabilities (assets)	**$ (12)**	**(229)**

The Group's employee benefit liabilities were as follows:

	December 31, 2018	December 31, 2017
Short-term vacation liability	**$ 9,634**	**10,593**

The Group made defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirment benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $3,640 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

		2018		2017
Defined benefit obligation at January 1	$	3,221		3,272
Current service costs and interest cost		52		57
Remeasurements loss (gain):				
Actuarial loss (gain) arising from:				
－financial assumptions		355		(108)
Defined benefit obligation at December 31	**$**	**3,628**		**3,221**

3) Movements of defined benefit plan assets

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

		2018		2017
Fair value of plan assets at January 1	$	3,450		3,011
Interest income		58		56
Contributions paid by the employer		69		408
Remeasurements loss (gain):				
－Return on plan assets excluding interest income		63		(25)
Fair value of plan assets at December 31	**$**	**3,640**		**3,450**

4) Expenses recognized in profit or loss

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

	2018	2017
Net interest of net liabilities for the defined benefit obligation	**$ (6)**	**1**
Administration expenses	**$ (6)**	**1**

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

The Group's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

		2018		2017
Accumulated amount at January 1	$	(2,219)		(2,302)
Recognized during the period		(292)		83
Accumulated amount at December 31	**$**	**(2,511)**		**(2,219)**

6) Actuarial assumptions

(Continued)

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

	December 31, 2018	December 31, 2017
Discount rate	1.35 %	1.60 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $12.

The weighted average lifetime of the defined benefit plans is 21.6 years.

7) Sensitivity analysis

As of December 31, 2018, the impact on the present value of the defined benefit obligation,due to the change in actuarial assumption, was as follows:

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018	$ 1,015	(474)
Discount rate	(182)	194
Future salary increases rate	833	(668)

	Influences of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2017	$ 927	(431)
Discount rate	(166)	175
Future salary increases rate	761	(606)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined benefit plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $19,100 and $17,151 for the years ended December 31, 2018 and 2017, respectively.

Other subsidiaries established their retirement plans in accordance with each local regulation. The Group recognized the pension costs of $5,441 and $4,154 in 2018 and 2017, respectively.

(o) Income Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

(i) Income Tax Expense

The components of income tax in the years 2018 and 2017 were as follows:

		2018	2017
Current income tax expense			
Current period	$	12,501	42,450
Adjustment for prior period		2,779	6,100
10% surtax on un-distributed earnings		-	26
		15,280	48,576
Deferred tax expense(gain)			
Origination and reversal of temporary differences		22,815	(8,728)
Adjustment in tax rate		(4,024)	-
		18,791	(8,728)
Income tax expense	**$**	**34,071**	**39,848**

The amount of income tax recognized in other comprehensive income for years 2018 and 2017 was as follows:

		2018	2017
Items that may be reclassified subsequently to profit or loss:			
Exchange differency on translation	**$**	**-**	**-**

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Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows.

	2018	2017
Profit excluding income tax	$ 161,963	189,456
Income tax using the Company's domestic tax rate	32,393	32,751
Effect of tax rates in foreign jurisdiction	5,879	9,589
Adjustment in tax rate	(4,024)	(901)
Non-deductible expenses	(124)	(187)
Tax-exempt income	(3,871)	(5,910)
Recognition of previously unrecognized taxes loss	(1,428)	(832)
Changes in unrecognized temporary differences	204	(788)
Prior years income tax adjustment	2,779	6,100
10% surtax on undistributed earnings	-	26
Income basic tax	2,263	-
	$ 34,071	**39,848**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 3,536	2,832
The carry-forward of unused tax losses	60,469	61,897
	$ 64,005	**64,729**

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

As at December 31 2018, the information of the subsidiaries unused tax losses, for which no deferred tax assets were recognized, are as follows:

Subsidiaries	Year of loss	Unused tax loss
Bionime USA Corporation	2009	$ 4,277
Bionime USA Corporation	2010	19,930
Bionime USA Corporation	2011	75,044
Bionime USA Corporation	2012	140,649
Bionime USA Corporation	2013	39,788
Bionime USA Corporation	2014	8,259
		$ 287,947

(Continued)

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at December 31, 2018 and 2017. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets. Details are as follows:

	December 31, 2018	December 31, 2017
Aggreated amount of temporary differences related to investments in subsidiaries	**$ 313,918**	**331,336**
Unrecognized deferred tax assets	**$ 62,784**	**56,327**

2) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the temporary differences associated with its investments in subsidiaries as at December 31, 2018 and 2017. Also the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 9,907**	**8,488**
Unrecognized deferred tax liabilities	**$ 1,981**	**1,443**

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Others	Total
Balance at January 1, 2018	$ 2,020	834	20,400	-	23,254
Recognized in profit or loss	560	956	(20,400)	-	(18,884)
Balance at December 31,2018	**$ 2,580**	**1,790**	**-**	**-**	**4,370**
Balance at January 1,2017	$ 2,808	1,479	10,200	43	14,530
Recognized in profit or loss	(788)	(645)	10,200	(43)	8,724
Balance at December 31, 2017	**$ 2,020**	**834**	**20,400**	**-**	**23,254**

Deferred Tax Liabilities:

(Continued)

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2018	$ 427	26	453
Recognized in profit or loss	(112)	19	(93)
Balance at December 31, 2018	**$ 315**	**45**	**360**
Balance at January 1, 2017	$ 457	-	457
Recognized in profit or loss	(30)	26	(4)
Balance at December 31, 2017	**$ 427**	**26**	**453**

(iii) Assessment of tax

The Company's tax returns for the years through 2015 were assessed by the Tax Authority.

(p) **Capital and Other Equity**

As of December 31 2018 and 2017, the numbers of authorized ordinary shares were 70,000 thousand shares for each year, with par value of $10 per share. The total value of authorized ordinary shares amounted to $700,000 (and of which $60,000, was reserred for the exercising of employee share options for each year). As of that date, 59,447(2017:59,447) of ordinary thousand shares amounting $594,468(2017:$594,468) were issued. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2018 and 2017 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2018	**2017**
Balance on January1	59,447	63,447
Cancellation of treasury stock	-	(4,000)
Balance on December 31	**59,447**	**59,447**

(i) Ordinary shares

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

(ii) Capital surplus

The balance of capital surplus as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Share capital	$ 1,202,582	1,440,412
Employee share options	26,771	11,703
Expired options	85,546	79,981
	$ 1,314,899	**1,532,096**

(Continued)

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

(iii) Retained Earnings

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

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

1) Legal reserve

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

2) Special reserve

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

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3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of the shareholders held on June 20, 2018 and June 22, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders				
Cash	$ -	-	2.54	161,155

The Company's general meeting of the shareholders resolved to distribute the captial surplus cash divedends of $237,830 and $79,943 on June 20, 2018 and June 22, 2017, repectively.

(iii) Treasury shares

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

On March 13, 2017, the Company's Board of Directors resolved to repurchase 4,000 thousand shares from April 3 to May 12, 2017, as treasury shares with a par value ranging from $55~$75 per share in order to protect the Company's intergrity and shareholders equity. If the market price is lower than the resolved price floor, the Company continue implementing to repurchase its shares. As of December 31, 2017, the Company had repurchased 2,550 thousand shares, with a total value of $183,939. In August, the Company' s Board of Directors resolved to cancel 2,550 thousand treasury stock, wherein the related registration procedures had been completed.

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

As of December 31, 2018, a total of 2,000 thousand shares have not yet been cancelled.

(Continued)

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

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

(iv) Other equity interests (net-of-taxes)

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2018	$	(8,592)
Exchange differences on foreign operations:		3,092
Balance at December 31, 2018	**$**	**(5,500)**
Balance at January 1, 2017	$	645
Exchange differences on foreign operations:		(9,237)
Balance at December 31, 2017	**$**	**(8,592)**

(q) **Share-Based Payment**

(i) Employee stock options

As of December 31, 2018, details of the Employee Stock Option Plans ("ESOP") were as follows:

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

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1) Determining the fair value of equity instruments granted

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

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

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

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

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BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES
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2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2018		2017	
(in dollars)	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	$ 53.60	2,724,000	-	-
Granted during the year (number)		1,000,000		3,000,000
Forfeited during the year (number)	-	(457,000)	-	(276,000)
Outstanding at December 31	**50.9**	**3,267,000**	**53.6**	**2,724,000**
Exercisable at December 31		**3,267,000**		**2,724,000**

(ii) Employee recognized in profit or loss

The Group incurred expenses and liabilities of share-based arrangements in 2018 and 2017 were as follows:

	2018	2017
Expenses resulting from granted employee share options	**$ 20,633**	**15,147**

(r) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31 2018 and 2017 were based on the profit attributable to ordinary shareholders of the Company of $128,032 and $149,608; respectively; and the weighted average number of ordinary shares outstanding of 57,447 thousand shares and 59,365 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

2) Weighted average number of ordinary shares

	2018	2017
Weighted-average number of ordinary shares at December 31	**57,447**	**59,365**
Basic earnings per share	**$ 2.23**	**2.52**

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2018 and 2017 were based on profit attributable to ordinary shareholders of the Company of $128,032 and $149,608, restecteively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,119 thousand shares and 60,031 thousand shares were calculated as follows:

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

	2018	2017
Profit attributable to ordinary shareholders of the Company	**$ 128,032**	**149,608**

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

	2018	2017
Weighted-average number of ordinary shares (basic)	57,447	59,365
Effect of issuance of employee share options	204	255
Effect of employee share bonus	468	411
Weighted-average number of ordinary shares (diluted) at December 31	**58,119**	**60,031**
Diluted earnings per share	**$ 2.20**	**2.49**

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

Disaggregation of revenue

	2018
Primary geographical markets	
Algeria	$ 434,210
China	413,653
United State	257,369
Switzerland	183,094
Other	718,896
	$ 2,007,222
Major products	
Meter and Strips	**$ 2,007,222**

For details on revenue for the year ended December 31, 2017, please refer to note 6 (t).

(t) **Revenue**

The details of revenue for the years ended December 31, 2017 was as follows:

	2017
Sale of goods	1,829,079
Sales returned	(2,794)
Sales discount	(6,018)
	$ 1,820,267

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

For details on revenue in 2018, please refer to note 6 (s).

(u) **Employee compensation, Directors' and supervisors' remuneration**

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

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $18,788 and $18,962 and directors and supervisors remuneration amounting to $4,000, and $4,000 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

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

(i) Other income

The details of other income for the years 2018 and 2017 were as follows:

	2018	2017
Interest income:		
Interest income-bank deposits	$ 1,694	1,610
Others	4,954	19,493
	$ 6,648	**21,103**

(ii) Other gains and losses

The details of other gains and losses for the years 2018 and 2017 were as follows:

	2018	2017
Foreign exchange gains (losses)	$ (2,684)	1,823
Gains on disposals of property, plant and equipment	4,360	-
Impairment losses	(57,866)	(60,000)
	$ (56,190)	**(58,177)**

(iii) Finance costs

The details of financial costs for the years 2018 and 2017 were as follows:

	2018	2017
Interest expenses-bank loans	**$ 29,046**	**22,541**

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposule

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the consolidated balance sheet which were $1,272,255 and $788,166 respectively, as of December 31, 2018 and 2017.

2) Concemtration of credit risk

The major clients of Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the accounts receivable and recognizes an allowance for impairment. The impairment loss is within management' s expectation. As of December 31, 2018 and 2017, the Group received the concentrations of credit risk arising from Customer A and other counter parties, and it was below 42% and 36% (2017: 33% and 35%) of the total trade receivables respectively.

3) Receivables and debt securities

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

Other financial assets at amortized cost includes other receivables and time deposits (previously classified as Other finance assets-liquidity on December 31, 2017). For the details on loss allowance on December 31, 2017, please refer to note 6(b) and note 6 (d).

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

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The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables	Debt investments at amortized cost	Total
Balance on January 1 per IAS 39	$ 157	-	157
Adjustment on initial application of IFRS 9	(157)	157	-
Balance on January 1 per IFRS 9	-	157	157
Amount offset for unrecoverable this year	-	(157)	(157)
Balance on December 31	**$ -**	**-**	**-**

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 1,590,501	1,620,571	492,126	203,175	574,720	350,550
Unsecured bank loans	268,440	275,796	275,796	-	-	-
Short-term notes and bills payble	259,748	260,000	260,000	-	-	-
Notes and accounts payable	162,842	162,842	162,842	-	-	-
Other payables (including related parties)	168,224	168,224	168,224	-	-	-
Payable on machinery and equipment	14,564	14,564	14,564	-	-	-
	$ 2,464,319	**2,501,997**	**1,373,552**	**203,175**	**574,720**	**350,550**
December 31, 2017						
Non-derivative financial liabilities						
Secured bank loans	$ 1,101,353	1,126,386	376,124	63,402	190,207	496,653
Unsecured bank loans	598,002	610,201	610,201	-	-	-
Short-term notes and bills payable	159,837	160,000	160,000	-	-	-
Notes and accounts payable	144,818	144,818	144,818	-	-	-
Other payables(including related parties)	136,575	136,575	136,575	-	-	-
Payable on machinery and equipment	26,101	26,101	26,101	-	-	-
	$ 2,166,686	**2,204,081**	**1,453,819**	**63,402**	**190,207**	**496,653**

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

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
Financial assets						
Monetary items						
USD	USD 26,217	30.74	805,911	USD 18,901	29.76	562,494
EUR	EUR 2,593	35.22	91,325	EUR 3,342	35.55	118,808
Financial liabilities						
Monetary items						
USD	USD 28,842	30.74	886,603	USD 16,132	29.76	480,088
EUR	EUR 1,220	35.22	42,968	EUR 2,609	35.55	92,750

2) Sensitivity analysis

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

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2018 and 2017, would have increased (decreased) the net profit after tax by $129 and $450, respectively. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact resulting from the forecasted sales and purchases. The analysis is performed on the same basis for 2017 (prior year).

3) Foregin exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2018 and 2017, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(2,684) and $1,823, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 0.5%, the Group's net income would have increased / decreased by $7,436 and $7,052 for the year ended December 31, 2018 and 2017, respectively with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	**$ 30,100**	-	-	30,100	30,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 433,631	-	-	-	-
Notes and trade receivable (including related parties)	824,994	-	-	-	-
Other receivables	13,630	-	-	-	-
Other financial assets-current	38,588	-	-	-	-
	$ 1,310,843	-	-	**30,100**	**30,100**
Financial liabilities at amortized cost					
Short-term borrowings	$ 659,385	-	-	-	-
Short-term notes and bills payable	259,748	-	-	-	-
Notes and trade payables, and other payables (including related parties)	331,066	-	-	-	-
Payable on machine and equipment	14,564	-	-	-	-
Long-term borrowings, including current portion	1,199,556	-	-	-	-
	$ 2,464,319	-	-	-	-

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	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at cost	**$ 30,100**	-	-	-	-
Loans and receivables					
Cash and cash equivalents	$ 174,348	-	-	-	-
Notes and trade receivables, and other receivables (including related parties)	613,818	-	-	-	-
Other financial assets-current	312,280	-	-	-	-
	$ 1,100,446	-	-	-	-
Financial liabilities					
Financial liabilities at amortized					
Short-term borrowings	$ 899,449	-	-	-	-
Short-term notes and bills payable	159,837	-	-	-	-
Notes and trade payables, and other payables (including related parties)	281,393	-	-	-	-
Payable on machine and equipment	26,101	-	-	-	-
Long-term borrowings, including current portion	799,906	-	-	-	-
	$ 2,166,686	-	-	-	-

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

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

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

3) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2018 and 2017.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2018(i.e. December 31, 2018)	**$ 30,100**

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

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

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Discounted Cash Flow Method	• Forecast annual revenue growth rate （December 31, 2018 ; 9%~44%）	• the annual revenue growth rate were higher, the fair value were higher
		• Weight average capital cost（December 31, 2018 ; 8.62%）	• the weight average capital cost were higher, the fair value were higher

(x) **Financial Risk Management**

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade and other receivable

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

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

2) Investments

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

3) Guarantee

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2018, no guarantees were outstanding (2017: none).

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2018 and 2017, the Group's unused credit lines were amounted to 1,146,709 thousand and 1,462,373 thousand, respectively.

(v) Market risk

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

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily New Taiwan Dollars (TWD)、EUR and US Dollars (USD).

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

2) Interest rate risk

The Group by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

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

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

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

3) Other market price risk

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

(y) **Capital Management**

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

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

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

As of December 31, 2018, the Group's capital management strategy is consistent with that of the prior year as of December 31, 2017 and the debt to equity ratio is maintained within 30% to 75% to ensure financing at reasonable cost. The Group's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,596,296	2,297,314
Less: cash and cash equivalents	433,631	174,348
Net debt	**$ 2,162,665**	**2,122,966**
Total equity	**$ 1,993,108**	**2,077,602**
Total capital	**$ 4,155,773**	**4,200,568**
Debt-to-equity ratio at 31 December	**52.04%**	**50.53%**

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

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1,2018	Cash flows	Foreign exchange movement	Fair value changes	December 31,2018
Long-term borrowings	$ 799,906	399,650	-	-	1,199,556
Short-term borrowings	899,449	(243,233)	3,169	-	659,385
Total liabilities from financing activities	**$,699,355**	**156,417**	**3,169**	**-**	**1,858,941**

(7) Related-party transactions

(a) Parent company and ultimate controlling company

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

(b) Name and relationship with related parties

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

Name of related Party	Relationship with the Group
Tonghua Dongbao Pharmaceutical Co.,Ltd. (Tonghua Dongbao)	Key management personnel
HUANG, CHUN-MU	Key management personnel

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(c) Significant transactions with related parties

(i) Sales

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

	2018	2017
Key management personnel of the Group－Tonghua Dongbao	**360,446**	**354,756**

The price given to the related-party is lower than general customers. The general customer's collection term is about 45 to 120 days or advance sales receipts, the key management personal of the Group of the collection conditions is advance sales receipts.

(ii) Receivables from related parties

The receivables from related parties were as follow:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts receivable	Key management personnel of the Group －Tonghua Dongbao	$ 183,868	76,939

(iii) Payables to related parties

The payables to related parties were as follow:

Account	Relationship	December 31, 2018	December 31, 2017
Other payables	Key management personnel of the Group －Tonghua Dongbao	$ 19,294	6,168

(iv) Advance sales receipts and others(account for other current liabilities)

Account	Relationship	December 31, 2018	December 31, 2017
Temporary receipts	Key management personnel of the Group －Tonghua Dongbao	**$ 4**	**4**

(v) others

1) The sales expense of $12,347 in 2018 which caused by signing contract with key managemant personal of the Group-Tonghua Dongbao was under selling expenses.

2) The Group entered into a patent license agreement with the key management. The agreement is from June 30, 2004, to April 17, 2023, and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(Continued)

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(d) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 24,097	27,613
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based paymen	-	-
	$ 24,097	**27,613**

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2018	December 31, 2017
Property, plant and equipment	Guarantee for bank loans	$ 2,180,425	2,175,041
Other financial assets-current	Guarantee for bank loans	22,394	302,796
		$ 2,202,819	**2,477,837**

(9) Significant Commitments and Contingencies:

(a) Unrecognized contractual commitments are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	**$ 13,266**	**9,401**

(b) Contingencies

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

Year	Amount
2019	$ 36,888
2020	46,110
	$ 82,998

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

(Continued)

(ii) The Group signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will compensate the Company for any loss due to the insufficient purchase amount if Tonghua Dongbao, fails.

(iii) The Group signed a patent license agreement with the key management. The agreement is from Jane 30, 2004 to April 17, 2023 and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function / By item	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	291,485	252,623	544,108	281,116	223,906	505,022
Labor and health insurance	24,108	22,447	46,555	20,334	19,932	40,266
Pension	10,503	14,032	24,535	9,874	11,432	21,306
Others	16,459	11,911	28,370	14,116	10,954	25,070
Depreciation	99,904	37,275	137,179	98,045	34,205	132,250
Amortization	87	14,069	14,156	-	13,547	13,547

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

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(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Bionime (Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Note 1 (3)	199,124 (Note 2, 4)	22,400	22,400	21,056	22,400	74.00 %	199,124 (Note 3, 4)	Y	N	Y

Note 1: The relationship between guarantee provider and guarantee party were as follows:

1) Entities with business relationship with the Company.

2) Entities which the Company, directly or indirectly, held more than 50% voting shares.

3) Entities which, directly or indirectly, held more than 50% voting shares of the Company.

4) Entities which the Company, directly and indirectly, held more than 90% voting shares.

5) Entities which provide guarantee for each other based on the contractual requirements of inter-industry or co-creation.

6) An entity that is guaranteed by all capital contributing shareholders in accordance with their shareholding percentages based on their joint investement relationship.

7) Performance guarantees for pre-sales contracts under the Consumer Protection Act.

Note 2: In accordance with Procedure of Endorsement and Guarantees"issued by the individual subisdiary", the amount of guarantee between subsidiaries shall not exceed 100% of each subsidiary's net worth.

Note 3: In accordance with Procdeure of Endorsement and Guarantees"issued by the individual subisdiary", the total amount of external guarantees provided by the subsidiary shall not exceed 100% of each subisidary's net worth .

Note 4: The total amount of endorsements and/or guarantees to any individual subsidiary ,or all to subsidiaries of the Group, shall not exceed 10% of Bionime Company's net worth.

(Continued)

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

(iii) Securities held as of December 31, 2018 (excluding those investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category andname of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands))	Percentage of ownership (%)	
The company	Ordinary-Bonraybio Corporation	-	Non-current financial assets measured at fair value through other comprehensive gains and losses	860	30,100	7.29%	30,100	860	7.29%	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with an amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Bonraybio Corporation	Key management personnel	Sale	(360,446)	(17.96)%	Advence recipts	No comparison	Advence recipts	183,868	22.29%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Bonraybio Corporation	Key management personnel	183,868	2.76	183,868	Coordinated collection	-	-

(ix) Trading in derivative instruments:None

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2018			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Purchases	2,489	Note3	0.12 %
0	The company	Bionime USA Corporation	1	Sales	60,074	Note3	2.99 %
0	The company	Bionime (Malaysia) Sdn Bnd	1	Sales	8,034	Note3	0.40 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Sales	82,081	Note3	4.09 %
0	The company	Bionime USA Corporation	1	Accounts receivable	6,007	Note3	0.13 %
0	The company	Bionime（Malaysia） Sdn Bnd	1	Accounts receivable	2,739	Note3	0.06 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Accounts receivable	32,401	Note3	0.71 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Accounts payable	108	Note3	- %
0	The company	Bionime GmbH	1	Professional service fees	30,407	No Comparison	1.51 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Professional service fees	46,770	No Comparison	2.33 %
0	The company	Bionime Incorporated	1	Other receivables	3	No Comparison	- %
0	The company	Bionime（Malaysia） Sdn Bnd	1	Other receivables	4,970	Note3	0.11 %
0	The company	Bionime (Shenzhen) Limited Company	1	Other receivables	716	No Comparison	0.02 %
1	Bionime Incorporated	Bionime (Shenzhen) Limited Company	3	Other receivables	978	No Comparison	0.02 %
0	The company	Bionime GmbH	1	Other receivables	19,542	No Comparison	0.43 %
0	The company	Huanuang Biological Technology (Pingtan) Limited Company	1	Temporary receipts	227	No Comparison	- %

Note 1: The number filled in as follows:

1) Zero Represente the parent company.

2) Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

(Continued)

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

1) 1 represents the transactions between parent company and subsidiaries.

2) 2 represents the transactions between subsidiaries and parent company.

3) 3 represents the transactions between subsidiary and subsidiary.

Note 3: The price that the Company offers to its related parties is not comparable to other non-related parties due to their product characteristics. The collection period for general customers ranges from 45 to 120 days; and the collection period for Bionime Incorporated (B.V.I.) Bionime GmbH, Bionime USA Corporation, Bionime Australia Pty Limited, and Bionime (Malaysia) Sdn. Bhd are approximately 90 days, 60 days, 120 days, 120 days, and 75 days, respectively.

Note 4: The transactions have been eliminated upon consolidation.

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of wnership	Carrying value	Shares (thousands)	Percentage of wnership			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100 %	18,417	Note1	100%	1,418	1,418	Note4
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100 %	80,013	3.09	100%	9,101	9,101	Note4
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100 %	40,412	1,115	100%	8,728	8,728	Note4
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100 %	(76)	Note2	100%	(52)	(52)	Note4
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR698	-	Note3	72 %	4,831	Note3	72%	(499)	(359)	Note4

Note1: A company established in Switzerland.

Note2: A company established in Australia.

Note3: A company established in Malaysia.

Note4: The transactions have been eliminated upon consolidation.

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow				Highest Percentage of ownership			
Bionime (Shenzhen) Limited Company	Merchandise trading	US$850	Note 1	US$850	-	-	US$850	8,273 (Note3)	100%	100%	8,273	25,518	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$10,000	Note 2	-	-	-	-	5,278 (Note3)	100%	100%	5,278	(1,646)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US$850 (NT$ 27,520)	US$ 850 (NT$ 27,520)	NT$1,194,742

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

Note 2: Which is invesed by Shenzhen subsidiary.

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

Note 4: The transactions have been eliminated upon consolidation.

(iii) Significant transactions:

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

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

(14) Segment information:

(a) General information

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

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

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

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

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

The Group's operating segment information and reconciliation are as follows:

	Biotechnology segment	
	2018	2017
Revenue：		
Revenue from external customers	$ 2,007,222	1,820,267
Interest revenue	1,694	1,610
Total revenue	**$ 2,008,916**	**1,821,877**
Interest expenses	$ 29,046	22,541
Depreciation and amortization	151,335	145,797
Reportable segment profit or loss	**128,032**	**149,608**
Capital expenditure	**$ 96,257**	**91,520**
Reportable segment assets	**$ 4,589,404**	**4,374,916**
Reportable segment liabilities	**$ 2,596,296**	**2,297,314**

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

(c) Production and service information

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

(d) Geographic information

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

Region		2018	2017
Revenue from external customers :			
Algeria	$	434,210	311,679
United States		183,094	141,788
Switzerland		257,369	231,068
Mainland Chinese		413,653	400,304
Other countries		718,896	1,047,107
Total	**$**	**2,007,222**	**1,820,267**
Non-current assets：			
Taiwan	$	2,769,890	2,817,290
Other countries		11,746	11,888
Total	**$**	**2,781,636**	**2,829,178**

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

(e) Major customers' information

		2018	2017
Customer A of biotechnology division	$	434,210	311,679
Customer B of biotechnology division		360,446	354,756
	$	**794,656**	**666,435**