Stock Code：4737

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

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

BIONIME

Bionime Corporation

2019 Annual Report

Published on 15 May, 2020

1. Company Spokesman:

Spokeman

Name: Huang Chu-Mu

Title: Chairman

Tel: (04) 2369-2388

Email: investor@bionime.com

Acting spokeman

Name: Chen Hui-Zhen

Title: Chief Financial Officer

Tel: (04) 2369-2388

Email: investor@bionime.com

2. Address and telephone number of the Company:

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

Tel: (04)2369-2388

Fax: (04)2261-7586

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

Name: Stock Agency Department, China Trust Commercial Bank

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

Website: www.chinatrust.com.tw

Tel: (02) 6636-5566

4. CPAs certifying the latest financial statements

Names of CPAs: Zhang Zi-Xing, Wu Jun-Yuan

Name of CPA firm: KPMG Taiwan

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

Website: www.kpmg.com.tw

Tel: (02) 8101-6666

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

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

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I. Letter to Shareholders

1. 2019 Business result: （Unit: NT$ thousand）

(1)2019 Annual operating report

2019 Business result: （Unit: NT$ thousand）

Annual	2019	2018	Increase/Decrease	Percentage
Net Operating Revenue	2,172,923	2,007,222	165,701	8.26%
Gross Profit	948,418	916,999	31,419	3.43%
Operating Expenses	792,147	676,448	115,699	17.10%
Operating Income	156,271	240,551	(84,280)	-35.04%
Income after Tax	106,711	127,892	(21,181)	-16.56%

(2)The analysis of 2019 and 2018 financial structure and profitability:

Items \ Annual		2019	2018
Financial Structure	Debts ratio(%)	53.52	56.57
	Long Term Funds to Fixed Assets(%)	113.08	115.53
Profitability	Return on Assets(%)	2.93	3.39
	Return On Equity(%)	5.28	6.28
	Profit Margin(%)	4.91	6.37
	Earnings Per Share	1.85	1.23

(3)Budget implementation: . The execution of budget is not disclosed, as the 2019 financial forecast was not publicly released.

(4) **Status of research and development:**

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

Annual \ Items	2019	2018	2017
R&D Expenses	255,121	201,186	159,960
Net income ratio	11.74%	10.02%	8.79%
R&D Achievements	GM111 / 551 Bluetooth blood glucose	GM762 POCT is on the market GM770 / 772 Bluetooth blood glucose is on the market	GM761 POCT is on the market. GM700SB Blood Glucose Monitor with Bluetooth is on the market. IOT Blood Glucose Management APP is on the market.

2).Machine types expected be developed in 2020:

A. Continuous blood glucose monitor

B. Continuous Insulin Pump

C. Blood Glucose and Ketone Monitoring System

D. New type of High-Speed Lancing Device

E. New type of Strips for Monitors

2. 2020 Business Plan

Bionime achieved an important mileage in 2019. Besides revenue growth has been stagnant, the CGM series products of blood glucose monitor have been being years developed which now has become the index of development. In addition, it has kept applying and obtaining the international patents. Furthermore, our company signed the new 10-year authorized contract with GE, the USA branding company, to keep international market development.

Looking ahead to 2020, Bionime based on the company vision of innovating safe and security home medical care of monitoring equipment. It would hope to take care of many people health to the "safe use, life easy". Bionime would keep new products developing in Diabetes care medical equipment and evoking work motivation in Industry 4.0 of intelligent manufacturing to extensive factory built-in boost-control of management capabilities. It would improve manufacturing efficiency and increase product quality. It would let Bionime market competitive advantage. Bionime would keep evoking motivation to help key and potential customers from market development. It would enhance a cooperation of win-win situation between both sides to expect increasing in company revenue and profits.

3. The Expected Development Strategy

(1) Related new products development in diabetes care.

(2) Invested in intelligent manufacturing soft and hard wares to extensive factory built-in boost-control of management capabilities and efficiency.

(3) IoT service system in combination with AI artificial intelligence application: including Big Data and AI technology would keep R&D improving in IoT service products.

(4) International business cooperation: Enhanced customer business cooperation.

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

(1) External competition environment

According to Industrial Economics research of Taiwan Institute of Economic Research, the market scale of global medical equipment would reach to $411.6 billion and would reach to $436.5 billion, increasing in 6.07% yearly. It is since the Disposable Income in Emergency Nationalities is increasing gradually, global aging population and the rise of patients with chronic diseases. In addition, the framework of major countries' medical device regulations tends to be completed and the support of the related industrial policy to keep the significant major market demand on test, treatment, assistant, and medical equipment. It would lead the obvious needs on a stable power of growth. Because the trade between USA and China, it would fast pace the domestic production of Chinese high valued medical supplies and equipment. It has gone through the supportive policies of centralized purchasing, cancellation of medicine markups recently. Since Taiwan-made medical materials do not meet the definition of Chinese products by the Chinese authorities, the above-mentioned policies will strengthen the scale of operation and the basis of competition of Chinese manufacturers whose production quality has been significantly improved, thereby increasing the difficulty of Taiwanese companies entering the Chinese market. Overseas market is also facing strong competition from Chinese peers.

(2) Legislation

The EU is the second-largest medical device market globally and an important market for the export of medical devices in Taiwan. Because of the new EU medical device regulations (MDR / IVDR), there are many major adjustments, which are comprehensive impact for products and manufacturers with CE. As a result, if the company does not comply with the new regulations, it will face the dilemma that the product cannot be sold in the EU market, or that it will fail the inspection.

(3)The influence of Overall Management

Faced with the China-US trade tensions in 2019 and the new Coronavirus pandemic in 2020, governments and experts from many countries predicted a major impact on the global economy. It is bound to have an impact on the business of Bionime ’s export-oriented industries. Based on the competitive advantages of technology and quality, Bionime will face possible fluctuations in the overall economic market.

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

Best Regards.

Chairman and General Manager: Huang, Chun-Mu

Accounting Supervisor: Liao, Chen-Yu

II. Company Profile

Company Profile

(1) Date of Establishment: April 14, 2003

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

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

Head office telephone number: (04)2369-2388

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

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

(3) Company History

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

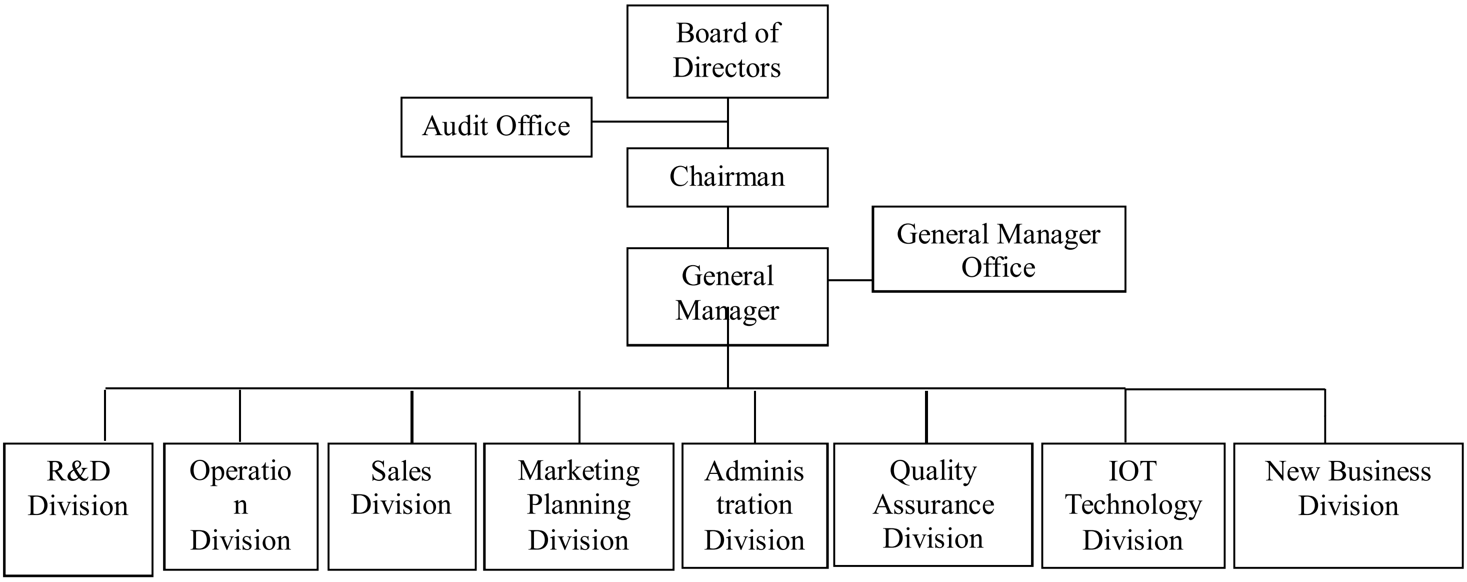
2010	February	Employee stock option certificates converted to common stock of NT$10,000 thousand, paid-in capital increased to NT$362,356 thousand.
2010	February	Australian subsidiary - Bionime Australia Pty Ltd. was set up
	August	Approved to apply a high-tech list company by Industrial Development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

	March	Mylife Unio won Reddot Design Award
	September	The new plant Daqing factory passed Taiwan GMP certification
	September	The blood collection pen GD500 won the Silver Award of National Invention Award
	October	The new blood glucose meter GM720 won the praise of the Ministry of Economics for industrial innovation achievements
2014	January	GM720 won the Taiwan Excellence Award
	June	Members of the Diplomatic and Economic Representatives based in Taiwan visited Bionime for exchange of international business.
	November	Won the silver medal of 2014 Invention Creation Award
2015	December	Private placement of securities of NT$1.14billion
2016	August	Certified by Brazil's National Health Surveillance Agency and received ANVISA Certificate
2017	February	GM700 Pro GM700 won the Taiwan Excellence Award
2018	March	Established Malaysian subsidiary – Bionime (Malaysia) SDN BHD
	November	Rightest smart blood glucose management won the 27th Taiwan Excellence Award in 2019
2019	November	"Rightest Precison Healthcare Ecosystem" won the 28th Taiwan Excellence Award in 2020
2020	January	Obtained the Medical Device Single Audit Program(MDSAP)
	March	Rightest CARE App passed CE certification

III. Corporate Governance Report

1. Organization System

(1) Organization Structure (01/01/2020)



(2) Division Functions

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

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

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

(1) Information of Directors and Supervisors

May 2, 2020; Unit: share

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Elected Date	Term	Date First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Current Shareholding		Current Shareholding in the name of others		Experience (Education) (Note3)	Current Positions at the Company and other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note4)
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relations	
Chairman	Taiwan	Huang,Chun-Mu	Male	6/20/2019	3	4/14/2003	2,405,492	4.04%	2,436,492	3.96%	1,120,380	1.82%	-	-	National Taipei University of Technology MS Tech General Manager	General Manager of the Company	-	-	-	Note 4
Director	Taiwan	HUA ENG WIRE&CABLE CO.,LTD.	-	6/20/2019	3	3/25/2010	7,807,900	13.12%	7,807,900	12.69%	0	0.00%	-	-			-	-	-	-
		Representative: Lin,Ming-Hsiang	Male	6/20/2019	3	3/25/2010	0	0.00%	0	0.00%	0	0.00%	-	-	Department of Business at Kaohsiung Commercial High School Examination Yuan Level B Financial Executive Qualification Deputy general manager at Hua Eng Wire & Cable Co., Ltd	Director at Hua Eng Wire & Cable Co., Ltd Director at First Copper Technology Co., Ltd. Director atChina Ecotek Corporation Director at Wafer Works Corp. Managing Supervisor at Asia Pacific Telecom Co., Ltd. Director at Co-Tech Development Corporation Director at Savior Lifetec Corporation Director at Pixon Technologies Deputy General Manager at Hua Eng Wire & Cable Co., Ltd	-	-	-	-

Director	Taiwan	Chiang,Tai-Hsiung	Male	6/20/2019	3	10/17/2007	807,657	1.36%	887,657	1.44%	6,280	0.01%	-	-	Graduate Institute of Law from Chinese Culture University Deputy general manager at Microlife	Executive deputy manager of the Company Director at ONBO Electronic (Shenzhen)	-	-	-	-
Director	Mainland China	TONGHUA DONGBAO Pharmaceutical CO., LTD.	-	6/20/2019	3	2/5/2016	12,000,000	20.17%	12,000,000	19.51%	0	0.00%	-	-			-	-	-	-
Independent Director	Taiwan	Tsai ,Gan-Ren	Male	6/20/2019	3	11/24/2009	0	0.00%	0	0.00%	0	0.00%	-	-	PhD in Biochemistry and Molecular Biology from Wayne State University, USA Professor, Department of Medical Laboratory and Biotechnology at Chung Shan Medical University	-	-	-	-	-
Independent Director	Taiwan	Kuo, Li-Jen	Female	6/20/2019	3	11/24/2009	0	0.00%	0	0.00%	0	0.00%	-	-	Doctor of Business Administration from National Taipei University Assistant Professor of Department of Business Administration at National Taipei University Assistant Professor of Department of Business Administration at Chung Yuan Christian University	Independent Director at Sunnic Technology & Merchandise Inc.	-	-	-	-

Independent Director	Taiwan	Lu,Hsueh-Yu	Male	6/20/2019	3	6/28/2013	0	0.00%	0	0.00%	129,246	0.21%	-	-	Department of Mechanical Engineering at National Cheng Kung University Deputy General Manager at Microlife General Manager at Microlife General Manager at ONBO Electronics (Shenzhen)	General Manager at Vega Technologies Inc.	-	-	-	-
Supervisor	Taiwan	Tai,Tsung-Kai	Male	6/20/2019	3	5/15/2007	405,236	0.68%	405,236	0.66%	22,003	0.04%	-	-	Department of Physics at Tunghai University Director at UNIVACCO Technology Inc. General Manager at UNIVACCO Inc. Vacuum Materials (Dongguan)	-	-	-	-	-
Supervisor	Taiwan	Su,Chin-Pin	Male	6/20/2019	3	2/5/2016	1,087,817	1.83%	1,087,817	1.77%	0	0.00%	-	-	Department of International Grade at Soochow University	General Manager at Maxhealth Corporation	-	-	-	-
Supervisor	Taiwan	Lin,Chien-Hsing	Male	6/20/2019	3	6/28/2013	12,501	0.02%	12,501	0.02%	2,000	0.00%	-	-	Department of Finance and Taxation at National Chengchi University		-	-	-	-

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

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

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

Note 4: If the general manager or the equivalent (top management) are the chairman are the same person or spouses or the relative within the first degree of kinship, it shall disclosure the related information such as the cause, rationality, necessity and measures taken (such as adding the seats of independent directors, and requiring more than half of the directors not serving as employees or managers concurrently).

Explanation: 1. The Chairman also concurrently serves as the general manager of the Company. It aims to improve the operation efficiency and the decision execution, and make the Board know the operation condition of the Company better. However, to enhance the independence of the Company, the Company already plans to recruit excellent talents externally and also train competent candidates internally.

2. At present, the company has taken the following specific measures: (1) The knowledge, skills, literacy and overall competency of the current three independent directors shall be professional to perform the business and effectively play their supervisory functions. (2) More than half of the directors don't serve as employees or managers concurrently.

Table 1: Major Shareholders of Institutional Shareholders

April 19, 2020

Name of Institutional Shareholder (Note 1)	Major Shareholders(Note 2)
Hua Eng Wire & Cable Co., Ltd.	First Copper Technology Co., Ltd.(32.96%), Huahong Investment Co., Ltd.(5.21%), Wang Yang Bi-E(3.49%), Wang Feng-Shu(2.50%), Wang Wen-Ling(2.20%), Wang Hong-Ren(2.12%), Wang Yu-Fa1.75%), Wang Hong-Ming(1.46%), Chen Kun-Rong(0.81%), Wang Wu Li-Yan(0.80%)
Tonghua Dongbao Pharmaceutical Co., Ltd.	Dongbao Industrial Group Co., Ltd. (38.56 %), HKEX(5.07%), China Universal Asset Management Fund－Construction Bank－China Life Insurance－China Life Insuance hosting China Universal Asset Management Fund Mixed Combination (2.46%), China Universal Asset Management Fund －National Council for Social Security Fund 1103 Portfolio(2.36%), Xu Jian-Ming(1.20%), National First Pensions Trust Company－Equity Fund(0.62%), Li Yi-Kui (0.56%), Repurchase Securities Account of Tonghua Dongbao Pharmaceutical Co., Ltd. (0.53%), China Universal Asset Management Fund－PING AN BANK－Southern Capital Management Co.,Ltd. (0.49%)、ICBC－Qianhai Kaiyuan Quality Growth Hybrid Securities Investment Fund (0.47%)

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

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

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

April 19, 2020

Name of Institutional Shareholder	Major Shareholder
First Copper Technology Co., Ltd.	First Copper Technology Co., Ltd. (32.96%), Huahong Investment Co., Ltd. (5.83%), Wang Yang Bi-E(3.49%), Wang Feng-Shu (2.55%), Wang Wen-Ling (2.20%), Wang Hong-Ren (2.12%), Wang Yu-Fa1.75%), Wang Hong-Ming(1.46%),Citi hosting Norges Bank Investment Account Citibank (0.82%), Chen Kun-Rong (0.80%)
Huahong Investment Co., Ltd.	Hong Kong Gongsheng Industrial Company(79.79%), Wang Wen0-Ling (3.19%), Wang Feng-Juan(3.19%), Wang Feng-Shu(3.19%), Wang Hong-Ren(3.19%), Wang Hong-Ming(2.87%)、Wang Yu-Ting (2.13%), Wang Yu-Fa (1.07%), Wang Feng-Qin(0.85%), Wang Yang Bi-E (0.53%)
Dongbao Industrial Group Co., Ltd.	Li Yi-kui (12.24%), Li Chia-Wei(10.77%), Li Chia-Hong(10%), Cheng Jian-Chiu(7%), Sun Shiao-Ling(6.69%), He Ming-Li(6.35%), Leng Chun-Sheng(6.23%), Wang Jun-Ye(5.93%), Cheng Yu-Hua(5.1%)。

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

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

Note 3: For the institutional shareholder that is not a company, the names of shareholders and shareholding ratios shall be disclosed above, namely, names of investors or donors and their capital contribution or donation ratios.

Professional Qualifications and Independence Analysis of Directors and Supervisors:

Criteria / Name (Note 1)	Meet one of the Following Professional Qualification Requirements, together with at Least Five Years Work Experience			Independence Attribute (Note 2)												Number of holding concurrent independent director position in other public companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	<u>11</u>	<u>12</u>	
Huang,Chun-Mu	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	-
Chiang,Tai-Hsiung	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	-
Hua Eng Wire & Cable Co., LtdRepresentative: Lin Ming-Xiang	-	-	V	V	-	-	V	-	V	V	V	V	-	V	V	-
Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Chang,WenHai	-	-	V	V	-	-	V	-	V	V	V	V	-	V	V	-
Tsai ,Gan-Ren	V	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Kuo, Li-Jen	V	-	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Lu,Hsueh-Yu	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Su,Chin-Pin	-	-	V	V	-	-	V	V	V	V	V	V	V	V	V	-
Tai,Tsung-Kai	-	-	V	V	-	V	V	V	V	V	V	V	V	V	V	-
Lin,Chien-Hsing	-	V	V	V	-	V	V	V	V	V	V	V	V	V	V	-

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

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

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

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

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

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

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

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

(7) Not a director, supervisor, or employee of another company or institution that the chairman, the general manager or the equivalents are the same person or the spouse of these positions of the company(However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).

(8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company(However, this does not apply, in cases where the company or institution holds more than twenty percent but less than fifty percent of the total number of outstanding shares of the Company, and the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).

(9) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or a spouse thereof, who, provides audit to the company or to any affiliate of the company, or obtains the remuneration less than NT$500,000 in the more recent two years by providing commercial, legal, financial, accounting services or consultation services, provided that this restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee who exercises powers pursuant to Securities Exchange Law or the Corporate M & A Law;

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

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

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

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

May 2, 2020; Unit: Share

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Children Shareholding		Current Shareholding in the Name of others		Experience (Education)	Current Positions at the Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Share	Ratio	Share	Ratio	Share	Ratio			Title	Name	Relations
Chairman as well as General Manager	Taiwan	Huang, Chun-Mu	Male	7/9/2010	2,436,492	3.96	1,120,380	1.82	-	-	National Taipei University of Technology MS Tech General Manager	Note1	-	-	-
Assistant General Manager of Operation Division	Taiwan	Hsiu Yu-Jen	Male	2/1/2016	44,210	0.07	1,954	0.00	-	-	Master of Bio-Industry Mechanical and Electrical Engineering Institute from National Chung Hsing University	None	-	-	-
Assistant General Manager of R&D Division	Taiwan	Chen Bi-Hsuan	Female	2/1/2016	60,582	0.10	0	0.00	-	-	Master of Biotechnology from National Cheng Kung University	None	-	-	-

Assistant General Manager of New Business Division	Taiwan	Chen Chieh-Shing	Male	5/14/2018	81,750	0.13	14,489	0.02	-	-	Department of Electronics at National Chin Yi University of Technology	None	-	-	-
Assistant General Manager of IOT Technology Division	Taiwan	Yeh Zhi-Long	Male	11/7/2018	27,000	0.04	0	0.00	-	-	Department of Information Management at Chaoyang University of Technology Software Engineer at Johnson Health Tech Software Engineer at Hong Lue Enterprise	General Manager at Shanghai Juyi Medical Network Technology Co., Ltd.	-	-	-
Assistant General Manager of Marketing Planning Division	Taiwan	Zhang Ming-Lun	Male	11/7/2018	0	0.00	0	0.00	-	-	Master of Design Computing from National Yunlin University of Science and Technology	Director of Taiwan User Experience Professional Association	-	-	-
Associate Manager and Accounting Manager	Taiwan	Liao Zhen-Yu	Male	11/6/2017	0	0.00	0	0.00	-	-	Graduate Institute of Accounting from Feng Chia University Deputy Manager at KPMG Taiwan	VP of Shanghai Juyi Network Technology Co., Ltd.	-	-	-

Chief Financial Officer	Taiwan	Chen Hui-Zhen	Female	11/6/2017	84,391	0.14	0	0.00	-	-	Department of Business Administration at Feng Chia University	None	-	-	-

Note 1: Information of General Managers, Deputy General Managers, Assistant General Managers and other Department and Branch Managers, and where the position is equivalent to General Manager, Deputy General Manager or Assistant General Manager, regardless of the title shall be disclosed regardless of the title.

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

i. Most Recent (2019) Traveling Expenses and Remuneration of the Directors

Unit: NT$ thousand

Title	Name	Directors Compensation								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (Note 10)		Compensation paid from an invested company other than the company's subsidiary)
		Base Compensation (A) (Note2)		Severance Payment (B)		Directors Compensation (C) (Note 3)		Directors Compensation (C) (Note 4)				Salary, Bonuses and Allowances (E) (Note 5)		Severance Payment (F)		Employee Compensation (G) (Note 6)						
		The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company		All companies in the consolidated financial statement (Note 7)		The Company	All companies in the consolidated financial statement (Note)	
																Cash	Stock	Cash	Stock			
Chairman	Huang,Chun-Mu	-			-	400	400	0	30	0.40%	0.40%	3,330	3,330		0	1,080	0	1,080	0	4.55%	4.55%	None
Director	Hua Eng Wire & Cable Co., Ltd				-	400	400		0	0.38%	0.38%	0	0		0	0	0	0	0	0.38%	0.38%	None
	Hua Eng Wire & Cable Co., LtdRepresentativ Lin Ming-Xiang				-	0	0	30	30	0.03%	0.03%	0	0	0	0	0	0	0	0	0.03%	0.03%	None
Director	Tonghua Dongbao Pharmaceutical Co., Ltd.				-	400	400		0	0.38%	0.38%	0	0		0	0	0	0	0	0.38%	0.38%	None

	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative :Li,Cong.(NOTE)				-	0	0	15	15	0.01 %	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative :C Chang,Wen-hai.(NOTE)	-			-	0	0	15	15	0.01 %	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
Independent director	Tsai ,Gan-Ren	-			-	400	400	30	30	0.40 %	0.40%	2,127	2,127	0	0	0	0	0	0	2.41%	2.41%	None
Independent director	Kuo, Li-Jen				-	400	400	50	50	0.42 %	0.42%	0	0	0	0	0	0	0	0	0.42%	0.42%	None
Independent director	Lu,Hsueh-Yu				-	400	400	50	50	0.42 %	0.42%	0	0	0	0	0	0	0	0	0.42%	0.42%	None

1. Please explain the policy, system, criteria and structure of remuneration paid to independent directors, and describe the correlation with the amount of remuneration based on the factors such as responsibilities, risks, and time spent.

The Company has formulated the self evaluation or peer evaluation regulations for the Board. In the future, the Board will determine the amount of the remuneration paid to the independent directors after evaluation based on the contribution of the directors and the Company's operating performance.

2. The remuneration to all the directors served for all the companies within the consolidated financial statement (such as a consultant not an employee) in the most recent fiscal year: None.

* It shall separately disclose the related information about the directors (general directors rather than the independent directors) and the independent directors.

Note: The representative of Tonghua Dongbao Pharmaceutical Co., Ltd.- Li Cong resigned on June 20, 2020, the representative of Tonghua Dongbao Pharmaceutical Co., Ltd.- Chang Wen-Hai resigned on June 20, 2020.

Range of Remuneration

Range of Remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of ((A+B+C+D+E+F+G)	
	The Company (Note 9)	All Companies in the Consolidated Financial Statement (Note 10) I	The Company (Note 9)	All Companies in the Consolidated Financial Statement (Note 10) J
Under NT$1,000,000	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Huang,Chun-Mu, Hua Eng Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Hua Eng Wire & Cable Co., Ltd, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Hua Eng Wire & Cable Co., Ltd, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.
NT$1,000,000 (included）～ NT$2,000,000(excluded)				
NT$2,000,000 (included）～NT$3,500,000 (excluded)			Chiang,Tai-Hsiung	Chiang,Tai-Hsiung
NT$3,500,000 (included）～NT$5,000,000 (excluded)			Huang,Chun-Mu	Huang,Chun-Mu
NT$5,000,000 (included）～NT$10,000,000 (excluded)				
NT$10,000,000(included）～NT$15,000,000 (excluded)				
NT$15,000,000 (included）～ NT$30,000,000(excluded)				
NT$30,000,000 (included）～ NT$50,000,000(excluded)				
NT$50,000,000 (included）～ NT$100,000,000(excluded)				
Over NT$100,000,000				
Total	Huang,Chun-Mu, Hua Eng Wire &	Huang,Chun-Mu, Hua Eng	Huang,Chun-Mu, Hua Eng	Huang,Chun-Mu, Hua Eng Wire

	Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	Wire & Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd.	& Cable Co., Ltd, Chiang,Tai-Hsiung, Tsai ,Gan-Ren, Kuo, Li-Jen, Lu,Hsueh-Yu, Tonghua Dongbao Pharmaceutical Co., Ltd., Ltd.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii. Remunerations of the Supervisors:

Unit: NT$ thousand

Title	Name (Note 1)	Remunerations of the Supervisors						Ratio of Total Remuneration (A+B+C) to Net Income (Note 8)		Remuneration from Reinvested Businesses other than Subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Business Execution Expenses (C) (Note 4)				
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	
Supervisor	Tai,Tsung-Kai	-	-	400	400	33	33	0.41%	0.41%	None
Supervisor	Lin,Chien-Hsing	-	-	400	400	30	30	0.40%	0.40%	None
Supervisor	Su,Chin-Pin	-	-	400	400	30	30	0.40%	0.40%	None

Range of Remuneration

Range of Remuneration Paid to The General Managers and Deputy General Managers	Name of Supervisor	
	Total Amount of the First Three Remunerations (A+B+C)	
	The Company (Note 6)	The Company (Note 6)
Under NT$1,000,000	Tai,Tsung-Kai、Lin,Chien-Hsing、Su,Chin-Pin	Tai,Tsung-Kai、Lin,Chien-Hsing、Su,Chin-Pin
NT$1,000,000(included）～NT$2,000,000(excluded)		
NT$2,000,000(included）～NT$3,500,000 (excluded)		
NT$3,500,000 (included）～NT$5,000,000 (excluded)		
NT$5,000,000 (included）～NT$10,000,000 (excluded)		
NT$10,000,000(included）～NT$15,000,000 (excluded)		
NT$15,000,000 (included）～NT$30,000,000(excluded)		
NT$30,000,000 (included）～NT$50,000,000(excluded)		
NT$50,000,000 (included）～NT$100,000,000(excluded)		
Over NT$100,000,000		
Total	Tai,Tsung-Kai, Lin,Chien-Hsing, Su,Chin-Pin	Tai,Tsung-Kai, Lin,Chien-Hsing, Su,Chin-Pin

Note 1: The Supervisors' names should be listed separately (if a corporate shareholder, the corporate name

and the representative's name should be listed separately), and the payments should be consolidated for disclosure.

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

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

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

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

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

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

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

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

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

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

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

iii. Most Recent (2019) Remunerations of the General Manager and Deputy General Manager (Including Independent Director):

Unit: NT$ thousand

Title	Name	Salary (A) (Note 2)		Severance Payment (B)		Bonus and Special Fees (C) (Note 3)		Employee Remuneration (D) (Note 4)				The Sum of A, B, C and D as a percentage of After-tax Net Profit (%) (Note 8)		Employee Stock Option Certificate Warrants (Note 5)		Restricted Stock Award Warrants (Note 11)		Remuneration from Reinvested Business other than Subsidiaries (Note 10)
		The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company		Companies in the Consolidated Financial Statements (Note 6)		The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	
								Cash	Stock	Cash	Stock							
General Manager	Huang, Chun-Mu	3,330	3,330	0	0	0	0	1,080	-	1,080	-	4.15%	4.15%	31,000	31,000	0	0	None
Deputy General Manager	Chiang, Tai-Hsiung (Note)	2,127	2,127	0	0	0	0	0	0	0	0	2.00%	2.00%	35,000	35,000	0	0	None
	Lian De-Long (Note)	1,964	1,964	0	0	0	0	0	0	0	0	1.85%	1.85%	37,000	37,000	0	0	None

Note: VP Chiang, Tai-Hsiung was relieved on February 1, 2020 for retirement, and VP Lian De-Long was relieved on February 1, 2020 for resignation. Therefore, the remuneration amount for these two in 2019 was not estimated.

Range of Remuneration

Range of Remuneration (NT$)	Name of General Manager and Deputy General Manager	
	The Company (Note 7)	Companies in the Consolidated Financial Statements (Note 8)
Under NT$1,000,000		
NT$1,000,000 (included）～NT$2,000,000(excluded)	Lian De-Long	Lian De-Long
NT$2,000,000 (included）～NT$3,500,000 (excluded)	Chiang,Tai-Hsiung	Chiang,Tai-Hsiung
NT$3,500,000 (included）～NT$5,000,000 (excluded)	Huang,Chun-Mu	Huang,Chun-Mu
NT$5,000,000 (included）～NT$10,000,000 (excluded)		
NT$10,000,000(included）～NT$15,000,000 (excluded)		
NT$15,000,000 (included）～NT$30,000,000(excluded)		
NT$30,000,000 (included）～NT$50,000,000(excluded)		
NT$50,000,000 (included）～NT$100,000,000(excluded)		
Over NT$100,000,000		
Total	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long	Huang,Chun-Mu, Chiang,Tai-Hsiung, Lian De-Long

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

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

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

Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

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

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

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

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

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

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

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

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

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

The remuneration of the top five paid managers of listed companies (the individual names and remunerations shall be disclosed)（Note 1）

Title	Name	Salary (A) (Note 2)		Severance Payment (B)		Bonus and Special Fees (C) (Note 3)		Employee Remuneration (D) (Note 6)				The Sum of A, B, C and D as a percentage of After-tax Net Profit (%) (Note 8)		Remuneration from Reinvested Business other than Subsidiaries
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5	The Company	(Note 10) Remuneration from Reinvested Business other than Subsidiaries	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			

General manager	Huang,Chun-Mu	3,330	3,330	-	-	-	-	1,080	-	1,080	-	4.15%	4.15%	None
Associate manager	Chen Chieh-Shing	2,429	2,429	-	-	-	-	677	-	677	-	2.92%	2.92%	None
Associate manager	Ye Zhi-Long	2,012	2,012	-	-	-	-	491	-	491	-	2.36%	2.36%	None
Associate manager	Zhang Ming-Lun	1,717	1,717	-	-	-	-	693	-	693	-	2.27%	2.27%	None
Associate manager	Xu You-Ren	1,737	1,737	-	-	-	-	531	-	531	-	2.13%	2.13%	None

Note 1: As for the "top five paid managers", the managers include the managerial officers of the Company. As for the criteria for identifying the managerial officers, it shall be subject to the application scope of the managerial officers defined in the official document Tai Cai Zheng III No. 0920001301 released by the Securities & Futures Institute of the Former Ministry of Finance on March 27, 2003. As for the criteria for calculating the top five remuneration paid, it calculates the sum of the salary, severance payment, bonus and special fee, and the employee remuneration (namely, A+B+C+D) received from the Company and the companies in the consolidated financial statement, and ranks the top five ones. If the Chairman also serves as these positions concurrently, it shall fill in this table and the table (1-1) as above.

Note 2: It shall fill in the salary, job bonus and severance pay of the top five paid managers in the most recent year.

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

Note 4: It refers to the remuneration amount distributed to the top five paid managers (including the stock and cash) passed in the board meeting in the most recent year. If it is unable to estimate, it shall calculate the distribution amount based on the actual distribution ratio in the previous year, and additionally fill in Table 1-3.

Note 5: It shall disclose the remuneration amount for the top five paid managers of the Company received by all companies in the consolidated financial statement (including the Company).

Note 6: The after-tax profit refers to the net profit after tax specified in the individual financial statement in the most recent year.

Note 7: a. It shall fill in the remuneration of the top five paid managers received from the reinvestment business rather than the subsidiary or the parent company (If no such amont is received, it shall fill in "None")。

b. The remuneration refers to the related amount such as the salary, remuneration (including the remuneration for employees, directors and supervisors) and special fee received by the top five paid managers by serving as directors, supervisors and managers in a reinvestment business rather than the subsidiary or the parent company.

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

iv. Managers with Employee Remuneration Distribution

Unit: NT$ thousand; Date: May 2, 2020

Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Chairman as well as General Manager	Huang,Chun-Mu	0	4,631	4,631	4.36%
Assistant General Manager	Hsiu You-Ren				
	Chen Bi-Hsuan				
	Chen Chieh-Shing				
	Ye Zhi-Long				
	Zhang Ming-Lun				
Associate Manager and Accounting Manager	Liao Zhen-Yu				
Chief Financial Officer	Chen Hui-Zhen				

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

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

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

(1) General Manager and equivalent.

(2) Deputy General manager and equivalent.

(3) Associate and equivalent.

(4) Head of financial department.

(5) Head of accounting department

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

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

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

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

Proportion of the Total Remuneration of Directors, Supervisors, General Managers and Deputy General Managers	2018		2019	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
	10.91%	10.91%	12.09%	12.09%

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

A. Directors and Supervisors

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

B. General Managers and Deputy General Managers

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

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

3. Implementation of Corporate Governance

(1) Operation of the board meeting

A total of 6 board meeting were held in 2019, and the attendance of Directors (including independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of Meetings Attended (B)	No. of Meetings with Entrusted Attendance	Actual Attendance Rate (%) 【B/A】(Note 2)	Remarks

Chairman	Huang,Chun-Mu	6	0	100%	
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Lin Ming-Shiang	4	2	67%	
Director	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Li Chong	3	0	100%	Relieved on June 20, 2019 Supposed to attend 3 meetings
Director	Tonghua Dongbao Pharmaceutical Co., Ltd. Representative:Chang Wen-Hai	3	0	100%	Relieved on June 20, 2019 Supposed to attend 3 meetings
Director	Chiang,Tai-Hsiung	6	0	100%	
Independent Director	Tsai ,Gan-Ren	6	0	100%	
Independent Director	Kuo, Li-Jen	6	0	100%	
Independent Director	Lu,Hsueh-Yu	6	0	100%	
Supervisor	Tai,Tsung-Kai	6	0	100%	
Supervisor	Lin,Chien-Hsing	6	0	100%	
Supervisor	Su,Chin-Pin	6	0	100%	

Other matters to be recorded:

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

(1) Matters listed in Article 14-3 of the Securities Exchange Act.
6 Board meetings were held in the year of 2019. The contents of the resolution are on pages 59 to 63 of the annual report. All independent directors had no objections to the matters listed in Article 14-3 of the Securities Exchange Act.

(2) Other than the aforementioned matters, the board resolutions which independent directors object to or have reservations about and there are records or written

statements for them: None.

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

(1)2019/01/18 board meeting-(1). Motion: supplementary explanation for the salary raise in 2018; Resolution: The director Huang,Chun-Mu who acts as the manager concurrently and director Chiang,Tai-Hsiung didn't participate in the voting due to the conflict of interest. The acting chairman Tsai Gan-Ren elected by the directors consulted the opinion of other attending directors, and they approved the motion unanimously. (2). Motion: year-end bonus distribution amount for managers in 2018; resolution: The director Huang,Chun-Mu who acts as the manager concurrently and director Chiang,Tai-Hsiung didn't participate in the voting due to the conflict of interest. The acting chairman Tsai Gan-Ren elected by the directors consulted the opinion of other attending directors, and they approved the motion unanimously.

(2)2019/5/8 board meeting-(1).motion: 3: Review the qualification of candidates nominated by the independent directors; resolution: the proposing director Chiang,Tai-Hsiung and the candidates including directors Tsai ,Gan-Ren, Kuo, Li-Jen and Lu,Hsueh-Yu, didn't participate in the voting due to the conflict of interest. The chairman consulted the opinion of other attending directors, and they approved the motion unanimously. (2) motion: Review the nomination of independent directors; resolutions: The directors nominated as independent directors, including Tsai, Gan-Ren, Kuo, Li-Jen and Lu, Hsueh-Yu, didn't participate in the voting due to the conflict of interest. The chairman consulted the opinion of other attending directors, and they approved the motion unanimously.

(3)2019/7/1 board meeting-motion: appointment of the 4th remuneration committee members; resolution: the independent directors including Tsai ,Gan-Ren, Kuo, Li-Jen and Lu, Hsueh-Yu, didn't participate in the discussion and voting due to the conflict of interest. The chairman consulted the opinion of other attending directors, and they unanimously approved the three independent directors were appointed as the 4th remuneration committee members.

(4)2019/8/9 board meeting-motion: employee remuneration distributed for the managers in 2018; resolution: The director Huang,Chun-Mu who acts as the manager concurrently and director Chiang,Tai-Hsiung didn't participate in the voting due to the conflict of interest. The acting chairman Tsai Gan-Ren elected by the directors consulted the opinion of other attending directors, and they approved the motion unanimously.

(5)2019/11/4 board meeting-motion: Subscription list of issuing employee stock option certificates and manager distribution plan for 2019; Resolution: Manager

Huang,Chun-Mu and director Chiang,Tai-Hsiung didn’t participate in the discussion and voting due to the conflict of interest. The acting chairman Tsai Gan-Ren elected by the directors consulted the opinion of other attending directors, and they approved the motion unanimously.

3. The goals for strengthening the board’s functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.):

(1)The Company established the “SOP for Handling Director’s Requirements” upon the resolution during the board meeting on March 11, 2019, and established the “Board Self-evaluation and Peer Evaluation Regulations” on January 10, 2020.

(2) The Company had purchased the liability insurance for all directors, which have been filed as required.

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

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

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

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

A total of 6 board meeting were held in 2018, and the attendance of Supervisors is as follows:

Title	Name	Actual no. of Meetings Attended (B)	Actual Attendance Rate 【B/A】 (Note)	Remarks
Supervisor	Tai,Tsung-Kai	6	100%	
Supervisor	Lin,Chien-Hsing	6	100%	
Supervisor	Su,Chin-Pin	6	100%	

Other matters to be recorded

1. Composition and responsibilities of Supervisors:

   (1) Communication between Supervisors and Company employees and shareholders

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

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

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

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

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

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

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

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?		V	It hasn't been established so far.	N/A.
2. Shareholding structure & shareholders' rights				
(1) Has the company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has spokespersons, legal and shareholder personnel and other relevant departments to deal with shareholders' suggestions, disputes and other issues.	No difference.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) With the management of dedicated personnel, the Company is able to keep track of the major shareholders and the relationship with them remains sound.	No difference.
(3)Has the company established and implemented risk management and firewall mechanisms with its affiliates?	V		(3) The Company has established relevant systems in the internal control system in accordance with the law.	No difference.
(4) Has the Company established internal rules against insiders trading with undisclosed information?	V		(4) The Company has established "Procedures for Handling Material Inside Information" in order to avoid improper disclosure of information.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
3. Composition and Responsibilities of the Board of Directors	V			No difference.
(1) Has the Board developed and implemented a diversified policy for the composition of its members?		V	(1) The Company has seven independent directors, including three independent directors, one of whom is a female. The professional background to the members covers business management, finance, accounting and law. The board members have a diverse background in industry, profession and knowledge, and provide professional advice from difference perspectives with their experiences, which shall greatly enhance the Company's business performance and management efficiency. The Company has established "Regulations of the Board of Directors" and "Regulations on the Election of Directors and Supervisors".	
(2) Has the company voluntarily establishes other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) Except for Compensation Committee, there are no other functional committees yet as there is currently no requirement.	(2)(3) will be determined according the operation status and scale in the future.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the result of performance evaluation to the Board as reference for remuneration paid to the directors and their nomination for succession?	V		(3) The Company has formulated the board performance evaluation regulations in 2020, and will conduct the performance evalution for the individual directors and the overall board after the end of the year.	
(4) Does the Company regularly evaluate the independence of CPAs?			(4) The certified accountants appointed by the Company is one of the worlds' four largest accounting firms, and has avoided its direct or indirect interest, which is fully	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			independent.	
4. Has the Company established adequate and competent corporate governance personnel, and assigned a corporate governance manager in charge of corporate governance affairs (including but not limited to provision of information required by directors and supervisors for business execution, by laws for matters relating to board meetings and shareholders' meetings, and information on corporate registration and amendment registration, as well as record minutes of board meetings and shareholders meetings, etc.)?		V	Although no corporate governance manager is assigned, the Company has dedicated personnel who are responsible for related matters regarding corporate governance, including providing the directors and supervisors with required information to carry out their business, handling matters related to board of directors and shareholders according to the law, handling corporate registration and change of corporate registration related matters, taking the minutes of board meeting s and shareholders' meetings. The Company has set up "Standard Operating Procedures for Handling Directors' Requirements."	It will evaluate to set up the corporate governance manager based on the corporate governance needs of the Company.
5. Has the Company established communication channels and dedicate section for stakeholder (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	V		The Company's website has a stakeholder section, and dedicated personnel responds to important corporate social responsibility concerns.	No difference.
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		In 2008, the Company appointed Chinatrust Commercial Bank as the stock agency to handle shareholders' related affairs.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
7. Disclosure of information (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information on collection and disclosure, creating a spokesperson system, webcasting investor conferences)? (3) Did the company announce and file its annual financial reports within 2 months from the end of the fiscal year? Did the company announce and file the financial reports for Q1, Q2 and Q3, as well as the operation status of each month before the due date?	V V	V	(1) The Company has set up both Chinese and English websites to provide information related to financial business and corporate governance. The website: http://www.bionime.com.tw; Dedicated personnel is responsible for maintenance of the website and immediate updates are available for shareholders and interest parties. (2) The Company has spokespersons and acting spokespersons according to the regulations. It has appointed dedicated personnel to collect company information and put onto MOPS on a regular basis. (3) Except for the annual financial reports announced within 3 month after the end of the fiscal year, the Company has announced and filed the financial reports for Q1, Q2 and Q3, as well as the operation status of each month before the due date.	No difference. No difference.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the	V		1. The status of directors and supervisors' further training: It has been disclosed in the "Corporate Governance Section of the MOPS". 2. The Company has purchased Liability Insurance for Directors, Supervisors and Important Managers to strengthen the protection of shareholder's equity.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?				

9. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved (not applicable if not included as a company to be evaluated).

The Company carries out self-evaluation of corporate governance according to the regulations of the competent authorities, and gradually improves the corporate governance, in order to enhance the corporate governance image:

Improvements: (1) It has prepared the English shareholders 'meeting notice, the procedural rules, the annual financial report, and the annual report for shareholders' meeting and uploaded them onto the MOPS within the period required.

(2) The results of proposals on shareholders' meeting are decided by voting. The results of the consent, objection and waiver of each propel shall be recorded in the proceedings.

(3) On the day after the shareholders' meeting, the results of the consent, objection and waiver of each propel shall be put on to the designated Internet information reporting system.

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

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

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

i. Remuneration Committee Member Information

<table>
<tr><th rowspan="2">Identity (Note 1)</th><th rowspan="2">Criteria
Name</th><th colspan="3">Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience</th><th colspan="10">Independence Criteria (Note 2)</th><th rowspan="2">Concurrent Compensation on Committee Position in other Publicly Listed Companies</th><th rowspan="2">Remarks</th></tr>
<tr><th>Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related Departments</th><th>Judge, Prosecutor, Attorney, CPA or National Certified Professionals</th><th>Business, Legal Affairs, Finance, Accounting or Related Work Experience</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr>
<tr><td>Independent Director</td><td>Tsai ,Gan-Ren</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>-</td><td></td></tr>
<tr><td>Independent Director</td><td>Kuo, Li-Jen</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>-</td><td></td></tr>
<tr><td>Independent Director</td><td>Lu,Hsueh-Yu</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>-</td><td></td></tr>
</table>

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

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

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

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

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

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

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

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

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

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

（9）Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or a spouse thereof, who, provides audit to the company or to any affiliate of the company, or obtains the remuneration less than NT$500,000 in the more recent two years by providing commercial, legal, financial, accounting services or consultation services, provided that this restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee who exercises powers pursuant to Securities Exchange Law or the Corporate M & A Act.

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

ii. Remuneration Committee Operation Status

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

B. Content of motions, resolution results and the Company's handling of the opinion of the remuneration committee members in the most recent year：

<table>
<tr><th>Remuneration committee meeting /date</th><th>Motion</th><th>Results of the resolutions</th><th>The Company's handling of the opinion of the remuneration committee members</th></tr>
<tr><td>The 11th meeting of the 3rd remuneration committee held on January 18, 2019</td><td>1. Proposal of 2018 year-end bonus distributed for managers</td><td rowspan="4">After the chairman consulted the opinion, the motion was approved upon the consent of all attending members</td><td rowspan="4">None</td></tr>
<tr><td>The 12th meeting of the 3rd remuneration committee held on March 11, 2019</td><td>1. Proposal of 2018 remuneration distributed for employees, directors and supervisors</td></tr>
<tr><td>The 1st meeting of the 4th remuneration committee held on August 9, 2019</td><td>1. Proposal of 2018 employee remuneration distributed for managers
2. Proposal of 2018 remuneration distributed for directors and supervisors</td></tr>
<tr><td>The 2nd meeting of the 4th remuneration committee held on November 4, 2019</td><td>1. List of issuing employee stock option certificates and manager distribution plan for 2019</td></tr>
</table>

C. Current member's tenure: From June 20, 2019 to June 19, 2022. In 2019, the Remuneration Committee held three meetings (A), and the member qualifications and attendance are as follows:

Title	Name	Actual No. of Meetings Attended	No. of Meetings with Entrusted	Actual Attendance Rate (%) (B/A)	Remarks

		(B)	Attendance		
Convener	Tsai ,Gan-Ren	4	0	100	Re-elected on June 20, 2019
Member	Kuo, Li-Jen	4	0	100	Re-elected on June 20, 2019
Member	Lu,Hsueh-Yu	4	0	100	Re-elected on June 20, 2019

Other matters to be recorded:

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

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

Notes:

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

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

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

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
1. Has the Company conducted risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies? (Note 3)		V	Plan in progress.	Depending on the Company's operating conditions and scale.
2. Does the Company have a special (concurrent) unit to promote CSR initiatives, supervised by a Board-appointed member of the management team, who reports to the Board?		V	Plan in progress.	Depending on the Company's operating conditions and scale.
3. Environmental issues 1. Does the Company establish proper environmental management systems based on the characteristics of its businesses? 2. Is the Company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact? 3. Does the Company evaluate the current and future potential risks and opportunities brought by the climate change, and take measure to respond to the climate related issues? 4. Does the company calculate the greenhouse gases (GHG) emission, water consumption and total weight of wastes for	V V V	 V	1.The Company conducts EHS (Environment Health and Safety) promotion and auditing to all major suppliers, and conducts implementation on the employees' physical health examinations, occupational injury prevention, fire safety, environmental health, etc. Suppliers shall fully cooperate with requirements and improve to achieve the implementation of corporate social responsibility. 2.The Company has a recycling area, which regularly recycles re-usable resources, and has also set up wastewater and rainwater recycling for re-using.	No difference. No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
the past two years, and formulated the strategies for energy conservation, carbon reduction, GHG emission reduction, water saving and management of other wastes?			3.Plan in progress. 4. Set up power-saving devices in the new plant and enhance the maintenance of the air-conditioning system; as well as implement an online signing system to reduce paper waste..	
4. Social issues 1.Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the compensation of the employees properly? (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? 4.Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees? (5) Does the Company follow regulations and international standards in the customer health, safety, customer privacy, marketing and labeling of its products and services, and set polices and appeal procedures for protection of consumer's rights and interests? (6) Does the Company formulate the supplier management policies and require suppliers to follow relevant norms on environmental protection, occupational safety and health, or labor's human rights, and disclose the implementation?	V V V V V V		(1) The Company's implementation of human rights protection policies is as follows: (1)Compliance with local applicable laws and international standards The Company and its subsidiaries abide by the relevant local laws and regulations of each operating site, support and respect relevant international labor human rights norms, including the ILO Tripartite Declaration of Principles and the United Nations Global Compact. (2)Labor rights and interests The labor / employment contract signed between each employee and the Company complies with relevant local regulations. (3)No forced labor When the employment relationship is established, a written labor / employment contract is signed in accordance with the law. According to the contract, the employment relationship is established based on the mutual agreement between the two parties, with no forced labor or illegal human trafficking and opposition to slavery.	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
			(4)No child labor The Company shall not employ any labor aged below 16, and any conduct that may result in the employment of child labor is not allowed. Youth workers aged 16~18 are not allowed to engage in work that may be dangerous or hazardous to health, including work shift at night or overtime work. (5)Working time The weekly working hours shall not exceed the upper limits prescribed by laws. (6)Payroll and welfare Salaries paid to employees shall comply with all applicable relevant wage laws, including relevant minimum wage, overtime and welfare regulations. And it is forbidden to deduct wages as a disciplinary action. (7) Humane treatment It is not allowed to treat employees brutally and inhumanely, including any sexual harassment, sexual abuse, physical punishment, mental or physical oppression or verbal abuse, or threats of such behavior. (8) Anti-discrimination The Company prohibits any sexual harassment and discrimination in the workplace. It stipulates that it will not consider racial, gender, age, marital status, political position or religious belief when employee	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
			appointment, evaluation or promotion. Also it cooperates with the manufacturers who follow the said principles. (2)(1). The Company implements performance management through a public performance evaluation system regardless of the gender and age. It is expected the Company 's overall operational goals and individual employees' work goals could be combined through the performance management operations, which will be taken as the basis for the evaluation and feedback of employees' annual work performance and the employee training and development in the future. (2) The Company's Articles of Association clearly state that if there is a profit in the current year, it shall set aside no less than 1.5% of such profit in the year as the remuneration for the employees of the Company and its affiliated companies. (3)(1) In order to prevent the occurrence of occupational disasters, the Company spares no effort to improve the working environment to ensure the safety of employees (including all partners). Moreover, it has passed OHSAS 18001 occupational health and safety management system certification to provide a safe Working environment	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
			for the employees. (2) The Company provides employees with relevant safety and health work items as follows: 1. Regularly conduct employee health checks every year. 2. Schedule safety and health education and training courses every year. 3. Carry out inspections in the operating environment every six months. 4. Build diverse communication channels for employee suggestions and complaints. 5. Formulate "Appeal and Punishment Measures for Prevention and Control Measures of Sexual Harassment in the Workplace", provide complaint channels and keep the working environment in order 6. Purchase accident and medical insurance for employees. 7. Formulate precautions for emergency response countermeasures, hold fire drills and lectures every six months, and regularly hold safety maintenance meetings. 4. The Company regularly exercises internal and external education and training for employees, and strengthen the functions of employees.	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
			5. The Company has obtained domestic GMP and international ISO and CE certification, products and services are in compliance with laws and regulations. 6. The Company conducts EHS (Environment Health and Safety) promotion and auditing to all major suppliers, and conducts implementation on the employees' physical health examinations, occupational injury prevention, fire safety, environmental sanitation, etc. Suppliers shall fully cooperate with requirements and improve to achieve the implementation of corporate social responsibility.	
5. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the Company? Does the Company obtain a third-party verification or assurance for such reports?		V	The Company hasn't prepared a CSR report.	Depending on the Company's operating conditions and scale.
6.If the Company has its own corporate social responsibility in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, please describe the difference between its operation and the prescribed code: None。				
7.Other important information to help understand the operation of corporate social responsibility: Bionime is committed to promoting people's quality and healthy living, as well as to research and development of home health medical equipment that is trusted by everyone. Therefore, professional-grade medical equipment is equipped with a user-friendly operating interface, so that high- medical meters have a simple operating interface, and people can easily check their own health at home.IN addition, due to				

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
changes in people's diet and living styles in recent years, the age group of people who have high blood pressure, high blood sugar, and high cholesterol have tendency to decrease year by year. In order to implement the business philosophy of improving people's quality and healthy life, we cooperate with the health education department of major hospitals and distributors to educate the public to understand the relevant diseases and their correct health care concepts, so people have a better understanding of better health care for themselves and their families.				
8.Please state if the Company's corporate social responsibility report passes the relevant verification agencies' verification criteria: The Company passed OHSAS 18001:2007 Occupational Health and Safety Management System Verification and TWAEO Quality Enterprise Citification.				

Note 1: If "Yes" is selected under the Implementation Status, it shall explain the important policies, strategies, measures and implementations. If "No" is selected under the Implementation Status, it shall explain the reason and detail the plan to carry out the policies, strategies and measures in the future.

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

Note 3: The materiality principle refers to those related to environmental, social and corporate governance issues that have significant influence on the Company's investors and other interested parties.

(6) Implementation of Integrity Management

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

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Setting business integrity policies and programs (1) Does the Company have its regulations and publicly available documents addressing its corporate ethics principles and programs, and the commitment regarding implementation of such programs from the Board of Directors and the management team?	V		(1) The Company has established the Code of Ethical Conduct approved by the board of directors. All directors, managers and all employees should be responsible for the compliance.	No difference.
(2) Does the company establish appropriate preventive measures for the business activities prescribed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or any other such activities associated with high risk of unethical conduct?	V		(2) The Company has established the Code of Ethical Conduct, Employee Code of Practice, and work rules, which clearly state that employees must not engage illegal interests with their job titles, and accept hospitality, gifts, rebates, embezzlement of public funds, or other illegal interests. It is expected to prevent unethical misconduct that may affect business or trade relations.	
（3）Does the Company formulate the operation procedures, guidelines, disciplinary and appeal system against unethical conduct? Does the Company implement and regularly review to revise them?	V		(3) The Company has established the Code of Ethical Conduct, and Employee Code of Practice, which clearly stipulate terms and guidelines regarding conflicts of interest, customer information confidentiality, business gifts, fair trading and competition. Through trainings and initiatives, the directors, managers and employees can truly understand and follow this concept. Any behavior against ethics and integrity, regardless of position levels, will be punished in accordance with the Work Rules. It also provides complaint channels for	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			employees, so as to handle employees' opinions towards unfair and unreasonable treatment.	
2. Implementation of integrity management				No difference.
(1) Does the Company asses the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner?	V		(1) The Company conducts business activities in a fair and transparent manner, and stipulates that employees are responsible for protecting the Company's intellectual property and not disclosing any information that should not be disclosed or having connection with any dishonest manufacturers or customers. In case of any abnormal condition, it should be reported any time. Moreover, the terms of business integrity are included in the contract.	
(2) Has the Company set up a dedicated (or concurrent) corporate integrity promotion unit under the board of directors which regularly reports to the board on its work?		V	(2) Although the Company hasn't set up a dedicated corporate integrity promotion unit, in compliance with Company Law, Stock Exchange, Commercial Accounting Law, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Public Officer Conflict of Interest Avoidance Act, other relevant laws and regulations. As well as relevant internal regulation such as auditing and internal control, and considers the "Code of Integrity Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" as the basis for implementing integrity management.	
(3) Has the Company formulated policies to prevent			(3) The Company stipulates provisions to prevent	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
conflicts of interest, provided appropriate channels for statements and implemented them?	V		conflicts of interest in the Code of Ethical Conduct, Management Regulations for Employees 'Code of Practice, labor contracts, and work rules, so as to provide employees with complete guidelines. It has an internal mailbox for suggestions and an external reporting mailbox to provide a smooth reporting and expressing channel.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?	V		(4) The Company has established an accounting system and internal control system to ensure the validity of the financial reporting process and internal control. The internal audit unit prepares the audit plan based on the risk assessment results, regularly performs audit operations, and performs audits randomly upon demand. The audit results are also reported to the Board.	
(5) Does the Company hold regular internal and external training on business integrity?	V		(5) It explains the Company's relevant regulations for the new recruits and request them to labor contracts. It also holds various internal meetings, conducts advocacy in various forms, and arranges trainings for new recruits at the first day when they come to work. Moreover, it organizes related internal educations and trainings (including courses on integrity management, regulatory compliance, intellectual property rights, business secrets, etc.) to illustrate the importance of integrity management.	
3. Operation of the Company Reporting System (1) Has the Company set up specific reporting and	V		1. The opinions of employees can be reflected through multiple channels including	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
reward systems and a convenient reporting channel, and does the Company assign appropriate personnel to investigate the person being reported? (2) Has the Company established standard operating procedures for investigating complaints, and the subsequent measures taken after the investigation and ensuring that such complaints are handled in a confidential manner? (3) Does the Company take measures to protect the reporter from improper treatment?	V V		management and human resources units, and shall be properly handled and communicated smoothly. 2. The Company has a whistleblowing system and protects its employees from revenge by reporting their violations. 3. The Company handles the reporting cases in a confidential manner to protect the whistleblower's identity. If the whistleblower is an employee, the Company guarantees that he will not be subject to improper treatment due to the reporting.	
4. Strengthening of Information Disclosure (1) Does the Company disclose the contents of its Code of Practice for Business Integrity and the effectiveness on its website and MOPS?	V		●The Company's performances of integrity management and adoption measures are disclosed on its website and annual reports.	No difference.
5. If the Company has its own Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", lease describe the difference between them: The Company has not set up Corporate Governance Best Practice Principles but is in compliance with Company Law, Stock Exchange, Commercial Accounting Law, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Public Officer Conflict of Interest Avoidance Act, other relevant laws and regulations. As well as relevant internal regulation such as auditing and internal control, and considers the "Code of Integrity Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" as the basis for implementing integrity management.				
6. Other important information that will help to understand the operation of the Company's integrity: (if the Company reviews and amends its established code of conduct, etc.), the Company keeps an close eye on the developments of relevant norms of integrity management at home and abroad in order to review and improve the Company's integrity management policy to enhance the effectiveness.				

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

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

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

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

(9) Implementation of the internal control system:

i. Statement of Internal Control System (refer to p62)

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

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

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

Date / Meeting	Important Resolutions
6/20/2019 Shareholders' Meeting	● Approval of the Company's 2018 business report and financial statements Implementation status: Approved, and has been completed according to the resolution of shareholders' meeting ● Approval of the Company's 2018 profit distribution plan Implementation Status: Proposed 8/7/2019 as the record date, and 8/30/2019 as the payment date ●Fully re-elected the directors and supervisors of the Company

	Implementation Status: re-election completed, and changes registered in the Ministry of Economic Affairs on July 22, 2019
1/18/2019 Board of Directors' Meeting	●Approved the operation plan of 2019 ●Approved the additional notes of salary adjustment of 2018 ●Approved the details of managers' year-end bonuses of 2018 ●Approved the capital increase of Pingtan subsidiary ●Approved the comprehensive credit limit application with Taiwan Cooperative Bills Finance Corporation
3/11/2019 Board of Directors' Meeting	●Approved private common stocks for public offering and application listing ●Approved the compensation distribution plan for employees and directors 2018 ●Approved business report and financial statements of 2018 ●Approved surplus earnings distribution of 2018 ●Approved the amendments to the Company's Articles of Incorporation" ●Approved the amendments to the Company's "Handling Procedures for Acquisition or Disposition of Assets" ●Approved the Company's "Standard Operating Procedures for Handling Directors' Requirements" ●Approved the re-election of the Company's directors and supervisors ●Approved the lifting and non-competition restrictions on new directors ●Approved the convening of the shareholders' meeting of 2019 ●Approved the relevant matters concerning the shareholders' proposals on shareholders meetings of 2019 ●Approved the announcement of the nomination of candidates for independent directors at the shareholders' meeting of 2019 ●Approved the Company's "Internal Control System Statement" for 2018 ●Approved the change of certified accountants due to the business adjustments at KPMG Taiwan ●Approved the comprehensive credit limit application with Chang

	Hwa Bank
5/8/2019 Board of Directors' Meeting	●Approved the issuance of new shares by exercising subscription of the employee stock option certificates in Q1, 2019, and the settlement of reference date for capital increase ●Approved the proposal that the chairman is authorized to settle the interest distribution schedule and adjust the interest rate distributed for the shareholders in the 2018 profit distribution plan ●Approved the review of qualification for the nomination of independent directors ●Approved the review of candidates of independent directors ●Approved the credit limit application with Shanghai Commercial and Saving Bank ●Approved the credit limit application with Cathay World Commercial Bank
7/1/2019 Board of Directors' Meeting	●Elected Mr. Huang,Chun-Mu as the 9th Chairman ●Appointed three independent directors, Mr. Tsai ,Gan-Ren, Ms. Kuo, Li-Jen, and Mr. Lu,Hsueh-Yu as the members of the 4th remuneration committee, with the same tenure of the current board. ●Approved the Company's "2019 stock option certificates issuance and subscription regulations" ●Approved the issuance of new shares by exercising subscription of the employee stock option certificates in Q2, 2019, and the settlement of reference date for capital increase
8/9/2019 Board of Directors' Meeting	●Approved the 2018 remuneration distribution for managers ●Approved the 2018 remuneration distribution for directors and supervisors ●Approved the amendments to the Seal Management Regulations and Management Regulations based on Authorization of Position Levels ●Approved the bank financing application
11/04/2019 Board of Directors' Meeting	●Approved the investment of related expense into the international clinical experiments of Continuous Glucose Monitoring (CGM) ●Approved the issuance of new shares by exercising subscription of the employee stock option certificates in Q3, 2019, and the settlement of reference date for capital increase

	●Approved the amendments to "2019 Employee Stock Option Certificates Issuance and Subscription Regulations" ●Approved the amendments to " Regulations for Treasury Stock Transfer to Employees" ●Approved the subscription list of 2019 employee stock option certificates and distribution plan for managers ●Approved the 2020 Annual Audit Plan ●Approved the bank financing application
01/10/2020 Board of Directors' Meeting	●Approved the 2020 Operation Plan ●Approved the US GE Brand License Agreement ●Approved the formulation of the Board Self-Evaluation or Peer Evaluation Regulations ●Approved the 2019 Year-end Bonus Distribution for Managers ●Approved the Personnel Promotion Plan ●Approved the issuance of new shares by exercising subscription of the employee stock option certificates in Q4, 2019, and the settlement of reference date for capital increase ●Approved the bank financing application
3/13/2020 Board of Directors' Meeting	●Approved the 2019 remuneration distribution for employees and directors ●Approval of the Company's 2019 business report and financial statements ●Approved the Company's 2019 profit distribution plan ●Approved the amendments to the Company's Articles of Association ●Approved the amendments to the Procedural Rules for Shareholders' Meeting ●Approved the amendments to the Director and Supervisor Election Regulations ●Approved the convening of 2020 general shareholders' meeting ●Approved the 2019 internal control system statement ●Approved the bank financing application
5/8/2020 Board of Directors' Meeting	●Approved the issuance of new shares by exercising subscription of the employee stock option certificates, and the settlement of reference date for capital increase

	● Approved the propose of authorizing the chairman to settle the reference date for 2019 cash dividend distribution ●Approved the amendments to the Procedures for Endorsement & Guarantee ●Approved the amendments to the Procedures for Lending Funds to Others ●Approved the agenda of convening 2020 general shareholders' meeting ●Approved the bank financing application

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

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

Bionime Corporation
Statement of Internal Control System

Date: March 13, 2020

The internal control system from January 1 to December 31, 2019, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reason assurance of accomplishing its three state objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluate the design and operating effectiveness of its internal control system Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evolution, the Company believes that, on December 31, 2018, it has maintained , in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report for the year 2019and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement was approved by the board of directors in the meetings held on March 13, 2020, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

BIONIME Corporation

Chairman: Huang,Chun-Mu

General Manager: Huang,Chun-Mu

4. Information on CPA Profession Fees

CPA Firm	Name of CPA		Audit Period	Remarks
KPMG Taiwan	Zhang Zi-Shin	Wu Jun yuan	1/1/2019~ 12/31/2019	

Unit: NT$ thousand

Tier		Audit Fee	Non-audit Fee	Total
1	Below 2,000	-	580	580
2	2,000（included）～4,000	3,150	-	3,150
3	4,000（included）～6,000	-	-	-
4	6,000（included）～8,000	-	-	-
5	8,000（included）～10,000	-	-	-
6	Over 10,000（included）	-	-	-

Information on CPA Profession Fees

Unit:

NT$ thousand

Accounting Firm	CPA Name	Audit Fee	Non-audit Fee					Audit Period	Remarks
			System Design	Business Registration	HR	Others (Note 2)	Sub-total		
KPMG	Zhang Zi-Shin Wu Jun yuan	3,150	-	60	-	520	580	1/1/2019~ 12/31/2019	TP Report 340thousand, Issued option fee100 thousand, and, private placement and public offering of fee 80 thousand.

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

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

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

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

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

5. Change of Accountants

(1) About the former accountant

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

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

(2) About Successor CPAs

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

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

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

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

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

Title	Name	2019		Current year to May 2	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman as well as General Manager	Huang,Chun-Mu	31,000	0	0	0
Director	Chiang,Tai-Hsiung	35,000	0	45,000	0
Director	Hua Eng Wire & Cable Co., Ltd Representative: Lin Ming-Xiang	0	0	0	0
Shareholders holding more than 10% shares	Hua Eng Wire & Cable Co., Ltd				
Director concurrently holding more than 10% shares	Tonghua Dongbao Pharmaceutical Co., Ltd.	0	0	0	0
Independent director	Tsai ,Gan-Ren	0	0	0	0
Independent director	Kuo, Li-Jen	0	0	0	0
Independent director	Lu,Hsueh-Yu	0	0	0	0
Supervisor	Dai Zong-Kai	0	270,000	0	0
Supervisor	Lin Chien-Hsing	0	0	0	0
Supervisor	Su Chin-Pin	0	0	0	600,000
Associate Manager	Hsiu You-Ren	32,000	0	12,000	0
Associate Manager	Chen Bi-Hsuan	32,000	0	0	0
Associate Manager	Chen Jie-Hsing	27,000	0	50,500	0
Associate Manager	Ye Zhi-Long	22,000	0	0	0
Associate Manager	Chang Ming-Lun	0	0	0	0
Associate Manager and Accounting Manager	Liao Zhen-Yu	(2,000)	0	0	0
CFO	Chen Hui-Zhen	20,000	0	25,000	0
Deputy General Manager	Chiang,Tai-Hsiung(Resignation date: 2/1/2020)	35,000	0	45,000	0
Deputy General Manager	Lian De-Long(Resignation date: 2/1/2020)	37,000	0	0	0
Associate Manager	Shi Cheng-Hong(Resignation date: 108/10/1)	17,000	0	0	0

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

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

(2) Information on equity transfer: None.

(3) Information on equity pledge: None.

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

Name	Shareholding		Spouse & Minor Children Current Shareholding		Current Shareholding in the Name of others		Relationships among the Top Ten Shareholders, anyone who is a Related Party, Spouse, or Second-Degree Kinship of another: Name and Relation		Remarks
	Share	%	Share	%	Share	%	Title (Name)	Relation	
Tonghua Dongbao Pharmaceutical Co., Ltd. Representative: Leng Chun-Sheng	12,000,000	19.51%	-	-	-	-	-	-	-
Hua Eng Wire & Cable Co., Ltd Representative: Wang Ming-Hong	7,807,900	12.69%	-	-	-	-	-	-	-
Swiss Ypsomed Holding AG representative: Willy Michel	3,836,250	6.24%	-	-	1,058,300	1.72%	The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	-	-
Huang,Chun-Mu	2,405,492	3.96%	1,120,380	1.82%	-	-	Shi Jin-Shiu Su Chin-Pin	Husband and wife Brother and sister	
Cathy Life Insurance Representative: Huang Tiao-Gui	1,461,000	2.37%	-	-	-	-	-	-	-
Huang Shiu-Chin	1,131,869	1.84%	-	-	-	-	Huang,Chun-Mu	Brother and sister	-
Shi Jin-Shiu	1,120,380	1.82%	2,405,492	3.96%	-	-	Huang,Chun-Mu	Husband and wife	-
Su Chin-Pin	1,087,817	1.77%	-	-	-	-	-	-	-
The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	1,058,300	1.72%	-	-	-	-	-	-	-
Chiang,Tai-Hsiung	887,657	1.44%	-	-	-	-	-	-	-

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

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

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

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

IV. Capital Overview

1. Capital and Shares

(1) Source of capital

Unit: NT$ thousand; 1000 shares

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

Year/ Month	Par Value	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
2010/1	14.4	50,000	500,000	36,236	362,356	Employee stock option certificates 14,400	None	Note 18
2010/12	95	50,000	500,000	39,952	399,516	Capital increase NT$353,020 thousand by cash	None	Note 19
2011/8	10	50,000	500,000	43,947	439,468	Capital increase NT$39,952 thousand by capital surplus	None	Note 20
2014/12	38	70,000	700,000	51,447	514,468	Capital increase NT$285,000 thousand by cash	None	Note 21
2015/12	95	70,000	700,000	63,447	634,468	Capital increase NT$1,140,000 thousand by private placement	None	Note 22
2017/8	10	70,000	700,000	59,447	594,468	Capital increase NT$40,000 by treasury stock	None	Note 23
2019.7	10	100,000	1,000,000	59,501	595,008	Employee stock option certificates NT$540,000	None	Note 24
2019.11	47.7	100,000	1,000,000	59,670	596,698	Employee stock option certificates NT$1,690,000	None	Note 25
2020.2	47.7	100,000	1,000,000	60,536	605,358	Employee stock option certificates NT$8,660,000	None	Note 26

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

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

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

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

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

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

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

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

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

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

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

09632110580.

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

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

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

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

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

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

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

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

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

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

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

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

Note 24: The capital increase was approved by Ministry of Economic Affairs on July 22, 2019 No. 10801090630.

Note 25: The capital increase was approved by Ministry of Economic Affairs on November 28, 2019 No. 108011721120.

Note 26: The capital increase was approved by Ministry of Economic Affairs on February 14, 2020 No. 10901014580.

Unit: thousand shares

Type of Stock	Approved Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Common stock	61,404	38,596	100,000	

(2) Shareholder Structure

May 2, 2020

Shareholder Structure	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Domestic Natural Persons	Treasury Stock	Total

Number	0	1	17	27	2,305	1	2,351
Shareholding	0	1,461,000	9,805,732	18,553,501	29,701,561	2,000,000	61,521,794
%	0.00%	2.37%	15.94%	30.16%	48.28%	3.25%	100.00%

(3) Diffusion of Ownership

May 2, 2020

Shareholding Tiers	No. of Shareholders	Shareholding	%
1-999	461	79,416	0.13%
1,000-5,000	1,316	2,625,152	4.27%
5,001-10,000	202	1,586,615	2.58%
10,001-15,000	93	1,179,919	1.92%
15,001-20,000	53	964,770	1.57%
20,001-30,000	57	1,402,869	2.28%
30,001-40,000	29	1,015,781	1.65%
40,001-50,000	25	1,152,214	1.87%
50,001-100,000	41	2,935,765	4.77%
100,001-200,000	39	5,212,305	8.47%
200,001-400,000	17	4,584,791	7.45%
400,001-600,000	4	1,748,915	2.84%
600,001-800,000	2	1,323,617	2.15%
800,001-1,000,000	2	1,769,657	2.88%
Over 1,000,001	10	33,940,008	55.17%
Total	2,351	61,521,794	100.00%

Note: Face value of NT$10 per share.

(4) Major Shareholders

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

May 2, 2020; Unit: Share

Shares / Name of Major Shareholders	Shareholding	%
Tonghua Dongbao Pharmaceutical Co., Ltd.	12,000,000	19.51%
Hua Eng Wire & Cable Co., Ltd	7,807,900	12.69%
Swiss Ypsomed Holding AG	3,836,250	6.24%
Huang,Chun-Mu	2,405,492	3.96%
Cathy Life Insurance	1,461,000	2.37%
Huang Shiu-Chin	1,131,869	1.84%
Shi Jin-Shiu	1,120,380	1.82%
Su Chin-Pin	1,087,817	1.77%
The securities investment account of Swiss Ypsomed Holding AG under the custody of Bank of Taiwan	1,058,300	1.72%
Chiang,Tai-Hsiung	887,657	1.44%

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

Unit: NT$; thousand shares

Item / Year			2018	2019	Current year to March 31, 2020 (Note 8)
Market Price per Share (Note 1)	Highest		67.50	84.60	93.4
	Lowest		46.05	46.06	51
	Average		58.50	66.35	79.45
Net Worth per Share (Note 2)	Before Adjustment		34.66	34.89	35.02
	After Adjustment		-	-	-
Earnings per Share	Weighted Average Shares		57,447	57,499	58,441
	Earnings per Share (Note 3)		2.23	1.85	(0.14)
Dividend per Share	Cash Dividends	Before Adjustment	2.00	2.00	-
		After Adjustment	2.00	(NOTE 9)	-
	Stock Dividend	Earnings per Share	-	-	-

	s	Stock Dividends Appropriated from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note4)		-	-	-
Investment Return Analysis	Price / Earnings Ratio (Note 5)		26.23	35.86	-
	Price / Dividend Ratio (Note 6)		29.25	33.175	-
	Cash Dividend Yield Rate (Note 7)		0.034	0.030	-

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

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

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

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

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

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

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

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

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

Note 9: As for the 2019 profit distribution plan, the chairman is authorized to set the distribution reference date upon the approval of the Board.

(6) Dividend Policy and Implementation Status

1. Dividend Policy:

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

2. Implementation Status

The Company's future dividend distribution process is stipulated by the Company Law. At the end of each business year, the chairman of the board of directors takes into account the Company's profitability and future operation needs, and drafts a proposal of profit distribution. The dividend distribution will proceed after it is passed by the resolution of the board meeting, which will be also reported to the shareholders' meeting.

The Company's surplus of 2019 was issued by the board of directors on March 11, 2020.

The types and amounts of dividends were: (1) The cash dividends of shareholders were distributed by surplus and NT$1.51 was distributed per thousand shares, the total of NT$89,591,009 was distributed.

(2)The cash dividend for shareholders is distributed by capital reserve. A total of NT$29,072,579 is distributed based on the rate NT$0.49/1,000 shares.

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

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

(8) Compensation of employees, directors, and supervisors

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

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

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

A. Employee compensation of 12.42%

B. Directors and Supervisor compensation of 2.62%

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

On March 13, 2020, the board of directors of the Company approved to issue a compensation of NT$19,000,000 for employees and NT$4,000,000 for directors.

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

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

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

Buy-back Batch	First
Date of Board Meeting	March 13, 2017
Purpose of share buy back	Transfer to shares to employees
Type of Buy-back shares	Common Stock
Estimated Quantity of Buy-back Shares	2,000,000 shares
Estimated Buy-back Interval Price	NT$55 to NT$75 per share
Actual buy-back period	106.3.15~106.3.31

Actual Number of Buy-back Shares this Time	2,000,000 shares
The Actual Total Amount of Buy-Back this Time	NT$138,140,940
The ratio of actual pay-back to planned pay-back(%)	100%
The Average Buy-back Price per Share this Time	69.07
Accumulated Number of Outstanding Shares	2,000,000 shares
Ratio of Accumulated Number of Outstanding Shares to the Total Number of Issued Shares (%)	3.15%
Reason for not Completing	N/A
Accumulated Number of Shares Retired and Transferred	-
Accumulated Number of Shares that have not been Retired and Transferred	2,000,000 shares

2. Corporate Bonds: None.
3. Preferred Shares: None.
4. Global Depository Receipts (GDR): None.
5. Employee Stock Warrants:

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

March 31, 2020

Types of Employ Stock Option Certificates (Note 2)	2017 Employ Stock Option Certificates	2018 Employ Stock Option Certificates	2019 Employ Stock Option Certificates
Date of Effective Registration from the Competent Authority	1/11/2017	1/11/2017	8/12/2019
Issuing (handling) Date (Note 4)	1/13/2017	1/2/2018	11/05/2019
Numbers of Units Issued	3,000,000	1,000,000	2,930,000
Ratio of Subscribable Shares to Total Issued Shares	5.05%	1.68%	4.92%
Subscription Period	4 years	4 years	10years
Exercise Method (Note 3)	By issuing new shares	By issuing new shares	By issuing new shares
Period and Ratio in which Subscription is Restricted (%)	Maturity of 2 years: 50% Maturity of 3 years:	Maturity of 2 years: 50% Maturity of 3 years:	Maturity of 2 years: 20% Maturity of 3 years:

	50%	50%	20% Maturity of 4 years: 20% Maturity of 5 years: 20% Maturity of 6 years: 20%
Number of Shares that have been Obtained through Exercise of Subscription Rights	1,810,000 shares	147,000 shares	0
NT$ Amount of the Shares Subscribed	NTD 86,445,000	NTD 7,261,800	0
Number of Shares that have not been Subscribed	530,000	207,500	2,767,000
Subscription Price per Share of the Unsubscribed Shares	NTD47.7	NTD49.4	NTD60.2
Ratio of the Number of Unsubscribed Shares to Total Issued Share	0.86%	0.34%	4.51%
Effect on Shareholders' Equity	Little impact on the dilution of the original common stockholders' equity	Little impact on the dilution of the original common stockholders' equity	Little impact on the dilution of the original common stockholders' equity

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

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

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

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

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

(2) Names and subscription status of managerial officers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock

warrants acquired, cumulative to the date of publication of the annual report:

May 1, 2020

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of Shares Subscribed</th><th rowspan="2">Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)</th><th colspan="4">Subscribed (Note2)</th><th colspan="4">Unsubscribed (Note 2)</th></tr>
<tr><th>Number of Shares Subscribed</th><th>Price of Shares Subscribed (Note 5)</th><th>Amount of Shares Subscribed</th><th>Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)</th><th>Number of Shares Subscribed</th><th>Price of Shares Subscribed (Note 5)</th><th>Amount of Shares Subscribed</th><th>Ratio of Total Issued Shares to Number of Shares Subscribed (Note4)</th></tr>
<tr><td rowspan="11">Managerial Officers</td><td>General Manager</td><td>Huang,Chun-Mu</td><td rowspan="11">557,000
247,000
752,000</td><td rowspan="11">0.91%
0.40%
1.22%</td><td rowspan="11">313,000
50,000
0</td><td rowspan="11">47.7
49.4
60.2</td><td rowspan="11">14,930,100
2,470,000
0</td><td rowspan="11">0.51%
0.04%
0%</td><td rowspan="11">244,000
185,000
752,000</td><td rowspan="11">47.7
49.4
60.2</td><td rowspan="11">11,638,800
9,114,300
45,270,400</td><td rowspan="11">0.40%
0.30%
1.22%</td></tr>
<tr><td rowspan="2">VP</td><td>Chiang,Tai-Hsiung(Note)</td></tr>
<tr><td>Lian De-Long(Note)</td></tr>
<tr><td rowspan="6">Associate manager</td><td>Hsiu You-Ren</td></tr>
<tr><td>Chen Bi-Hsuan</td></tr>
<tr><td>Chen Chieh-Shing</td></tr>
<tr><td>Ye Zhi-Long</td></tr>
<tr><td>Zhang Ming-Lun</td></tr>
<tr><td>Shi Cheng-Hong(Note)</td></tr>
<tr><td>Associate manager as well as accounting manager</td><td>Liao Zhen-Yu</td></tr>
<tr><td>CFO</td><td>Chen Hui-Zhen</td></tr>
<tr><td rowspan="8">Employee (Note 3)</td><td rowspan="8">Employees</td><td>Chang Heng-Jia</td><td rowspan="8">211,000
134,000
458,000</td><td rowspan="8">0.34%
0.22%
0.75%</td><td rowspan="8">166,000
14,000
0</td><td rowspan="8">47.7
49.4
60.2</td><td rowspan="8">7,918,200
691,600
0</td><td rowspan="8">0.27%
0.02%
0%</td><td rowspan="8">45,000
120,000
458,000</td><td rowspan="8">47.7
49.4
60.2</td><td rowspan="8">2,146,500
5,724,000
27,571,600</td><td rowspan="8">0.07%
0.20%
0.75%</td></tr>
<tr><td>Liu Ting-Hao</td></tr>
<tr><td>Ning Hong-Yuan</td></tr>
<tr><td>Huang Wei-Fang</td></tr>
<tr><td>Chen Ji-Hao</td></tr>
<tr><td>Huang Li-Gang</td></tr>
<tr><td>Li Yu-Jie</td></tr>
<tr><td>Chen Bi-Jun</td></tr>
</table>

		Chuang Shu-Ming										
		Lai Shuan-Yin										

Note: VP Chiang, Tai-Hsiung was relieved on February 1, 2020 for retirement, and VP Lian De-Long was relieved on February 1, 2020 for resignation. Associate manager Shi Cheng-Hong was relieved on October 1, 2019 for resignation.

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

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

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

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

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

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

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

6. New Restricted Employee Shares: None

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

8. Financing Plans and Implementation:

Previously issued or private placement securities have not been completed or have been completed in the last three years and profits have not yet been appeared:None

V. Operational Highlights

1. Business Activities

(1) Scopes of the business

i. Main contents of operating business of the Company

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

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

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

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

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

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

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

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

Unit: NT$ Thousand

Item	2019	
	Amount	Percentage

Blood glucose meter	305,656	14.1%
Blood glucose test strips	1,817,451	83.6%
Others	49,816	2.3%
Total	2,172,923	100.00%

iii. Existing main products (services)

Blood glucose meter.

Blood glucose test strips.

iv. New products (services) development projects

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

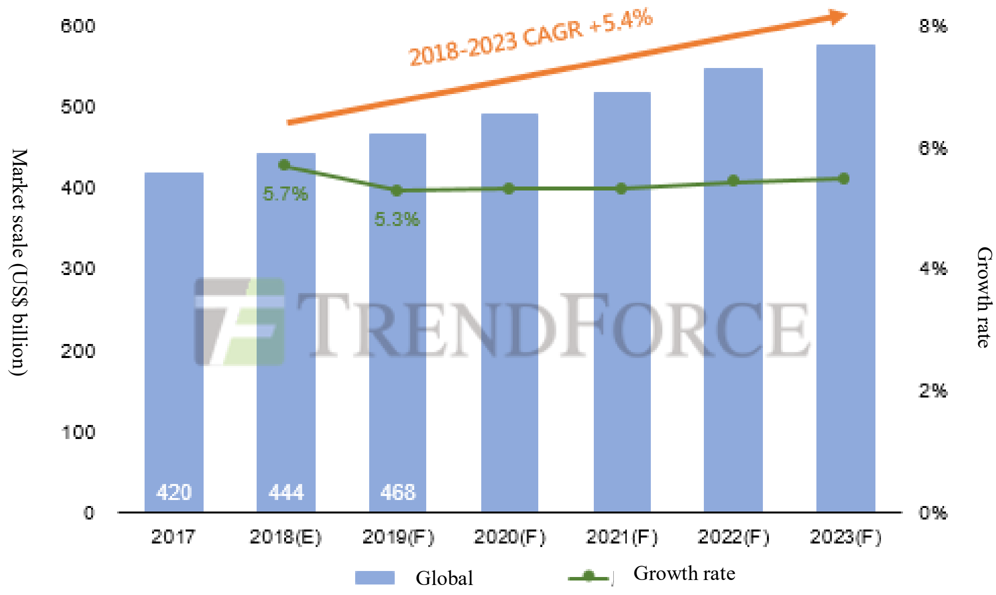
(2) Industry Overview

i. Current status and development of industry

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

According to the latest report of biotech industry released by TrendForce, the global market research organization, with the rising awareness and higher requirements of consumers towards health management by medical devices, and the interdisciplinary integration of new technologies such as IOT cloud technology, intelligent and digital trend of computers, it promotes the steady development of the global medical devices. The global scale of medical device market will reach US$468 billion in 2019, and the output value will grow to US$ 577.6 billion by 2023, with a compound growth rate (CAGR) of 5.4% during 2017~2023. The main reason is that the United States, as the largest medical device country, promotes industrial development through policy incentives, and actively carries out tax reform. Moreover, the aging population of European countries also promotes the industry of medical devices. Moreover, in response to China's continuous promotion of medical policies and benefiting from the development goals of the 13th Five-Year Plan of Mainland, China to transform into a healthy China with national science and technology policies. Therefore, it is estimated that the growth of the global medical device market will be accelerated from the current medical device market through diversified smart health care products. The development of the global medical device market in recent years is illustrated as follows:

Figure. Global medical device market scale and annual growth rate during 2018~2023



Source : TrendForce , 2019/01

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

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

In many countries in the Asia-Pacific region, such as China, India, Indonesia, Vietnam, Malaysia and other countries, the rise of the middle class in those countries, not only have enough to eat and wear, but the awareness of life enjoyment and health care are gradually rising. In addition to the price considerations during the purchase of blood glucose meters, the expectations on the product quality and function are rising as well. The product focuses on the accuracy of the blood glucose meter. The acceptance level is reduced for a low-cost product with general quality or low quality. Therefore, in addition to price considerations, manufacturers who sell the products in the Asia-Pacific region are required to provide high-quality and high-precision blood glucose meters in order to meet the needs of the large middle class. Value-for-money products are attractive in the Asia-Pacific region. In addition to providing home-based blood glucose measurements for diabetics, the multi-function measuring device also provides functions for the whole family or relatives to measure cholesterol and uric acid. It can win the favor of diabetics in the Asia-Pacific region if the price of a single-purpose blood glucose meter and the multi-purposes measuring device are comparable.

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

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

1. Current status and development

With the continuous increase in life expectancy of the global population, and the increasingly aging populations in the world countries, it is estimated that Taiwan 's population aged above 65 will be approximately more than 40% by 2050. The elderly citizens will be quite normal in the future, which becomes one of the reasons for continuous increase in medical expenditures in the world. The medical device industry will develop towards the precise medical care and preventive medicine. It will make effective medical judgments based on different patient situations, and also combine with the individualized big data into health management. It analyzes and traces massive data for effective judgement, and non-essential medical expenses can be reduced to achieve the goals of early diagnosis and preventive medicine.

2. Industrial characteristics of products

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

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

iii. Development trends of products

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

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

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

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

iv. Competitive landscape

The competitive situation in the blood glucose monitoring market has gradually shifted from the trend of the early four major manufacturers to the continuous investment of the world’s large and small medical device manufacturers, forming a great number of competing companies. By understanding the business roadmap of international manufacturers and the practices of international manufacturers' M&A strategies, focusing on development is the key to limited resources and efficient solutions. Moreover, the smart healthcare with the continuous optimization of the care environment, the wireless medical appliances, the development of the Internet of Things, the combination of cloud computing and big data, Bionime has committed to pursue innovation, although at present, it only accounted for about 1% of the global market share. However, with the continuous launching of new products, it will accelerate the expansion of the Company.

(3) Technology and R&D Overview

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

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

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

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

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

Unit: People

Year / Academic qualifications	2017	2018	2019
Ph. D.	4	4	6
Master	51	64	66
University	45	58	76
College	5	5	6
General and vocational high school	2	4	6
Total	107	135	160

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

Unit: NT$ Thousand

Year	2015	2016	2017	2018	2019
R&D Expense	117,783	140,385	159,960	201,186	255,121
Operating revenue	1,609,718	1,740,309	1,820,267	2,007,222	2,172,926
Percentage of operating revenue for the fiscal year (%)	7.32	8.07	8.79	10.02	11.74

iv. Technology or product development accomplishments

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

Feb, 2008	The “Electrochemical Sensing Method and Test Strip” acquired the Mainland Invention Patent (ZL200810081128.X) in 2013
Sep, 2008	The “Adjustable Accessories For the Puncture Device” acquired the Mainland Invention Patent (ZL200810215505.4) in 2013
Jul, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the Taiwan Invention Patent (I427291) in 2014
Sep, 2012	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D156156) in 2013
Oct, 2012	The “Analyte Measuring Instrument” acquired the US New Design Patent (D688146) in 2013
Dec, 2012	The “Battery Conductive Pad and Battery Connector of Electronic Device with Movable Battery Conductive Pad” acquired the Mainland New Design Patent (ZL 201220724073.1) in 2013
Jan, 2013	The “Biodetection System” acquired the Taiwan New Patent (M462094) in 2013
Apr, 2013	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL201330114219.0) in 2013
Jul, 2013	The “Analyte Measuring Instrument” acquired the EU New Design Patent (002277103) in 2013
Jul, 2013	The “Analyte Measuring Instrument” acquired the Mainland New Design Patent (ZL201330339898.1) in 2014
Apr, 2012	The “Dry Container” acquired the US New Design Patent (D676747) in 2014
Jul, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the Taiwan Invention Patent (I427291) in 2014
Oct, 2010	The “Test Strip with Electrochemical Sensor” acquired the China Invention Patent (ZL201010501028.5) in 2014
Sep, 2010	The “Test Strip with Electrochemical Sensor” acquired the Taiwan Invention Patent (I439689) in 2014
Oct, 2011	The “Measurement Method of Electrochemical Sensing Test Strip” acquired the US Invention Patent (US8702960) in 2014
Oct, 2013	The “Charging Cradle” acquired the China New Design Patent (ZL201330479661.3) in 2014
Oct, 2013	The “Battery Connector” acquired the Germany Invention Patent (202013009263.7) in 2014
Dec, 2013	The “Analyte Measuring Instrument” acquired the China New Design Patent (ZL201330609521.3) in 2014
Oct, 2013	The “Analyte Measuring Instrument” acquired the Taiwan New Design Patent (D162391) in 2014
Jan, 2013	The “Puncture Device” acquired the EU Invention Patent (602013000063.8) in 2014
Jul, 2008	The “Password Module, Biosensor and Its Operating System” acquired the China Invention Patent (ZL200810126588.X) in 2014
Jun, 2010	The “Dry Container” acquired the US Invention Patent (US8789692) in 2014
Sep, 2011	The “Test Strip with Electrochemical Sensor” acquired the US Invention Patent (US8845869) in 2014
Sep, 2012	The “Measurement Method and Sensor For Sample To Be Analyzed” acquired the US Invention Patent (US8840776) in

	2014
Mar, 2012	The "Cover of Dry Container" acquired the Taiwan New Design Patent (D163003) in 2014
Sep, 2011	The "Measurement Method of Electrochemical Sensing Test Strip" acquired the China Invention Patent (ZL201110319118.7) in 2014
Mar, 2012	The "Puncture Device" acquired the China Invention Patent (ZL201210087976.8) in 2014
May, 2014	The "Insulin Measurement Pen with Attached Biosensor" acquired the China New Design Patent (ZL201430156340.4) in 2014
Aug, 2011	The "Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data" acquired the Taiwan Invention Patent (I468687) in 2015.
Jun, 2011	The "Dry Container" acquired the US Invention Patent (US8919545) in 2015
May, 2014	The "Sensor Test Strip" acquired the China New Design Patent (ZL201430128747.6) in 2015
Jan, 2012	The "Puncture Device" acquired the Taiwan Invention Patent (I477256) in 2015
Jun, 2014	The "Analyte Measuring Instrument" acquired the China New Design Patent (ZL201430176747.3) in 2015
Mar, 2007	The "Password Module, Biosensor and Its Operating System" acquired the US Invention Patent (US9052306) in 2015
July, 2012	The "Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data" acquired the US Invention Patent (US9083862) in 2015.
Oct, 2011	The "Biological Measurement System and Test Strip Structure for Two-Way Checking of Test Specimen Data" acquired the China Invention Patent (ZL201110327937.6) in 2015.
Oct, 2012	The "Measurement Method and Sensor For Sample To Be Analyzed" acquired the China Invention Patent (ZL201210410841.0) in 2015
Jan, 2012	The "Puncture Device" acquired the Taiwan Invention Patent (I477256) in 2015
Dec, 2012	The "Icons Used In Blood Glucose Meter" acquired the US Design Patent (US735756) in 2015
Nov, 2012	The "Icons Used In Blood Glucose Meter" acquired the US Design Patent (USD734348) in 2015
Dec, 2013	The "Biosensor Test Strip" acquired the Taiwan Invention Patent (I493184) in 2015
Nov, 2013	The "Sensor Test Strip" acquired the US Design Patent (USD738526) in 2015
May, 2014	The "Sensor Test Strip" acquired the China Design Patent (ZL201430128747.6) in 2015
Dec, 2014	The "Analyte Measuring Instrument" acquired the Germany New Patent (202014106129) in 2015
May, 2014	The "Insulin Measurement Pen with Attached Biosensor" acquired the US Design Patent (USD723170) in 2015
Apr, 2015	The "Insulin Measurement Pen with Attached Biosensor" acquired the China New Patent (ZL201520201854.6) in 2015

Jun, 2014	The “Analyte Measuring Instrument” acquired the China Design Patent (ZL201430176747.3) in 2015
Jun, 2014	The “Analyte Measuring Instrument” acquired the US Design Patent (USD731067) in 2015
Apr, 2014	The “Analyte Measuring Instrument” acquired the Taiwan Invention Patent (I541040) in 2016
Mar, 2014	The “System and Method for Measuring Physiological Parameters” acquired the Taiwan Invention Patent (I559897) in 2016
Oct, 2013	The “Charging Cradle” acquired the Taiwan Design Patent (D174307) in 2016
Jan, 2014	The “Biodetection System” acquired the US Invention Patent (US9488658) in 2016
Jan, 2013	The “Biodetection System” acquired the China Invention Patent (ZL201310037684.8) in 2016
Sep, 2012	The “Puncture Device” acquired the US Invention Patent (US9386945) in 2016
Oct, 2012	The “Measurement Method and Sensor For Sample To Be Analyzed” acquired the Taiwan Invention Patent (I525322) in 2016
May, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the China Invention Patent (ZL201210135965.2) in 2016
May, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the US Invention Patent (US9339234) in 2016
Oct, 2005	The “Structure of Disposable Electrochemical Sensor Test Strip and Its Manufacturing Method” acquired the EU Invention Patent (EP1634066) in 2016
Apr, 2010	The “One of the Detection Methods to Determine the Occupancy Status of Sample” acquired the Europe Invention Patent (EP 2239563) in 2016
Mar, 2014	The “System and Method for Measuring Physiological Parameters” acquired the Taiwan Invention Patent (I559897) in 2016
May, 2006	The “Operation Method of Measuring Instrument and Measuring Instrument” acquired the Europe Invention Patent (EP1860432) in 2017
Apr, 2012	The “Measuring-System of Physiological Parameters and Method” acquired the Taiwan Invention Patent (I569773) in 2017
Jun, 2015	The “Battery Conductive Pad and Battery Connector of Electronic Device with Movable Battery Conductive Pad” acquired the US Invention Patent (US9847521) in 2017
May, 2014	The “System and Method for Measuring Physiological Parameters” acquired the China Invention Patent (ZL201410200146.0) in 2017
Jan, 2015	The “System and Method for Measuring Physiological Parameters” acquired the US Invention Patent (US9600991) in 2017
Sep, 2016	The “One of the Analyte Measurement Modules” acquired the

	Taiwan Invention Patent (I607217) in 2017
Sep, 2016	The "One of the Analyte Measurement Modules" acquired the Taiwan Design Patent (D183912) in 2017
Sep, 2016	The "One of the Analyte Measurement Modules" acquired the China Design Patent (ZL201600534559.2) in 2017
Apr, 2017	The "Analyte Measuring Instrument" acquired the Taiwan Design Patent (D186862) in 2017
Oct, 2017	The "Part of Analyte Measuring Instrument" acquired the China Design Patent (ZL201730477448.7) in 2018
Sep, 2016	The "One of the Analyte Measurement Modules" acquired the Taiwan Invention Patent (I628438) in 2018
May, 2017	The "Physiological Parameter Monitoring System" acquired the Taiwan Invention Patent (I627940) in 2018
Jun, 2017	The "Graphical User Interface of Display Screen" acquired the Taiwan Design Patent (D194448) in 2018
Jun, 2017	The "Mobile Phone With Graphical User Interface" acquired the China Design Patent (ZL201730282807.33) in 2018
Dec, 2017	The "Graphical User Interface of Display Screen" acquired the Europe Design Patent (4566065) in 2018
Apr, 2018	The "Part of Physiological Patch" acquired the Taiwan Design Patent (D195429) in 2018
Apr, 2018	The "Part of Physiological Patch" acquired the China Design Patent (ZL201830129370.4) in 2018
Apr, 2018	The "Part of Physiological Patch" acquired the Japan Design Patent (1617961) in 2018
Apr, 2010	The "One of the Detection Methods to Determine the Occupancy Status of Sample" acquired the US Invention Patent (US10197523) in 2019
Jun-2017	The "Approach for Analyzing Physiological Parameters" acquired the Taiwan Design Patent (I667012) in 2019
Oct-2017	The "Part of Analyte Measuring Instrument" acquired the US Design Patent (D851769) in 2019
Dec-2017	The "Electronical Device with Graphical User Interface" acquired the US Design Patent ((D861013) in 2019
Apr-2018	The "Part of Physiological Patch" acquired the Taiwan Design Patent (D195429) in 2019
Jul-2018	The "Elastic Physiological Patch" acquired the Taiwan Design Patent (I682766) in 202020
Oct-2018	The "Analyte Measuring Instrument" acquired the China Design Patent (ZL201830598770.X) in 2019
Oct-2018	The "Analyte Measuring Instrument" acquired the Taiwan Design Patent (D198715) in 2019
Oct-2018	The "Analyte Measuring Instrument" acquired the US Design Patent (D874007) in 2020
Nov-2018	The "Sensor Strip" acquired the Taiwan Design Patent (D199020) in 2019
Nov-2018	The "Sensor Strip" acquired the China Design Patent (ZL201830617556.4) in 2019
Jan-2019	The "Part of Physiological Patch" acquired the Taiwan Design Patent (I682766) in 2019
Jan-2019	The "Medical Device Implants" acquired the Taiwan Design

	Patent (D202156) in 2020
Apr-2019	The “Physiological Patch” acquired the Taiwan Design Patent (D201911) in 2019
Apr-2019	The “Physiological Patch” acquired the China Design Patent (ZL201930147594.2) in 2019
Apr-2019	The “Physiological Patch” acquired the EU Design Patent (006365748-0001) in 2020
Jun-2019	The “Medical Device Implants” acquired the EU Design Patent (006564498-0001) in 2019
Jun-2019	The “Medical Device Implants” acquired the Taiwan Design Patent (D203325) in 2020
Dec-2019	The “Medical Device Charger” acquired the EU Design Patent (006564498-0001, 006564498-0002) in 2019
Jan-2020	The “Graphical User Interface of Display Screen” acquired the EU Design Patent (007696620-0001, 007696620-0002, 007696620-0003, 007696620-0004) in 2020

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

i. Short-term business development plans of the Company

a. Marketing strategies

a. Re-allocate marketing resources, focus on supporting key markets, flexibly adjust business strategies, and develop new markets and new customers.

b. Develop and promote new products with high specifications and low prices.

c. Create high-quality user experience and brand viscosity with unique Internet platform.

d. Re-signed a long-term brand license agreement with GE, with the high brand awareness, actively promote our products and increase the global market share.

b. Research and development (R&D) aspect

a. Introduce the home ketone test strips.

b. Develop new models with high specifications and low cost. Upgrade the new generation of POCT hospital glucose testers.

c. Develop continuous glucose monitor (CGM) and put it into mass production.

d. Continuously apply for various R & D patents, protect intellectual property rights, and publish R & D achievements in well-known academic journals at home and abroad

c. Production aspect

a. Introduce automation equipment and MES system to save costs and increase production efficiency.

b. Maintain close partnership with domestic and foreign suppliers to ensure product delivery.

c. Strictly implement the quality policy of designing and manufacturing world-class quality and high accuracy glucose testers and strips at low cost to achieve the quality goal of 99.9% product yield.

d. Actively adopt advanced manufacturing process, expand R&D for highly accurate biotechnology detecting instruments, and expand market share with its technology and cost advantages.

d. Operational and financial aspects

a. Introduce KPI and OKR management systems, clearly define the objectives and more active long-term development goals of each department. Through organizational cooperation and competition, it further enhances the overall execution of the Company and strengthens the operating efficiency and effectiveness.

b. Increase capital by cash at the appropriate time and make proper use of financial leverage to issue bonds or apply for bank loans based on the capital requirements of the Company’s business development and R&D technology improvement without affecting the profitability.

ii. Long-term business development plans

a. Sales and marketing aspects

a. Establish the Rightest’s brand image and develop a remote glucose monitoring and caring platform. Use Internet technology to transform into a data enterprise.

b. Flexibly expand ODM customers, enhance their brand awareness and establish market protection mechanisms.

c. Complete a long-term brand license agreement with GE. Intensify the marketing of the GE brand in various countries.

b. R&D aspect

a. Develop the next-generation of home ketone, uric acid, cholesterol test strips and expand the complete product lines.

b. Continuously improve the development of continuous glucose monitor and insulin pump to establish an artificial pancreas platform and benefit diabetic patients.

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

c. Production aspect:

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

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

d. Operational and financial aspects:

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

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

2. Market and Sales Overview

(1) Market analysis

A. Sales regions of main products

Unit: NT$ Thousand

Year / Region	2018		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Europe	587,401	29	701,968	32
Asia	627,419	32	645,740	30
America	183,094	9	166,873	8
Others	609,308	30	658,342	30
Total	2,007,222	100	2,172,923	100

B. Product market share

Since the establishment of the Company for more than ten years, the glucose testers and strips produced by the Company have become an excellent example of the balanced development of accuracy, stability and cost in the global industry under the continuous improvement of R&D and production technology. The product is positioned as high-quality and high-accuracy high-end brand, and has been highly recognized by the customers from more than 100 countries globally. Although the current market share is still low, has yet to reach 1% of the global market share, after ten years of hard work by Bionime, most products have passed the FDA and CE certifications. In the future, it will continue to develop the new products with higher specification, and will be committed to benefiting the diabetes patients with high quality and price competitiveness.

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

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

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

Smart phones and Internet applications drive the innovation and development of global smart medical care technologies. Through the acquisition of personal physiological information, it connects with the medical staff and the user to improve the efficiency of medical resources. For example, diabetes patient requires long-term control or even real-time treatment. Through the smart healthcare, it can break through the geographical limitations and time restrictions of traditional medical diagnosis models, and get better care. All these are also the future development focus of smart healthcare or telemedicine industry. The Rightest glucose care service application (Ecosystem) developed by the Company is an interdisciplinary integrated IoT aquaponics system. The patient authorizes medical staff, friends and family members to access the mobile phone App. The glucose data are converted into easy-to-understand charts on the platform, which are shared with each other to transmit and remind. It also integrates with the health education information provided by professional health organization and the economy of points, a new retail model of offline pharmacy. It actively lays out digital development in the glucose care industry to keep in line with the global trend of smart medical development.

D. Competitive Niches

a. Product and R&D technology are competitive:

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

Bionime's unique embedded precious metal electrode sensor test strip, was evaluated in 2009 by the IDT, Germany diabetes authoritative organization according to ISO15197 for rating of 27 blood glucose meters worldwide. As the model of GM101 and GM300 blood glucose meters have excellent performance which enable the technology of Bionime to keep pace with other world's largest manufacturers, and its accuracy of the products have attained the first-class standards. In the future, Bionime will use this production technology in the blood lipids testing such as cholesterol and triglycerides for the cardiovascular diseases prevention to enhance its competitive advantages.

B. Global e-medical are and application of telemedical technologies

Bionime takes the lead in developing an overall glucose care management ecosystem. With an IoT platform and a connected glucose monitoring instrument, Bionime has built an innovative model of overall glucose management in and out of hospitals in many countries. Faced with the requirements for product interconnection under the global digital transformation trend, this competitive niche is conducive to the promotion of Company 's businesses further increases our market share.

C. The management team is expertise in integration of systems across chemistry, electronics, software, institutions, precision manufacturing, IoT, industrial management, etc. All employees are highly competent and the organizational response is efficient.

D. Government incentives and promotion:

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

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

E. High strength of global marketing

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

F. Higher living standards of people

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

G. American health care reform program

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

H. Health China Action (2019-2030) strategy of Mainland China

The Health China Action of Mainland China is expected to promote the fast development of the industries such as chronic disease treatment and telemedicine. Mainland China will carry out major actions with the two cores of disease prevention and health promotion to transform people's conceptual focus from "disease treatment" to "health". It makes full use of information technology such as the Internet and big data, conduct large-scale cohort research, and improve the medical insurance payment policy for the treatment of chronic diseases, which is expected to bring obvious opportunities for sales.

(1) Development outlook - favorable and unfavorable factors

Item	Favorable factors	Unfavorable factors	Countermeasures
Production technology	The unique test strip production technology has been protected by patents.	Biotechnology belongs to the high-tech industry, and related production technologies are strictly protected by patents regulations. The competitors of the Company are all large foreign manufacturers, which investing considerable capital and manpower for improvement and R&D in production technology. Therefore, the Company needs to conduct a comprehensive investigation or take an approach entirely different from them to	Training is provided to the relevant technical personnel to enhance product competition and responsiveness, and seek other alternative technologies for production, and develop higher quality products. And actively seek and train upstream and downstream suppliers in order to produce products that are better than the quality of international manufacturers at lower cost. It actively invests in product development and production of continuous glucose monitors, gaining a place in this market with

		develop its own production technology when developing new technologies to avoid patent infringement.	high-tech requirements and highly explosive growth.
R & D capabilities	The company has been leading the world's advanced countries by using unique technology to develop products with outstanding performance in accuracy and precision.	There is a lack of communication in relevant domestic industry information, and the transfer of outsourcing technology is not smooth; the training environment for R&D personnel needs to be improved, resulting in a slower transmission of experience.	Keep abreast of the development of international technology information, actively participate in international exhibitions, understand global market trends and used them as a reference for R&D, and actively arrange training courses for R&D personnel to acquire the latest knowledge. And the Company continues to develop new products as its research and development goals every year to improve the morale of R&D personnel.
Marketing capabilities	The Company's products have been certified by the US FDA and the European Union CE, and have passed ISO13485 and Taiwan GMP certification, which is a valuable sales tool. Also, the Company is the first own brand biochemical	The competitors are all international large manufacturers with abundant funds. They not only provide low-cost or free blood glucose meters in the market, but also cause industrial imbalances through mergers and	Actively participate in international exhibitions and journal publication to establish brand image awareness and enhance product credibility through regional and professional marketing. Provide marketing tools to regional distributors and

	sensor manufacturing company in Taiwan, BIONIME and Rightest successfully marketed worldwide.	acquisitions, which hinders the Company's sales in the market.	build a complete distribution network to establish a closer "partnership" relationship with distributors.
Raw material supply	The main raw material of the Company's products is the plastic substrate of the test strip. The plastic substrate manufacturer and the Company has signed a contract, and the Company has maintained a long-term partnership with the supplier. 95% of the core raw materials are supplied by domestic manufacturers, and all of them have more than 2-3 suppliers as substitutable, therefore the satellite system in the supply chain is in a stable state.	The biotechnology industry is an emerging industry of two trillion and twin star in Taiwan. At present, the entire industry development is only in its infancy stage, and the satellite system has not yet been completed. Suppliers are not yet aware of the quality specifications of the biotechnology industry, but the quality requirements of the biotechnology industry have reached the nanometer specifications. General suppliers need a longer period of time to gear in, and learn from each other, and Bionime is responsible to coach the suppliers in order to lead its supply chain system into a highly competitive market.	1. The core materials are self-made by the Company's production line. 2. Establish a professional supplier coaching team, and seek suppliers with the capabilities to manufacture high quality materials 3. The supplier coaching team actively invested in engineering resources to cultivate the concept of one of the Company's production lines, strengthen the guidance of existing suppliers, improve their manufacturing process capability and management capabilities, and bring greater opportunities for the Company to create a win-win situation.
Regulatory	The blood glucose test	As the quality of	In the production

standards	strips of GM101 and GM300 of Bionime were evaluated in 2009 by the IDT, Germany diabetes authoritative organization for the evaluation of 27 blood glucose test strips. If the result of the evaluation is changed to the range of ±15% of the error, it still conforms to the ISO 15197 specification, hence, its quality is well-recognized. At the same time, the IoT platform conforms to ISO 27001, HIPAA, and GDPR specifications, and is certified by TFDA and CE. It is recognized in the IoT medical device, personal privacy and information security.	medical device is critical to human safety, governments have established strict regulations to manage them. Medical device manufacturers need to pass production quality certification or clinical trials in order to obtain relevant quality certifications in each country prior to the product selling. At present, the specification of blood glucose testing according to ISO 15197 will change the error range of current blood glucose test results above 75 mg/dL (inclusive) from ±20% to ±15%, which will improve the accuracy of blood glucose testing.	process of its blood glucose meters and test strips, Bionime adopts high-standard manufacturing processes, quality control and stable accuracy requirements to meet the product requirements of medical device worldwide. And it continues to invest in R&D of product improvement to continuously improve its precision, accuracy and stability.
Foreign exchange risk	The financial situation of Bionime is healthy, the cash position on the account is sufficient, and it has good relationship with financial institutions such as banks, etc., and there are sufficient resources to	The dependence on export is high, and it is vulnerable to exchange rate fluctuations and thereby affecting the level of profitability.	Continue to strengthen the concept of currency hedging of financial personnel, and strengthen the interaction with financial institutions in order to assess the trend of changes in exchange rates, and used as a reference for

	hedge the exchange rates. In the past, due to the Euro- and US dollar-denominated sales are equivalent, which imposed a natural hedging effect. However, in recent years, the international exchange market is dynamic, the Company has begun to adopt the asset and liability hedging methods by this year, and continued to review in response to fluctuations in the international exchange market.		hedging. At the same time, try to pay the purchase expenses in the same currency with the sales revenues in order to achieve natural hedging effect. In addition, the Company also will consider the future exchange rate trend before provide quotation for new orders.

(2) Important use and production process of main products

A. Important use of main products

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

	the blood glucose test strip by generating a specific biochemical reaction with blood glucose, and further generating a current that can be measured by the blood glucose meter, and thereby converting to the concentration value that can be interpreted by user.

B. Production process

A. Blood glucose meter

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

(a) PCBA processing process

Includes IC version processing and LCD screen processing.

(b) Pre-assembly process

Includes the assembly procedures of components like PCBA, upper and lower cover modules, LCD, button, etc., and the calibration check of the tester.

(c) Functional verification

Includes warm-up verification, current measurement verification, actual verification and reliability verification.

(d) Final-assembly process

Includes serial number printing, appearance parts assembly, appearance wiping, date and unit setting adjustment, test strip insertion and removal test, etc.

B. Blood glucose test strips

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

(i) Manufacturing process of overlay

Includes raw material processing, rubberize, printing, and exterior punching.

(ii) Manufacturing process of precious metal electrodes

Includes exterior stamping and surface treatment.

(iii) Manufacturing process of plastic film

Includes exterior stamping and plastic injection.

(iv) Test piece assembly production process

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

(v) Test piece stability quality control

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

(3) Supply situation of main raw materials

Name of raw material	Supplier	Supply situation
金盐	Company F	Good
Test piece container	Company C	Good

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

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

Unit: NT$ Thousand

	2018				2019				Current fiscal year up to previous quarter (Note 2)			
Item	Name	Amount	Percentage of annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases of current fiscal year up to previous quarter (%)	Relationship with the issuer
1	Company F	40,194	6.5	-	Company F	59,390	8.8	-	FanWei	14,902	8.3	-
2	Company C	39,878	6.4	-	Company C	42,761	6.3	-	YinTai	13,007	7.2	-
	Others	538,821	87	-	Others	572,306	84.9	-	Others	152,065	84.5	
	Net purchase	618,893	100	-	Net purchase	674,457	100	-	Net purchase	179,974	100	-

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

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

Company C mainly supplies motherboards, and Company F mainly supplies test strip electrode gold salts. Since glucose testers and test strips are the company's main products, Company C and Company F are the first / second supplier ranked by the purchases made by the Company.

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

Unit: NT$ Thousand

	2018				2019				Current fiscal year up to previous quarter (Note 2)			
Item	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of net sales of current fiscal year up to previous quarter (%)	Relationship with the issuer
1	Company E	434,210	21.63	-	Company E	428,536	19.72		Company Y	67,081	18.98	-
2	Tung Pao	360,446	17.96	Director	Company Y	287,012	13.21		Company E	42,252	11.96	-
3	Company Y	257,369	12.82	-	Tung Pao	306,399	14.10	Director	Company P	20,302	5.74	-
	Others	955,197	47.59	-	Others	1,150,976	52.97		Others	223,771	63.32	-
	Net sales	2,007,222	100		Net sales	2,172,923	100		Net sales	353,406	100	-

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

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

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

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

Unit: Thousand groups; thousand pieces; NT$ thousand

Year / Production volume / Main product	2018			2019		
	Capacity	Output	Output value	Capacity	Output	Output value
Blood glucose meter kit	1,200	1,177	404,926	1,400	1,306	483,215
Blood glucose test strips	530,000	523,162	627,208	540,000	535,888	639,277
Total	531,200	524,339	1,032,134	541,400	537,194	1,122,492

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

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

Unit: Thousand groups; thousand pieces; NT$ thousand

Year / Sales volume / Main product	2018				2019			
	Domestic		Foreign		Domestic		Foreign	
	Output	Output value	Output	Output value	Output	Output value	Output	Output value
Blood glucose meter kit	44	12,220	1,239	192,002	52	15,255	1,364	290,401
Blood glucose test strips	16,968	100,833	501,759	1,648,091	21,985	122,805	524,068	1,694,646
Others	-	7,861	-	46,215	-	7,568	-	42,248
Total	-	120,914	-	1,886,308	-	145,628	-	2,027,295

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

Year		2018	2019	April 30, 2020
Number of Employee	R&D personnel	135	160	159
	Management and sales personnel	214	204	220
	Manufacturing personnel	560	613	636
	Total	909	977	1015
Average age		33.1	33.8	33.6
Average years of service		4.1	4.4	4.4
Academic distribution percentage	Ph. D.	0.55%	0.72%	0.69%
	Master	12.21%	12.18%	12.41%
	College	45.77%	46.36%	47.10%
	High School	39.05%	38.69%	37.83%
	Below high school	2.42%	2.05%	1.97%

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

4. Information on environmental protection expenditures

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

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

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

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

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

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

4. The total amount of losses and penalties due to environmental pollution in the past two years and as of the date of publishing the Annual Report(including compensation and environmental protection audit results that violate environmental protection laws and regulations, it shall list the date of punishment, the code of the punishment, the violation provision of the laws and regulations, the content of the provisions, and the content of the punishment), actions to be taken in the future and the possible expenditures:

(1) A factory staff of the Dawei plant found that the steel deck which decked over the effluent was stolen during the daily routine factory inspection on June 6, 2018. Although it was immediately covered in other ways to prevent the vehicles on the road from falling into the effluent sewer, however, its effect is limited. The Environmental Protection Bureau, Taichung City Government conducted on-site sampling of the water quality of effluent at about 10:20 on the same day in the Company's Dawei plant. The sampling result showed that the suspended solid (ss) was 46.1 mg/L, which exceeded the standard (the effluent standard limit: 30 mg/L). The code of the punishment: Taichung Environment Water No. 1070096650, the violation provision and the content: Dawei Plant of the Company failed to meet the discharge standards when the wastewater at the discharge outlet was tested. The suspended solids detected exceeded the standard value, so it violated the Article 7-1 of Water Pollution Control Act. The Company received the penalty letter on August 27, 2018, and NT$60,000 is fined.,

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

(2) The Company did not set up an agent for wastewater (sewage) treatment personnel before November 19, 2016 as required by regulations, so it received a penalty letter on November 12, 2019. Violation provision and content: The Company 's Dawei factory is engaged in the electroplating industry, which has the license for discharging surface water issued by the Environmental Protection Bureau. However,

the Company did not set up agent for wastewater (sewage) treatment personnel before November 19, 2016 as required by regulations, which violated Article 21-2 of the Water Pollution Control Act. In this case, it would be subject to the penalty stipulated in Article 48-3 of the Water Pollution Control Act, which was fined NT$10,000.

Improvements and future countermeasures: The Company has submitted the application on July 6, 2017, which has been filed. Therefore, it doesn't need to make improvements within the required period.

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

5. Labor relations

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

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

a. Labor insurance and National Health Insurance.

b. Annual festival bonus, quarterly performance bonus.

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

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

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

F. Employee overtime meal allowances.

(2) Employee continuing education, training: Based on the corporate culture of integrity, the Company is constantly striving towards the goal of sustainable management and maintaining market competitiveness. With the comprehensive

education and training plan, each colleague can continuously improve work performance, develop self-potential, and achieve a win-win goal of enterprise development and self-growth in a working environment of right person in the right place.

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

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

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

C. Retirement system and its implementation status:

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

D. The status of agreements between labor and management:

(i) The establishment of the Employees' Welfare Committee: In addition to improve employee benefits, it also acts as an important channel for colleagues to participate in the development of the Company's employee welfare policy. Since its establishment, colleagues have been willing to dedicate themselves to the full play of their functions, and create a win-win situation for both colleagues and the Company.

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

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

2. List any loss sustained(including the incident against the Labor Standards Act according to the labor inspection results, and it shall list the date of punishment, the code of the punishment, the violation provision of the laws and regulations, the content of the provisions, and the content of the punishment) as a result of labor disputes in the past two years and as of the Annual Report publication date, disclose the estimated amount of loss incurred to date or likely to be incurred in the future, and indicate mitigation measures being undertaken or to be taken:

The Company has always attached importance to employee welfare and rights, and actively maintains harmonious labor relations. It respects the opinions of employees. Employees can always express their opinions through email, telephone, employee suggestion box or meeting. With smooth labor communication channels, no major labor disputes occurred in the past two years.

6. Important contracts

Nature of Contracts	Contracting parties	Commencement dates and expiration dates of contracts	Major content	Restriction clause
Trademark licensing contract	GE Trademark Licensing, Inc	2019.2.1~2029.12.31	GE Trademark licensing	Exclusive license
Sales contract	Y001	2018.11.1~2023.10.30	Product sales in Europe region	ODM for exclusive models
Sales contract	B04	2008.10.1-2020.12.31	Italian product ODM contract	Exclusive models and future derivative products

Sales contract	D03	2016.1.1-2020.12.31	Product sales in China region	Exclusive distributorship contract
Sales contract	K03	2018.1.1~2020.12.31	Product sales in North Africa	Distribution for exclusive models

VI. Financial Overview

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

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

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

Unit: NT$ Thousand

Item \ Year		Financial data for the most recent five financial years (Note 1) 2015	2016	2017	2018	2019	Current fiscal year and up to March 31, 2020 Financial data (Note 3)
Current assets		1,541,770	1,745,884	1,489,277	1,769,945	1,595,432	1,374,671
Property, plant and equipment (Note 2)		2,842,724	2,729,685	2,707,104	2,689,666	2,669,672	2,662,175
Intangible assets		25,779	16,565	11,759	8,550	49,503	99,818
Other assets (Note 2)		156,971	154,397	166,776	121,243	89,633	166,351
Total assets		4,567,244	4,646,531	4,374,916	4,589,404	4,404,240	4,303,015
Current liabilities	Before distribution	691,866	1,264,285	1,559,285	1,481,422	1,380,966	1,286,659
	After distribution	780,692	1,425,440	1,559,285	1,596,316	Note6	-
Non-current liabilities		1,333,498	795,430	738,029	1,114,874	976,429	931,513
Total liabilities	Before distribution	2,025,364	2,059,715	2,297,314	2,596,296	2,357,395	2,218,172
	After distribution	2,114,190	2,220,870	2,297,314	2,711,190	Note6	-
Equity attributable to the parent company		2,541,880	2,586,816	2,077,602	1,991,237	2,042,577	2,080,490
Capital stock		634,468	634,468	594,468	594,468	638,006	647,012
Capital reserves		1,731,881	1,693,813	1,532,096	1,314,899	1,337,126	1,374,414
Retained earnings	Before distribution	167,421	257,890	97,771	225,511	216,593	208,341
	After distribution	78,595	96,735	97,771	110,617	Note6	-
Other Equity		8,110	645	(8,592)	(5,500)	(11,007)	(11,007)
Treasury stock		-	-	(138,141)	(138,141)	(138,141)	(138,141)
Non-controlling interest		-	-	-	1,871	4,268	4,353

Equity Total	Before distribution	2,541,880	2,586,816	2,077,602	1,993,108	2,046,845	2,084,843
	After distribution	2,453,054	2,425,661	2,077,602	1,878,214	Note6	-

Note 1: The financial data from 2015-2019 have been audited and attested by a CPA.
Note 2: Those who have applied for asset revaluation in the current fiscal year should be listed the date of processing and the reevaluation surplus.
Note 3: The financial data for the first quarter of 2019 is the consolidated financial data prepared in accordance with IFRSs, and is reviewed by a CPA.
Note 4: Please fill in the above after distribution figures according to the resolution of the shareholders' meeting in the next fiscal year.
Note 5: For the financial data should be corrected or restated upon received the notification from competent authority, it should be compiled with corrected or restated figures, and indicate its status and reasons.
Note 6: The profit for 2019 hasn't been distributed as of the 2020 Annual Report publication date.

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

Unit: NT$ Thousand

Item \ Year		Financial data for the most recent five financial years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		1,327,097	1,587,465	1,364,620	1,622,090	1,439,323
Property, plant and equipment (Note 2)		2,832,275	2,719,917	2,696,062	2,678,843	2,659,787
Intangible assets		25,779	16,565	11,759	8,223	49,273
Other assets (Note 2)		347,425	321,252	284,125	261,904	253,009
Total assets		4,532,576	4,645,199	4,356,566	4,571,060	4,401,392
Current liabilities	Before distribution	657,358	1,262,953	1,540,935	1,464,949	1,384,166
	After distribution	746,184	1,424,108	1,540,935	1,579,843	Note5
Non-current liabilities		1,333,338	795,430	738,029	1,114,874	974,649
Total liabilities	Before distribution	1,990,696	2,058,383	2,278,964	2,579,823	2,358,815
	After distribution	2,079,522	2,219,538	2,278,964	2,694,717	Note5
Equity attributable to the parent company		-	-	-	-	-
Capital stock		634,468	634,468	594,468	594,468	638,006
Capital reserves		1,731,881	1,693,813	1,532,096	1,314,899	1,337,126
Retained earnings	Before distribution	167,421	257,890	97,771	225,511	216,593
	After distribution	78,595	96,735	97,771	110,617	Note5
Other Equity		8,110	645	(8,592)	(5,500)	(11,007)
Treasury stock		-	-	-	(138,141)	(138,141)
Non-controlling interest		-	-	-	-	-
Equity Total	Before distribution	2,541,880	2,586,816	2,077,602	1,991,237	2,042,577
	After distribution	2,453,054	2,425,661	2,077,602	1,876,343	Note5

Note 1: The financial data from 2015-2019 have been audited and attested by a CPA.

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

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

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

Note 5: The profit for 2019 hasn't been distributed as of the 2020 Annual Report publication date.

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

Item / Year	Financial data for the most recent five financial years (Note 1)					Current fiscal year up to March 31, 2020 Financial data (Note 2)
	2015	2016	2017	2018	2019	
Operating revenues	1,609,718	1,740,309	1,820,267	2,007,222	2,172,923	353,406
Gross profit	701,292	770,487	795,773	916,999	948,418	150,615
Operating income	189,784	258,402	249,071	240,551	156,271	159,394
Non-Operating revenues and expenditures	(66,555)	(44,471)	(59,615)	(78,588)	(21,704)	(2,289)
Net profit before tax	123,229	213,931	189,456	161,963	134,567	(11,068)
Net income from continuing operation	98,793	178,790	149,608	127,892	106,711	(7,991)
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	98,793	178,790	149,608	127,892	106,711	(7,991)
Other comprehensive income for the current period (net)	1,986	(6,960)	(9,154)	2,763	(5,828)	(305)
Total comprehensive income	100,779	171,830	140,454	130,655	100,883	(8,296)
Net income attributable to the parent company	98,793	178,790	149,608	128,032	106,258	(8,252)
Net income attributable to the non-controlling interest	-	-	-	(140)	453	261
Total comprehensive income attributable to the owner of the parent company	100,779	171,830	140,454	130,832	100,469	(8,381)
Total comprehensive income attributable to the non-controlling interest	-	-	-	(177)	414	85

Earnings per share	1.91	2.82	2.52	2.23	1.85	(0.14)

Note 1: The financial data from 2015-2019 have been audited and attested by a CPA.

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

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

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

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

Unit: NT$ Thousand

Item \ Year	Financial data for the most recent five financial years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenues	1,410,182	1,676,590	1,800,555	1,946,211	2,053,362
Gross profit	570,090	726,745	782,534	861,992	870,030
Operating income	152,577	281,217	294,674	206,593	125,709
Non-Operating revenues and expenditures	(36,530)	(67,565)	(106,169)	(54,728)	4,230
Net profit before tax	116,047	213,652	188,505	151,865	129,939
Net income from continuing operation	98,793	178,790	149,608	128,032	106,258
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	98,793	178,790	149,608	128,032	106,258
Other comprehensive income for the current period (net)	1,986	(6,960)	(9,154)	2,800	(5,789)
Total comprehensive income	100,779	171,830	140,454	130,832	100,469
Net income attributable to the parent company	-	-	-	-	-
Net income attributable to the non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to the owner of the parent company	-	-	-	-	-
Total comprehensive income attributable to the non-controlling interest	-	-	-	-	-
Earnings per share	1.91	2.82	2.52	2.23	1.85

Note 1: The financial data from 2015-2019 have been audited and attested by a CPA.

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

Year	CPA	Name of accounting firm	Audit opinion

2015	Jun-Man Chen, Shi-Hua Guo	KPMG	Unqualified opinion
2016	Zi-Xin Zhang, Shi-Hua Guo	KPMG	Unqualified opinion
2017	Zi-Xin Zhang, Hai-Ning Huang	KPMG	Unqualified opinion
2018	Zi-Xin Zhang, Hai-Ning Huang	KPMG	Unqualified opinion
2019	Zi-Xin Zhang, Jun-Yuan Wu	KPMG	Unqualified opinion

2. Financial analyses for the most recent five fiscal years

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

Analysis item	Year (Note 1)	Financial analyses for the most recent five fiscal years					Current fiscal year up to March 31, 2020 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debts ratio	44.34	44.32	52.51	56.57	53.52	51.54
	Long-term funds to property, plant and equipment ratio	136.20	123.87	103.99	115.53	113.08	112.94
Solvency (%)	Current ratio	222.84	138.09	95.51	119.47	115.53	106.84
	Quick ratio	170.81	113.04	71.59	90.99	84.52	65.86
	Times interest earned	3.13	10.55	9.40	6.57	5.23	(0.76)
Operating capacity	Accounts receivable turnover ratio (times)	4.99	4.59	3.52	2.78	2.73	2.26
	Average collection days	73.14	79.52	103.69	131.29	133.69	161
	Inventory turnover ratio (times)	2.48	2.70	2.78	2.62	2.85	1.75
	Accounts payable turnover ratio (times)	6.06	6.75	6.14	7.08	7.85	4.64
	Days' sales in inventory	147	135.18	131.29	139.31	128.00	208
	Property, plant and equipment turnover ratio (times)	0.56	0.62	0.66	0.74	0.81	0.53
	Total assets turnover ratio (times)	0.34	0.37	0.40	0.44	0.48	0.32
Profitability Profitability	Return on total assets (%)	3.17	4.28	3.73	3.39	2.93	(0.27)
	Return on equity (%)	5.08	6.97	6.41	6.28	5.28	(1.54)
	Pre-tax net profit to paid-in capital ratio (%) (Note 7)	19.42	33.71	31.87	27.24	22.55	(7.31)
	Profit margin (%)	6.13	10.27	8.21	6.37	4.91	(2.26)
	Earnings per share (NT)	1.91	2.82	2.52	2.23	1.85	(0.14)
Cash flow	Cash flow ratio (%)	28.96	36.21	1.89	8.22	29.36	9.38
	Cash flow adequacy ratio (%)	25.02	62.00	94.64	97.79	96.46	91.03
	Cash flow reinvestment ratio (%)	3.44	8.18	-5.92	-2.90	7.17	2.95
Leverage	Degree of operating leverage	4.29	3.58	3.96	4.3	6.21	(23.52)
	Degree of financial leverage	1.44	1.09	1.10	1.13	1.25	0.58

Analysis of significant changes in financial ratio over the last two years. (Not required if the change does not exceed 20%):

1. Decrease of times interest earned: The main reason is the pre-tax profit is deduced and the interest expense is increased, which results in the decrease of times interest earned.
2. Decrease of profit margin: The net profit in the current period is reduced, so the profit margin is decreased accordingly.
3. Increase of cash flow ratio: The cash flow of the operating activities is increased, so the overall cash flow ratio is increased.
4. Increase of cash flow reinvestment ratio: The cash flow of the operating activities is increased, so the cash flow reinvestment ratio is increased accordingly.
5. Increase of degree of operating leverage: The main reason is the operating profit is reduced, so the degree of operating leverage is increased.

Note 1: The financial data from 2015-2019 have been audited and attested by a CPA.

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

3. Report audited by supervisors (see page 127)

4. Annual financial statements of 2019 (refer to page 128-200)

5. A Parent Company only Financial Statement for the most Recent Fiscal Year, Certified by a CPA: (refer to page201-288)

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

Bionime Corporation
Supervisors' Review Report

Appropriate

The Board of Directors made the Company's 2019 business report, consolidated financial statements, parent company only financial statements and appropriation of earnings, among which the consolidated financial statements and the parent company only financial statements were certified by the accountants who are KPMG International Cooperative Tzu-Hsin Chang and Jun-Yuan Wu and issued a verification report. The above-mentioned business report, financial statements and appropriation of earnings are approved by the Audit Committee, and it is considered that there is no disagreement, and in accordance with Article 219 of the Company Act made a report, please review it.

Supervisor: Tai,Tsung-Kai

Supervisor: Lin,Chien-Hsing

Supervisor: Su,Chin-Pin

Mar 13, 2020

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, 2019 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 13, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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 Interpretive Letter No.1090360805 issued by Financial Supervisory Commission R.O.C (Taiwan) the auditing standards generally accepted in the Republic of China. We also conducted our audits of the financial statements in 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matters:

Parts of the Group' s sales transactions 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.

<u>How the matter was addressed in our audit</u>

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 assessing the revenue with significant components, which included the analysis of top 10 customers.

2. Assessment of Inventory

The accounting principle of inventory, refer to 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.

<u>How the matter was addressed in our audit</u>

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. Trade of Accounting Receivable

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

The explanation of key audit matters:

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

<u>How the matter was addressed in our audit:</u>

Our principal audit procedure included: analyze aging of trade receivables, receive records and customers' credit risk concentration. Assessed whether estimation method and the amount of trade 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, 2019 and 2018, 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 Chun-Yuan Wu.

KPMG

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

Notes to Readers

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

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

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

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current assets:				
Cash and cash equivalents (note 6 (a))	$ 359,558	8	433,631	9
Notes receivable, net (note 6 (c))	3,383	-	7,941	-
Trade receivable, net (note 6 (c))	649,588	15	633,185	14
Trade receivable-related parties, net (note 6 (c) and 7)	94,130	2	183,868	4
Other receivables (note 6 (d))	4,972	-	13,630	-
Current income tax assets	18,543	-	18,543	-
Inventories (note 6 (e))	395,444	9	412,423	9
Prepayments	32,700	1	9,551	-
Other current assets (note 6 (j))	14,685	-	18,585	1
Other current financial assets (note 6 (b) and 8)	22,429	1	38,588	1
	1,595,432	36	1,769,945	38
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	36,100	1	30,100	1
Property, plant and equipment (note 6 (g) and 8)	2,669,672	61	2,689,666	59
Right-of-use assets (note 6 (h))	6,612	-	-	-
Intangible assets (note 6 (i))	49,503	1	8,550	-
Deferred tax assets (note 6 (r)	2,899	-	4,370	-
Prepayments for business facilities	39,066	1	82,840	2
Guarantee deposits paid	4,518	-	3,341	-
Defined benefit assets, net (note 6 (q))	-	-	12	-
Other non-current assets (note 6 (j))	438	-	580	-
	2,808,808	64	2,819,459	62
Total assets	$ 4,404,240	100	4,589,404	100

Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current liabilities:				
Short-term borrowings (note 6 (l) and 8)	$ 465,799	11	659,385	14
Short-term notes and bills payable (note 6 (k))	199,775	5	259,748	6
Notes payable	-	-	14	-
Trade payables	149,036	3	162,828	4
Other payables	277,404	6	267,165	6
Other payables to related parties(note 7)	29,694	-	19,294	-
Payable on machinery and equipment	16,793	-	14,564	-
Current income tax liabilities	28,009	-	6,229	-
Current lease liabilities (note 6(o))	2,470	-	-	-
Other current liabilities (note 6 (m) and 7)	11,319	-	7,153	-
Long-term borrowings, current portion (note 6 (n) and 8)	200,667	5	85,042	2
	1,380,966	31	1,481,422	32
Non-Current liabilities:				
Long-term borrowings (note 6 (n) and 8)	972,125	22	1,114,514	24
Deferred tax liabilities (note 6 (r))	96	-	360	-
Non-current lease liabilities (note 6 (o))	4,193	-	-	-
Defined benefit liabilities, net (note 6 (q))	15	-	-	-
	976,429	22	1,114,874	24
Total liabilities	2,357,850	53	2,596,296	56
Equity attributable to owners of parent:(note 6 (s))				
Ordinary share	596,698	14	594,468	13
Advance receipts for share capital	41,308	1	-	-
Capital surplus	1,337,126	30	1,314,899	29
Retained earnings	216,593	5	225,511	5
Other equity	(11,007)	-	(5,500)	-
Treasury shares	(138,141)	(3)	(138,141)	(3)
Total equity attributable to owners of parent:	2,042,577	47	1,991,237	44
Non-controlling interests	4,268	-	1,871	-
Total equity	2,046,845	47	1,993,108	44
Total liabilities and equity	$ 4,404,240	100	4,589,404	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, 2019 and 2018

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

	2019		2018	
	Amount	%	Amount	%
Net operating revenues (note 6 (v) and 7)	$ 2,172,923	100	2,007,222	100
Operating costs (note 6 (e), (q) and (w))	1,224,505	56	1,090,223	54
Gross profit from operations	948,418	44	916,999	46
Operating expenses (note 6 (e), (q),(w) and 7))				
Selling expenses	276,539	13	249,402	13
Administrative expenses	250,311	12	227,113	11
Research and development expenses	255,121	12	201,186	10
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	10,176	-	(1,253)	-
	792,147	37	676,448	34
Net operating income	156,271	7	240,551	12
Non-operating income and expenses(note 6 (x)) :				
Other income	15,010	-	6,648	-
Other gains and losses	(4,923)	-	(56,190)	(3)
Finance costs	(31,791)	(1)	(29,046)	(1)
	(21,704)	(1)	(78,588)	(4)
Profit before income tax	134,567	6	161,963	8
Less: Income tax expenses(note 6 (r))	27,856	1	34,071	2
Profit	106,711	5	127,892	6
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Losses on remeasurements of defined benefit plans	(282)	-	(292)	-
	(282)	-	(292)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements(note 6 (r))	(5,546)	-	3,055	-
Less : Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(5,546)	-	3,055	-
Other comprehensive income (after tax)	(5,828)	-	2,763	-
Comprehensive income	**$ 100,883**	**5**	**130,655**	**6**
Profit (loss), attributable to:				
Owners of parent	$ 106,258	5	128,032	6
Non-controlling interests	453	-	(140)	-
Profit	**$ 106,711**	**5**	**127,892**	**6**
Comprehensive income (loss) attributable to:				
Owners of parent	$ 100,469	5	130,832	6
Non-controlling interests	414	-	(177)	-
Comprehensive income	**$ 100,883**	**5**	**130,655**	**6**
Earnings per share (NT dollars) (note 6 (u))				
Basic earnings per share	**$**	**1.85**		**2.23**
Diluted earnings per share	**$**	**1.81**		**2.20**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
				Retained earnings								
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owner of parent	Non-controlling interests	Total equity
Balance 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 appropriated	-	-	-	-	1,383	(1,383)	-	-	-	-	-	-
Employee stock options compensation costs	-	-	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**
Balance at January 1, 2019	594,468	-	1,314,899	96,390	1,383	127,738	225,511	(5,500)	(138,141)	1,991,237	1,871	1,993,108
Profit for the year ended December 31, 2019	-	-	-	-	-	106,258	106,258	-	-	106,258	453	106,711
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(282)	(282)	(5,507)	-	(5,789)	(39)	(5,828)
	-	-	-	-	-	105,976	105,976	(5,507)	-	100,469	414	100,883
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	12,773	-	(12,773)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(114,894)	(114,894)	-	-	(114,894)	-	(114,894)
Employee stock options compensation costs	2,230	-	8,515	-	-	-	-	-	-	10,745	-	10,745
Employee stock options exercised	-	-	13,697	-	-	-	-	-	-	13,697	-	13,697
From share of changes in equity of subsidiaries	-	-	15	-	-	-	-	-	-	15	-	15
Advance receipts for share capital	-	41,308	-	-	-	-	-	-	-	41,308	-	41,308
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,983	1,983
Balance at December 31, 2019	**$ 596,698**	**41,308**	**1,337,126**	**109,163**	**1,383**	**106,047**	**216,593**	**(11,007)**	**(138,141)**	**2,042,577**	**4,268**	**2,046,845**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 134,567	161,963
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	154,664	137,179
Amortization expense	9,821	14,156
Interest expense	31,791	29,046
Interest revenue	(1,738)	(1,694)
Share-based payments transactions	13,697	20,633
Expected credit loss (gain)	10,176	(1,253)
Gain from disposal of property, plant and equipment	-	(4,360)
Property, plant and equipment transferred to expenses	3,419	-
Gain on disposal of investments	(8)	-
Impairment loss on non-financial assets	-	57,866
Total adjustments to reconcile profit	221,822	251,573
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	4,558	1,247
Trade receivable, net	(26,566)	(110,898)
Trade receivable due from related parties	89,738	(106,929)
Other receivables	8,549	(6,459)
Inventories	16,064	(49,953)
Other operating assets	(19,377)	(8,056)
	72,966	(281,048)
Changes in operating liabilities:		
Notes payable	(14)	(5)
Accounts payable	(13,792)	18,029
Other payables	11,464	40,381
Other payables due from related parties	10,400	13,126
Other operating liabilities	4,181	(999)
	12,239	70,532
Total changes in operating assets and liabilities	85,205	(210,516)
Total adjustments	307,027	41,057
Cash inflow generated from operations	441,594	203,020
Interest received	1,847	1,164
Interest paid	(33,016)	(27,370)
Income taxes paid	(4,869)	(54,916)
Net cash flows from (used in) operating activities	405,556	121,898
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(6,000)	-
Acquisition of property, plant and equipment	(45,554)	(86,713)
Proceeds from disposal of property, plant and equipment	-	5,938
Decrease in refundable deposits	(1,177)	(463)
Acquisition of intangible assets	(49,577)	(9,544)
Decrease in other financial assets	16,159	273,692
Increase in prepayments for business facilities	(42,941)	(72,509)
Net cash flows from (used in) investing activities	(129,090)	110,401
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,865,431	1,605,559
Decrease in short-term borrowings	(2,051,635)	(1,848,792)
(Decrease) Increase in short-term notes and bills payable	(59,973)	99,911
Proceeds from long-term borrowings	50,000	600,000
Repayments of long-term borrowings	(76,764)	(200,350)
Payment of lease liabilities	(4,238)	-
Cash dividends paid	(114,894)	(237,830)
Proceeds from exercise of employee share options	52,053	-
Contribution by non-controlling interests	1,998	2,048
Net cash flows from (used in) financing activities	(338,022)	20,546
Effect of exchange rate changes on cash and cash equivalents	(12,517)	6,438
Net (decrease) increase in cash and cash equivalents	(74,073)	259,283
Cash and cash equivalents at beginning of period	433,631	174,348
Cash and cash equivalents at end of period	**$ 359,558**	**433,631**

See accompanying notes to consolidated financial statements.

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

(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, 2019.

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

Except for the following items, the 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019.

(Continued)

The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

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

● Leases classified as operating leases under IAS 17

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

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

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

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

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

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

— Applied the exemption not to recognize right-of-use assets and liabilities for

(Continued)

leases with less than 12 months of lease term.

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

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

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $7,031 thousands of right-of-use assets and $7,031 thousands of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.20%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group’s consolidated financial statements	$ 6,870
Recognition amounts for:	
short-term leases	(2,276)
Extension and termination options reasonably certain to be exercised	2,919
	$ 7,513
Discounted using the incremental borrowing rate at January 1, 2019	$ 7,031
Lease liabilities recognized at January 1, 2019	$ 7,031

(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

(Continued)

each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(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 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(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

(Continued)

Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

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

2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

			Primary business	
Investor	**Subsidiary**	**Primary Business**	**December 31, 2019**	**December 31, 2018**
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	66.06%	7 (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, totaling 72% of the shares, which has been included in its consolidated report from the date of acquisition. On July 25, 2019, the share ownership was reduced from 72% to 66.06%.

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

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

(Continued)

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchanges differences 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) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

(Continued)

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

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

Lifetime 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 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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；

(Continued)

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment.

Land is not depreciated.

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

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

Buildings and structures 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.

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

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

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

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

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

(ii) As a lessee

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

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

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

(Continued)

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

－fixed payments, including in-substance fixed payments;

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

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

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

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

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

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

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

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

－there is any lease modifications

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

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

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

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

(iii) As a lessor

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

(Continued)

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

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

Applicable before January 1, 2019

(ii) Lessor

The Group's leases are operating leases, lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

(Continued)

The estimated useful lives for the current and comparative periods are as follows:

1) Trademarks and patents: 5 years

2) Computer software: 1~5 years

3) Development cost: 4 years

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

(l) Impairment of non-financial assets

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

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

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

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

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

For other assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

(i) Revenue from contracts with customers

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

(Continued)

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) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

(Continued)

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

c) the costs are expected to be recovered.

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

(o) Share-based payment

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

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

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

(p) Income taxes

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

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

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

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

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

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

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

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

(Continued)

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

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

1) the same taxable entity; or

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

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

(r) Earnings per share

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

(s) Operating segments

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

(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, 2019	December 31, 2018
Petty cash and cash on hand	$ 673	504
Demand deposits	345,988	374,721
Time deposits	12,897	58,406
Cash and cash equivalents in the consolidated statement of cash flows	$ 359,558	433,631

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

(Continued)

(b) Financial assets

(i) Other financial assets

	December 31, 2019	December 31, 2018
Other financial assets - current	$ 22,429	38,588

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 2019 and 2018.

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

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

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

On January 1, 2019 and 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

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

For market risk, please refer to note 6(y)

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

(c) Note and trade receivable

	December 31, 2019	December 31, 2018
Note receivables from operating activities	$ 3,383	7,941
Trade receivables-measured as amortized cost	662,956	636,478
Trade receivables from related parties-measured as amortized cost	94,130	183,868
Less：Loss allowance	(13,368)	(3,293)
	$ 743,718	817,053

(Continued)

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

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 603,924	- %	-
1 to 180 days past due	149,574	6.54%	9,780
More than 180 days past due	3,588	100%	3,588
	$ 757,086		**13,368**

	December 31, 2018		
	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**

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

	For the years ended December 31	
	2019	**2018**
Balance at January 1	$ 3,293	4,530
Impairment losses recognized	10,176	-
Impairment losses reversed	-	(1,253)
Amounts written off	(88)	-
Foreign exchange gains/(losses)	(13)	16
Balance at December 31	**$ 13,368**	**3,293**

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

(d) Other receivables

	December 31, 2019	**December 31, 2018**
Other receivables	**$ 4,972**	**13,630**

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

(Continued)

(e) Inventories

		December 31, 2019	December 31, 2018
Finished goods	$	43,130	52,619
Less: Allowance for inventory valuation losses		(5,580)	(5,279)
		37,550	47,340
Work in progress		263,713	266,417
Less: Allowance for inventory valuation losses		(7,569)	(9,848)
		256,144	256,569
Raw materials		110,793	120,572
Less: Allowance for inventory valuation losses		(9,043)	(12,058)
		101,750	108,514
	$	395,444	412,423

The detail of inventory write-downs was as follows:

		For the years ended December 31 2019	2018
Provisions (reversal of provision) for inventory valuation and obsolescence	$	(4,923)	463
Losses on disposal of scrap		12,123	8,863
Gains on physical inventory		(364)	(255)
Gains on disposal of leftover bits and pieces		(4,927)	(3,125)
Operating costs recognized	$	1,909	5,946

For the years ended December 31, 2019 and 2018, the amounts of inventories that were charged to cost of sales, and the net of provisions (reversal of provision) that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $(4,923) and $463 , respectively.

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

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

1.Acquisitions of NCI

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

(Continued)

The effects of the changes in shareholdings were as follows:

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance on January 1, 2019	$ 1,420,840	869,376	645,383	145,284	1,588	17,190	509,186	3,608,847
Additions	-	9,597	23,231	8,114	-	-	6,841	47,783
Disposal	-	-	(210)	-	-	-	(4,312)	(4,522)
Reclassification	-	(3,730)	82,289	3,100	-	-	1,035	82,694
Effect of movements in exchange rates	-	(324)	(151)	(130)	-	(3)	(207)	(815)
Balance on December 31,2019	$ 1,420,840	874,919	750,542	156,368	1,588	17,187	512,543	3,733,987
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
Depreciation and impairment loss：								
Balance on January1, 2019	$ -	102,496	469,118	109,081	988	13,443	224,055	919,181
Depreciation for the year	-	22,256	69,641	20,617	144	1,565	36,150	150,373
Disposals	-	(622)	(210)	-	-	-	(4,312)	(5,144)
Reclassification	-	311	-	-	-	-	-	311
Effect of movements in exchange rates	-	(42)	(73)	(128)	-	(3)	(160)	(406)
Balance on December 31,2019	$ -	124,399	538,476	129,570	1,132	15,005	255,733	1,064,315

(Continued)

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Balance on January1, 2018	$ -	82,207	406,400	94,341	1,193	12,306	186,696	783,143
Additions	-	20,303	63,213	14,578	120	1,133	37,832	137,179
Disposal	-	-	(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
Carrying amounts:								
Balance on December 31, 2019	$ 1,420,840	750,520	212,066	26,798	456	2,182	256,810	2,669,672
Balance on December 31, 2018	$ 1,420,840	766,880	176,265	36,203	600	3,747	285,131	2,689,666
Balance on January 1, 2018	$ 1,420,840	761,921	198,301	16,376	-	94	309,572	2,707,104

(i) Disclosures on pledges

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

(h) Right-of-use assets

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

	Land	Buildings	Machinery and equipment	Total
Costs:				
Balance at January 1, 2019	$ 6,824	207	-	7,031
Additions	2,934	-	1,048	3,982
Effects of retrospective application	(229)	-	-	(229)
Balance at December 31,2019	$ 9,529	207	1,048	10,784
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation for the year	3,979	155	157	4,291
Effects of retrospective application	(119)	-	-	(119)
Balance at December 31, 2019	$ 3,860	155	157	4,172
Carrying amount:				
Balance at December 31, 2019	$ 5,669	52	891	6,612

(Continued)

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

(i) Intangible Assets

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

		Trademarks	Computer software	Development cost	Total
Costs:					
Balance on January1, 2019	$	62,360	31,906	-	94,266
Additions		-	14,359	-	14,359
Acquisition internally developed		-	-	35,218	35,218
Reclassification		-	1,206	-	1,206
Disposal		-	(23,865)	-	(23,865)
Effect of movements in exchange rates		-	(16)	-	(16)
Balance on December 31, 2019	$	62,360	23,591	35,218	121,168
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
Amortization and Impairment Loss:					
Balance on January1, 2019	$	62,360	23,356	-	85,716
Amortization for the year		-	9,821	-	9,821
Disposal		-	(23,865)	-	(23,865)
Effect of movements in exchange rates		-	(7)	-	(7)
Balance on December 31, 2019	$	62,360	9,305	-	71,665
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
Carrying amounts:					
Balance on December 31, 2019	$	-	14,285	35,218	49,503
Balance on December 31, 2018	$	-	8,550	-	8,550
Balance on January 1, 2018	$	5,968	5,791	-	11,759

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

(Continued)

strengthening of its competitiveness. The Group paid USD2,000 thousand (TWD 62,360) thousand for the right to use GE monogram trademark.

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

(i) Amortization

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

		2019	2018
Operating costs	$	182	87
Operating expenses	$	9,639	14,069

(ii) Disclosures on pledges

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

(j) 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, 2019	December 31, 2018
Overpaid sales tax	$	8,470	13,656
Temporary payments		5,463	4,001
Other current assets-other		752	928
	$	14,685	18,585
Other non-current assets-other	$	438	580

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

(Continued)

(k) Short-term notes and bills payable

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

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

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

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	**December 31, 2018**
Unsecured bank loans	$ 175,275	268,440
Secured bank loans	290,524	390,945
	465,799	659,385
Unused credit line	$ 884,201	546,709
Range of Interest rates	0.6716%~3.9642%	0.35%~5.655%

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

(Continued)

(m) Other current liabilities

The other current liabilities were as follows:

		December 31, 2019	December 31, 2018
Contract liability	$	1,228	2,010
Temporary receipts		9,208	3,805
Others		883	1,338
	$	11,319	7,153

(n) Long-term borrowings

The details were as follows:

	December 31, 2019			
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.25%	2023~2026	$ 1,122,792
Unsecured bank loans	TWD	1.2%	2021	50,000
Less: current portion				(200,667)
Total				$ 972,125
Unused credit line				$ -

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

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

(o) Lease liabilities

The lease liabilities were as follows:

	December 31, 2019
Current	$ 2,470
Non-current financial assets	$ 4,193

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

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 284
Expenses relating to short-term leases	$ 9,906

(Continued)

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

	For the year ended December 31, 2019
Total cash outflow for leases	$ 14,428

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space, warehouses, machinery, vehicles. The leases typically run for a period of 1 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(p) Operating Lease

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

(q) Employee Benefits

(i) Defined benefit plans

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

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

The Group’ s employee benefit liabilities were as follows:

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

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

(Continued)

1) Composition of plan assets

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

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $4,060 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

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

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:

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

4) Expenses recognized in profit or loss

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

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

(Continued)

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, 2019 and 2018, was as follows:

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

6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

As of December 31, 2019 and 2018, the impact on the present value of the defined benefit obligation, due to the change in actuarial assumption, was as follows:

		Influences of defined benefit obligation	
		Increase 0.25%	Decrease 0.25%
December 31, 2019	$	1,117	(526)
Discount rate		(202)	214
Future salary increases rate		915	(740)

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

(Continued)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined benefit plans

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

Other subsidiaries established their retirement plans in accordance with each local regulation. The Group recognized the pension costs of $6,020 and $5,441 in 2019 and 2018, respectively.

(r) Income Taxes

(i) Income Tax Expense

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

		2019	2018
Current income tax expense			
Current period	$	23,195	12,501
Adjustment for prior period		3,450	2,779
5% surtax on un-distributed earnings		4	-
		26,649	15,280
Deferred tax expense(gain)			
Origination and reversal of temporary differences		1,207	22,815
Adjustment in tax rate		-	(4,024)
		1,207	18,791
Income tax expense	$	27,856	34,071

(Continued)

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

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

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

	2019	2018
Profit excluding income tax	$ 134,567	161,963
Income tax using the Company's domestic tax rate	26,913	32,393
Effect of tax rates in foreign jurisdiction	1,879	5,879
Adjustment in tax rate	-	(4,024)
Non-deductible expenses	(46)	(124)
Tax-exempt income	(1,783)	(3,871)
Recognition of previously unrecognized tax losses	(3,070)	(1,428)
Changes in unrecognized temporary differences	509	204
Prior years income tax adjustment	3,450	2,799
5% surtax on undistributed earnings	4	-
Income basic tax	-	2,263
	$ 27,856	34,071

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ 4,045	3,536
The carry-forward of unused tax losses	58,829	60,469
	$ 62,874	64,005

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 2019, 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	$ 6,549
Bionime USA Corporation	2010	9,849
Bionime USA Corporation	2011	75,044
Bionime USA Corporation	2012	140,649
Bionime USA Corporation	2013	39,788
Bionime USA Corporation	2014	8,259
		$ 280,138

(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, 2019 and 2018. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets. Details are as follows:

		December 31, 2019	December 31, 2018
Aggregated amount of temporary differences related to investments in subsidiaries	$	293,624	313,918
Unrecognized deferred tax assets	$	58,725	62,784

2) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the temporary differences associated with its investments in subsidiaries as at December 31, 2019 and 2018. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

		December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	$	11,817	9,907
Unrecognized deferred tax liabilities	$	2,363	1,981

3) Recognized deferred tax assets and liabilities

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

Deferred Tax Assets:

	Unrealized loss on inventory obsolescence	Unrealized Foreign exchange loss	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Total
Balance at January 1, 2019	$ 2,580	$ -	1,790	-	4,370
Recognized in profit or loss	(557)	274	(1,188)	-	(1,471)
Balance at December 31,2019	$ 2,023	$ 274	602	-	2,899
Balance at January 1,2018	$ 2,020	$ -	-	20,400	22,420
Recognized in profit or loss	560	-	-	(20,400)	(19,840)
Balance at December 31, 2018	$ 2,580	$ -	-	-	2,580

(Continued)

Deferred Tax Liabilities:

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

(iii) Assessment of tax

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

(s) **Capital and Other Equity**

As of December 31 2019 and 2018, the numbers of authorized ordinary shares were 70,000 thousand shares for each year, with par value of $10 per share. The total value of authorized ordinary shares amounted to $700,000 (and of which $60,000 was reserved for the exercising of employee share options for each year). As of the date 59,670 (2018: 59,447) of ordinary thousand shares amounting $596,698 (2018: $594,468) were issued. All issued shares were paid upon issuance.

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

(in thousands of shares)

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

(i) Ordinary shares

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

(Continued)

(ii) Capital surplus

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

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

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 required working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend cannot be less than 5% of the total dividends distributed.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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

(Continued)

Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of the shareholders held on June 20, 2019 and June 22, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders				
Cash	$ 2.00	114,894	-	-

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

(iii) Treasury shares

As of December 31, 2019, a total of 2,000 thousand shares have not yet been cancelled.

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

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

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

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

(Continued)

(t) **Share-Based Payment**

(i) Employee stock options

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

	2017 ESOP	2018 ESOP	2019 ESOP
Grant date	2017.1.13	2018.1.2	2019.11.5
Units issued	3,000,000	1,000,000	2,930,000
Term of grant	2017.1.13~2019.1.12	2018.1.2~2020.1.1	2019.11.5~2024.11.4
Grant object	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries
Vesting conditions	Services of the next two years	Services of the next two years	Services of the next two years

1) Determining the fair value of equity instruments granted

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

	2019		
	2017 ESOP	2018 ESOP	2019 ESOP
Fair value at grant date	$16.07~$17.35	$15.34~$16.56	$22.53~$25.83
Share price at grant date	56.9	55.4	60.2
Exercise price	47.7	51.4	60.2
Expected volatility(%)	40.70%	40.10%	38.50%
Expected life (years)	four years	four years	ten years
Expected dividend	-	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%	0.54%

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

(Continued)

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

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

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

(ii) Employee recognized in profit or loss

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

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

(u) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31, 2019 and 2018 were based on the profit attributable to ordinary shareholders of the Company of $106,258 and $128,032; respectively; and the weighted average number of ordinary shares outstanding of 57,499 thousand shares and 59,447 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

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

(Continued)

2) Weighted average number of ordinary shares

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

(ii) Diluted earnings per share

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

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

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

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

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

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

Disaggregation of revenue

		For the years ended December 31	
		2019	2018
Primary geographical markets			
Algeria	$	428,536	434,210
China		381,993	413,653
Switzerland		287,012	257,369
United State		143,555	183,094
Other		931,827	718,896
	$	2,172,923	2,007,222
Major products			
Meter and Strips	$	2,172,923	2,007,222

(Continued)

(w) **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, 2019 and 2018, the Company estimated its employee remuneration amounting to $19,000 and $18,788 and directors and supervisors remuneration amounting to $4,000, and $4,000 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

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

(i) Other income

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

		2019	2018
Interest income:			
Interest income-bank deposits	$	1,738	1,694
Others		13,272	4,954
	$	15,010	6,648

(ii) Other gains and losses

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

		2019	2018
Foreign exchange losses	$	(4,931)	(2,684)
Gains on disposals of property, plant and equipment		-	4,360
Gains on disposals of investment property		8	-
Impairment losses		-	(57,866)
	$	(4,923)	(56,190)

(iii) Finance costs

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

		2019	2018
Interest expenses-bank loans	$	(31,507)	29,046
Interest of lease liabilities		(284)	-
	$	(31,791) $	29,046

(Continued)

(y) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the consolidated balance sheet which were $1,111,631 and $1,272,255 respectively, as of December 31, 2019 and 2018.

2) Concentration of credit risk

The major clients of Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the trade receivable and recognizes an allowance for impairment. The impairment loss is within management' s expectation. As of December 31, 2019 and 2018, the Group received the concentrations of credit risk arising from Customer A and other counter parties, and it was below 39% and 28% (2018: 42% and 36%) of the total trade receivables respectively.

3) Receivables and debt securities

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

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

The loss allowance provision as of December 31, 2019 was determined as follows:

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

(ii) Liquidity risk

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

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	$ 1,413,316	1,435,115	501,463	203,175	435,502	294,975
Unsecured bank loans	225,275	229,056	229,056	50,600	-	-
Short-term notes and bills payble	199,775	200,000	200,000	-	-	-
Notes and trade payables	149,036	149,036	149,036	-	-	-
Other payables (including related parties)	179,987	179,987	179,987	-	-	-
Payable on machinery and equipment	16,793	16,793	16,793	-	-	-
Lease liabilities (Current and Non-Current)	6,663	6,923	2,629	4,294	-	-
	$ 2,190,845	2,216,910	1,278,964	258,069	435,502	294,975
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 payable	259,748	260,000	260,000	-	-	-
Notes and trade payables	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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
Financial assets						
Monetary items						
USD	USD 22,494	30.00	674,820	USD 26,217	30.74	805,911
EUR	EUR 2,885	33.61	96,965	EUR 2,593	35.22	91,325
Financial liabilities						
Monetary items						
USD	USD 16,137	30.00	484,110	USD 28,842	30.74	886,603
EUR	EUR 2,073	33.61	69,674	EUR 1,220	35.22	42,968

(Continued)

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, 2019 and 2018, would have increased (decreased) the net profit after tax by $872 and $129, 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 2018 (prior year).

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2019 and 2018, the foreign exchange loss (including realized and unrealized portions) amounted to $4,128 and $2,684 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 $6,554 and $7,436 for the year ended December 31, 2019 and 2018, 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 lease liabilities, disclosure of fair value information is not required:

(Continued)

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	$ 36,100	-	-	36,100	36,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 359,558	-	-	-	-
Notes and trade receivables (including related parties)	747,101	-	-	-	-
Other receivables	4,972	-	-	-	-
Other financial assets-current	22,429	-	-	-	-
	1,134,060	-	-	-	-
	$ 1,170,160	-	-	36,100	36,100
Financial liabilities at amortized cost					
Short-term borrowings	$ 465,799	-	-	-	-
Short-term notes and bills payable	199,775	-	-	-	-
Notes and trade payables, and other payables (including related parties)	329,023	-	-	-	-
Payable on machine and equipment	16,793	-	-	-	-
Lease liabilities (Current and Non-current)	6,663	-	-	-	-
Long-term borrowings, including current portion	1,172,792	-	-	-	-
	$ 2,190,845	-	-	-	-

	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 receivables (including related parties)	824,994	-	-	-	-
Other receivables	13,630	-	-	-	-
Other financial assets-current	38,588	-	-	30,100	30,100
	1,310,843	-	-	30,100	30,100
	$ 2,651,786	-	-	30,100	30,100
Financial liabilities					
Financial liabilities at amortized					
Short-term borrowings	$ 659,385	-	-	-	-
Short-term notes and bills payable	259,748	-	-	-	-
Notes and trade payables, and other payables (including related parties)	331,006	-	-	-	-
Payable on machine and equipment	14,564	-	-	-	-
Long-term borrowings, including current portion	1,199,556	-	-	-	-
	$ 2,464,319	-	-	-	-

(Continued)

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 2019 and 2018.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
Opening balance, January 1, 2019	$ 30,100
Purchased	6,000
Ending balance, December 31, 2019	$ 36,100
Opening balance, January 1, 2018 (i.e. December 31, 2018)	**$ 30,100**

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Discounted Cash Flow Method	• Forecast annual revenue growth rate（December 31, 2019 ; 12%~100%） • Weight average capital cost（December 31, 2019 ; 10.08%）	• the annual revenue growth rate were higher, the fair value were higher • the weight average capital cost were higher, the fair value were higher

(Continued)

(z) **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 sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

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

(Continued)

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, 2019, no guarantees were outstanding (2018: 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, 2019 and 2018, the Group's unused credit lines were amounted to 884,201 thousand and 546,709 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 、US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, EUR, US Dollars (USD), and CNY.

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

(Continued)

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.

(aa) **Capital Management**

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

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

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

As of December 31, 2019, the Group’s capital management strategy is consistent with that of the prior year as of December 31, 2018 and the debt to equity ratio is maintained within 30% to 75% to ensure financing at reasonable cost. The Group’s debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 2,357,395	2,596,296
Less: cash and cash equivalents	359,558	433,631
Net debt	**$ 1,997,837**	**2,162,665**
Total equity	**$ 2,046,845**	**1,993,108**
Total capital	**$ 4,044,682**	**4,155,773**
Debt-to-equity ratio at 31 December	**49.39%**	**52.04%**

(Continued)

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

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes	
	January 1,2019	**Cash flows**	**Foreign exchange movement**	**December 31,2019**
Long-term borrowings	$ 1,199,556	(26,764)	-	1,172,792
Short-term borrowings	659,385	(186,204)	(7,382)	465,799
Lease liabilities (current and non-current)	7,031	(256)	(112)	6,663
Total liabilities from financing activities	$ 1,865,972	(213,224)	(7,494)	1,645,254

			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	$ 1,699,355	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
Shanghai Juyi Network Technology Co., Ltd. (Juyi)	Entity which is joint controlled by key management personnel
HUANG, CHUN-MU	Key management personnel

(Continued)

(c) Significant transactions with related parties

(i) Sales

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

		2019	2018
Key management personnel of the Group－Tonghua Dongbao	$	306,399	360,446
Other related parties －Juyi		15,775	-
	$	322,174	$ 360,446

The price given to the related-party is lower than general customers. The general customer's collection term is about 45 to 120 days or advance sales receipts, for the key management personnel of the Group, the collection conditions is advance sales receipts or 180 days from the end of the month of when the invoice is issued, and other related parties – Juyi is 30days from the end of the month of when the invoice is issued.

(ii) Receivables from related parties

The receivables from related parties were as follow:

Account	Relationship		December 31, 2019	December 31, 2018
Trade receivables	Key management personnel of the Group －Tonghua Dongbao	$	91,662	183,868
Trade receivables	Other related parties －Juyi		2,468	-
		$	94,130	183,868

(iii) Payables to related parties

The payables to related parties were as follow:

Account	Relationship		December 31, 2019	December 31, 2018
Other payables	Key management personnel of the Group －Tonghua Dongbao	$	27,507	19,294
Other payables	Other related parties －Juyi		2,187	-
		$	29,694	19,294

(Continued)

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

Account	Relationship	December 31, 2019	December 31, 2018
Temporary receipts	Key management personnel of the Group －Tonghua Dongbao	$ 4	4

(v) others

1) The sales expense of $3,960 and $12,347 in 2019 and 2018, respectively, which caused by signing contract with key management personnel of the Group-Tonghua Dongbao was under selling expenses.

2) The service expense of $23,235 and $ 0 in 2019 and 2018, respectively, which caused by signing contract with other related parties – Juyi was under the research and development expenses.

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 24,359	24,097
Post-employment Benefits	-	-
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	$ 24,359	24,097

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2019	December 31, 2018
Property, plant and equipment	Guarantee for bank loans	$ 2,164,632	2,180,425
Other financial assets-current	Guarantee for bank loans	-	22,394
		$ 2,164,632	2,202,819

(Continued)

(9) Significant Commitments and Contingencies:

(a) Unrecognized contractual commitments are as follows:

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

(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:

Period	Amount
2020.01.01~2020.01.28	$ 2,762

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018.The Group terminated the contract prematurely on January 28, 2019, and expected to sign the new contract in the future.

(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:

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

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

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

(Continued)

(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	2019			2018		
	Operating Costs	**Operating Expenses**	**Total**	**Operating Costs**	**Operating Expenses**	**Total**
Employee benefits						
Salary	291,745	252,001	543,746	291,485	249,823	541,308
Labor and health insurance	25,586	22,336	47,922	24,108	22,447	46,555
Pension	10,642	14,269	24,911	10,503	14,032	24,535
Remuneration of directors	-	2,800	2,800	-	2,800	2,800
Others	16,590	14,186	30,776	16,459	11,911	28,370
Depreciation	112,034	42,630	154,664	99,904	37,275	137,179
Amortization	183	9,639	9,821	87	14,069	14,156

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

		Counter-party of guarantee and endorsement		Limitation on amount of	Highest balance for	Balance of		Property	Ratio of accumulated amounts of guarantees and		Parent company	Subsidiary endorsements / guarantees	Endorsements/ guarantees to
No.	Name of guarantor	Name	Relationship with the Company	guarantees and endorsements for a specific enterprise	guarantees and endorsements during the period	guarantees and endorsements as of reporting date	Actual usage amount during the period	pledged for guarantees and endorsements (Amount)	endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	endorsements/ guarantees to third parties on behalf of subsidiary	to third parties on behalf of parent company	third parties on behalf of companies in Mainland China
1	Bionime (Shenzhen) Limited Company	Huaguang Biological Technology (Pingtan) Limited Company	Note 1 (3)	204,258 (Note 2, 4)	21,495	-	-	-	- %	204,258 (Note 3, 4)	Y	N	Y

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

1) Entities with business relationship with the Company.

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

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

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

(Continued)

5) Entities which provide guarantee for each other based on the contractual requirements of

inter-industry or co-creation.

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

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

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

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

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

(iii) Securities held as of December 31, 2019 (excluding those investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands))	Percentage of ownership (%)	
The company	Ordinary-Bonraybio Corporation	-	Non-current financial assets measured at fair value through other comprehensive gains and losses	960	36,100	7.51%	36,100	960	7.51%	

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

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

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

(Continued)

BIONIME CORPORATION ("THE COMPANY") AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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)

			Transaction details				Transactions with terms different from others		Notes/Trade receivables (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)	Note
The Company	Tonghua Dongbao Pharmaceutical Co.,Ltd.	Key management personnel	Sale	(236,012)	(10.86)%	Advance receipts or net 180 day from the end of the month of when the invoice issued	No comparison	Advance receipts or net 180 day from the end of the month of when the invoice issued	69,039	9.24%	
The Company	Bionime (Shenzhen Limited Company)	Key management personnel	Sale	(4.090)	- %	Advance receipts or net 180 day from the end of the month of when the invoice issued	No comparison -	Advance receipts or net 180 day from the end of the month of when the invoice issued	-	-%	
The Company	Huaguang Biological Technology (Pingtan) Limited Company	Key management personnel	Sale	(66.297)	(3)%	Advance receipts or net 180 day from the end of the month of when the invoice issued	No comparison -	Advance receipts or net 180 day from the end of the month of when the invoice issued	22.623	3%	

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

(In Thousands of New Taiwan Dollars)

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

				Intercompany transactions, 2018			
No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Purchases	3,443	Note3	0.16%
0	The company	Bionime USA Corporation	1	Sales	44,389	Note3	2.04%
0	The company	Bionime (Malaysia) Sdn Bnd	1	Sales	11,688	Note3	0.54%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Sales	98,615	Note3	4.54%
0	The company	Bionime (Shenzhen) Limited Company	1	Sales	343	Note3	0.02%

(Continued)

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

0	The company	Bionime (Malaysia) Sdn Bnd	1	Trade Receivables	5,211	Note3	0.12%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Trade Receivables	35,821	Note3	0.81%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Trade Payables	1,575	Note3	0.04%
0	The company	Bionime GmbH	1	Professional service fees	29,027	No Comparison	1.34%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Professional service fees	24,456	No Comparison	1.13%
0	The company	Bionime Incorporated	1	Other receivables	3	No Comparison	- %
0	The company	Bionime (Shenzhen) Limited Company	1	Other receivables	378	No Comparison	0.01%
0	The company	Bionime (Shenzhen) Limited Company	1	Other receivables	954	No Comparison	0.02%
1	Bionime Incorporated	Bionime GmbH	3	Other payable	19,240	No Comparison	0.44%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Other payable	249	No Comparison	0.01%
0	The company	Huaguang Biological Technology (Pingtan) Limited Company	1	Temporary receipts	227	No Comparison	0.01%

Note 1: The number filled in as follows:

1) Zero representes the parent company.

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

Note 2: Transactions labeled as follows:

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

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

3) 3 represents the transactions between subsidiary and subsidiary.

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

Note 4: The transactions have been eliminated upon consolidation.

(Continued)

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

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

Note1: A company established in Switzerland.

Note2: A company established in Australia.

Note3: A company established in Malaysia.

Note4: The transactions have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, 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, 2019	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow				Highest Percentage of ownership			
Bionime (Shenzhen) Limited Company	Merchandise trading	US$2,300	Note1	US$850	-	-	US$850	4,953 (Note3)	100%	100%	4,953	71,588	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$20,000	Note2	-	-	-	-	10,496 (Note3)	100%	100%	10,496	51,505	-

(Continued)

(ii) Limitation on investment in Mainland China:

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

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

Note 2: Which is invested by Shenzhen subsidiary.

Note 3: Amount was recognized 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”.

(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.

(Continued)

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

		Biotechnology segment	
		2019	**2018**
Revenue：			
Revenue from external customers	$	2,172,923	2,007,222
Interest revenue		1,738	1,694
Total revenue	$	2,174,661	2,008,916
Interest expenses	$	31,791	29,046
Depreciation and amortization		164,485	151,335
Reportable segment profit or loss		106,258	128,032
Capital expenditure	$	95,131	96,257
Reportable segment assets	$	4,404,240	4,589,404
Reportable segment liabilities	$	2,357,395	2,596,296

(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		**2019**	**2018**
Revenue from external customers:			
Algeria	$	428,536	434,210
United States		143,555	183,094
Switzerland		287,012	257,369
Mainland Chinese		381,993	413,653
Other countries		931,827	718,896
Total	$	2,172,923	2,007,222
Non-current assets：			
Taiwan	$	2,748,582	2,769,890
Other countries		17,165	11,746
Total	$	2,765,747	2,781,636

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

(e) Major customers' information

		2019	2018
Customer A of biotechnology division	$	428,536	434,210
Tonghua Dongbao of biotechnology division		306,399	360,446
	$	734,935	794,656

Independent Auditors' Report

To the Board of Directors of Bionime Corporation:

Opinion

We have audited the financial statements of Bionime Corporation ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Interpretive Letter No.1090360805 issued by Financial Supervisory Commission R.O.C (Taiwan) the auditing standards generally accepted in the Republic of China. We also conducted our audits of the financial statements in 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

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

   Description of key audit matters:

   Parts of the Company's sales transactions are based on the contracts that offer client rebate and chargebacks.

The management of the Company estimates the rebates, chargeback and returns as reductions of revenues.

Therefore, the test on revenue recognition is one of our key audit matters.

How the matter was addressed in our audit

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

2. Assessment of Inventory

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

Description of key audit matters:

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

How the matter was addressed in our audit

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

3. Assessment of Trade Receivable

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

Description of key audit matters:

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

How the matter was addressed in our audit:

Our principal audit procedure included: analyze aging of trade receivables; receive the records and customers’ credit risk concentration; Assessed whether estimation method and the amount of trade receivables this period present fairly.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statement. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

BIONIME CORPORATION

Balance Sheets

December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

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

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

See accompanying notes to financial statements.

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

BIONIME CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

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

See accompanying notes to financial statements.

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

BIONIME CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

	Ordinary shares	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
Balance at January 1, 2018	$ 594,468	-	1,532,096	96,236	-	1,535	97,771	(8,592)	(138,141)	2,077,602
Profit for the year ended December 31, 2018	-	-	-	-	-	128,032	128,032	-	-	128,032
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(292)	(292)	3,092	-	2,800
Comprehensive income for the year ended December 31,2018	-	-	-	-	-	127,740	127,740	3,092	-	130,832
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	154	-	(154)	-	-	-	-
Special reserve appropriated	-	-	-	-	1,383	(1,383)	-	-	-	-
Employee stock options compensation costs	-	-	20,633	-	-	-	-	-	-	20,633
Cash dividends of capital surplus	-	-	(237,830)	-	-	-	-	-	-	(237,830)
Balance at December 31, 2018	**594,468**	**-**	**1,314,899**	**96,390**	**1,383**	**127,738**	**225,511**	**(5,500)**	**(138,141)**	**1,991,237**
Balance at January 1, 2019	594,468	-	1,314,899	96,390	1,383	127,738	225,511	(5,500)	(138,141)	1,991,237
Profit for the year ended December 31, 2019	-	-	-	-	-	106,258	106,258	-	-	106,258
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(282)	(282)	(5,507)	-	(5,789)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	-	105,976	105,976	(5,507)	-	100,469
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	12,773	-	(12,773)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(114,894)	(114,894)	-	-	(114,894)
Employee stock options compensation costs	-	-	13,697	-	-	-	-	-	-	13,697
Employee stock options exercised	2,230	-	8,515	-	-	-	-	-	-	10,745
From share of changes in equity of subsidiaries	-	-	15	-	-	-	-	-	-	15
Advance receipts for share capital	-	41,308	-	-	-	-	-	-	-	41,308
Balance at December 31, 2019	**$ 596,698**	**41,308**	**1,337,126**	**109,163**	**1,383**	**106,047**	**216,593**	**(11,007)**	**(138,141)**	**2,042,577**

See accompanying notes to financial statements.

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

BIONIME CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

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

See accompanying notes to financial statements.

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

(1) Company history

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

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issue by the Board of Directors on March 13, 2020.

(3) New standards, amendments and interpretations adopted

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

   The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

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

   (a) IFRS 16 "Leases"

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

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

(Continued)

i Definition of a lease

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

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

ii As a lessee

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

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

● Leases classified as operating leases under IAS 17

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

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

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

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

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

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

(Continued)

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii As a lessor

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

iv Impacts on financial statements

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

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

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

(b) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

(Continued)

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

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

2. The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

3. The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(Continued)

(4) Summary of significant accounting policies

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

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(Continued)

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed , in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

4) Impairment of financial assets

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

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

– debt securities that are determined to have low credit risk at the reporting date；and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

(Continued)

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

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

– significant financial difficulty of the borrower or issuer；

– a breach of contract such as a default or being more than 1 year past due；

– the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；

– it is probable that the borrower will enter bankruptcy or other financial reorganization；or

– the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

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

5) Derecognition of financial assets

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

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in subsidiaries

The subsidiaries in which the Company holds a controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income, and equity in the non-consolidated financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent cost

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

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment.

Land is not depreciated.

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

1) buildings and structures:5~50 years

2) machinery and equipment:2~8 years

3) molding equipment:2~3 years

4) transportation equipment:5 years

5) leasehold improvements:2~8 years

6) office and other equipment:3~5 years

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

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

(Continued)

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

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

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

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

(ii) As a lessee

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

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

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

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

– fixed payments, including in-substance fixed payments;

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

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

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

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

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

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

(Continued)

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

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

– there is any lease modifications

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

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

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

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

(iii) As a lessor

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

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

Applicable before January 1, 2019

(i) Lessor

The Company's leases are operating leases, lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(Continued)

(ii) Lessee

The Company's leases are operating leases and are not recognized in the Company's balance sheets.

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

1) Trademarks:5 years

2) Computer software:1~5 years

3) Other intangible assets:4 years

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

(Continued)

(l) Impairment of non-financial assets

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

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

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

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

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

For other assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

(Continued)

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

2) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

c) the costs are expected to be recovered.

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

(o) Share-based payment

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

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

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

(p) Income taxes

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

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

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

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

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

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

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

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

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

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

(Continued)

1) the same taxable entity; or

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

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

(q) Earnings per share

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

(r) Operating segments

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

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(b) Valuation of inventories

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

(c) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

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

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

(Continued)

(b) Financial assets

Financial assets at fair value through other comprehensive income

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

On January 1, 2019 and 2018, the Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

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

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

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

(iii) Financial assets measured at cost

(c) Notes and trade receivable

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

(Continued)

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

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

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	603,034	- %	-
1 to 90 days past due	238,422	- %	-
91 to 180 days past due	5,332	48.56%	2,589
More than 181 days past due	126	100%	126
	$ 846,914		2,715

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

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

None of the receivables was discounted or pledged as collateral as of December 31, 2019 and 2018.

(Continued)

(d) Other receivables (including related parties)

	December 31, 2019	December 31, 2018
Other accounts receivable	$ 4,508	12,830
Other accounts receivable-related parties	381	5,689
	$ 4,889	**18,519**

For further credit risk information, please refers to note 6 (z).

(e) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 27,066	30,600
Less: Allowance for inventory valuation losses	(4,931)	(4,356)
	22,135	26,244
Work in progress	261,811	266,087
Less: Allowance for inventory valuation losses	(6,707)	(9,601)
	255,104	256,486
Raw materials	106,586	109,142
Less: Allowance for inventory valuation losses	(8,596)	(11,845)
	97,990	97,297
	$ 375,229	**380,027**

The detail of inventory write-downs was as follows:

	For the years ended December 31	
	2019	2018
Provisions (reversal of provision) for inventory valuation and obsolescence	$ (5,568)	2,039
Losses on disposal of scrap	11,111	8,863
Gains on physical inventory	(342)	(258)
Gains on disposal of leftover bits and pieces	(4,927)	(3,125)
Operating costs recognized	**$ 274**	**7,519**

For the years ended December 31, 2019 and 2018, the amounts of inventories that were charged to cost of sales, and the net of provisions (reversal of provision) that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $(5,568) and $2,039, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(Continued)

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2019	December 31, 2018
	$ 168,758	143,597

(i) Subsidiary

Please refer to 2019 consolidated statement report.

(ii) As of December 31, 2019 and 2018, the Company did not provide any investment accounted for using equity method as collateral for its loans.

(g) Changes in a parent's ownership interest in a subsidiary

Recognized new shares issued by subsidiaries without the shareholding ratio.

On July 25, 2019, the Company acquired an additional interest in subsidiary – Bionime (Malaysia) for $2,498 in trade receivables, and the group's ownership has decreased from 72% to 66.06%, due to non-proportional recognition of the 613,500 shares issued by the subsidiary-Bionime (Malaysia). The Company did not have any condition mentioned above in 2018.

The effects of the changes in shareholdings were as follows:

	2019
Carrying amount of non-controlling interest on acquisition	$ 2,521
Consideration paid to non-controlling interests	(2,498)
Other equity	(8)
Capital surplus – the variation of ownership of subsidiary	**$ 15**

(Continued)

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Transportation Equipment	Leasehold Improvements	Office and other Equipment	Total
Cost or deemed cost:								
Balance at January 1, 2019	$ 1,420,840	861,302	642,923	139,985	1,588	17,066	500,411	3,584,115
Additions	-	9,597	23,197	8,114	-	-	6,531	47,439
Disposals	-	-	(210)	-	-	-	(4,312)	(4,522)
Reclassification	-	(3,730)	82,289	3,100	-	-	1,035	82,694
Balance at December 31,2019	$ 1,420,840	867,169	748,199	151,199	1,588	17,066	503,665	3,709,726
Balance at January 1, 2018	$ 1,420,840	835,909	602,254	105,582	1,193	12,280	488,598	3,466,656
Additions	-	22,275	12,182	27,212	720	1,556	10,165	74,110
Disposals	-	-	(2,065)	-	(325)	-	(596)	(2,986)
Reclassification	-	3,118	30,552	7,191	-	3,230	2,244	46,335
Balance at December 31, 2018	$ 1,420,840	861,302	642,923	139,985	1,588	17,066	500,411	3,584,115
Depreciation and impairment loss:								
Balance at January1, 2019	$ -	101,717	468,159	103,784	988	13,319	217,305	905,272
Depreciation for the year	-	21,969	69,435	20,617	144	1,565	35,769	149,499
Disposals	-	(621)	(210)	-	-	-	(4,312)	(5,143)
Reclassification	-	311	-	-	-	-	-	311
Balance at December 31,2019	$ -	123,376	537,384	124,401	1,132	14,884	248,762	1,049,939
Balance at January1, 2018	$ -	81,707	405,630	89,324	1,193	12,185	180,555	770,594
Depreciation for the year	-	20,010	63,016	14,460	120	1,134	37,346	136,086
Disposals	-	-	(487)	-	(325)	-	(596)	(1,408)
Balance at December 31,2018	$ -	101,717	468,159	103,784	988	13,319	217,305	905,272
Carrying amounts:								
Balance at December 31, 2019	$ 1,420,840	743,793	210,815	26,798	456	2,182	254,903	2,659,787
Balance at December 31, 2018	$ 1,420,840	759,585	174,764	36,201	600	3,747	283,106	2,678,843
Balance at January 1, 2018	$ 1,420,840	754,202	196,624	16,258	-	95	308,043	2,696,062

(i) Disclosures on pledges

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to Note 8.

(ii) Property, plant and equipment under construction

For the years ended December 31, 2019 and 2018, capitalized borrowing costs related to the construction of the new plant amounted to $1,150 and $843, with a capitalization rate of 1.585%~2.149% and 1.435% respectively.

(Continued)

(i) Right-of-use assets

The Company leases many assets including land and buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	Buildings	Transportation Equipment	Machinery and equipment	Total
Costs:				
Balance at January 1, 2019		207	-	207
Additions	$ 2,934	-	1,048	3,982
Balance at December 31,2019	$ 2,934	207	1,048	4,189
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation for the year	245	155	157	557
Balance at December 31, 2019	$ 245	155	157	557
Carrying amount:				
Balance at December 31, 2019	$ 2,689	52	891	3,632

The Company leases offices, warehouses and vehicles under the operating lease for the year ended December 31, 2018, please refer to note 6(q).

(j) Intangible Assets

The costs of intangible assets, amortization, and impairment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Trademarks	Computer software	Development cost	Total
Costs:				
Balance at January1, 2019	$ 62,360	31,503	-	93,863
Additions	-	14,359	-	14,359
Acquisition internally developed	-	-	35,218	35,218
Reclassification	-	1,191	-	1,191
Disposal	-	(23,865)	-	(23,865)
Balance at December 31, 2019	$ 62,360	23,188	35,218	120,766
Balance at January1, 2018	$ 62,360	29,229	-	91,589
Additions	-	9,544	-	9,544
Reclassification	-	999	-	999
Disposal	-	(8,269)	-	(8,269)
Balance at December 31, 2018	$ 62,360	31,503	-	93,863

(Continued)

		Trademarks	Computer software	Development cost	Total
Amortization and Impairment Loss:					
Balance at January1, 2019	$	62,360	23,280	-	85,640
Amortization for the year		-	9,718	-	9,718
Disposal		-	(23,865)	-	(23,865)
Balance at December 31, 2019	$	62,360	9,133	-	71,493
Balance at January1, 2018	$	56,392	23,438	-	79,830
Amortization for the year		5,968	8,111	-	14,079
Disposal		-	(8,269)	-	(8,269)
Balance at December 31, 2018	$	62,360	23,280	-	85,640
Carrying amounts:					
Balance at December 31, 2019	$	-	14,055	35,218	49,273
Balance at December 31, 2018	$	-	8,223	-	8,223
Balance at January 1, 2018	$	5,968	5,791	-	11,759

Based on the resolutions approved by the Board of Directors' meeting, the Company signed a trademark license agreement with GE on March 16, 2011 for its operating plan, future development and strengthening of its competitiveness. The Company paid USD2,000 thousand (TWD 62,360 thousand) for the right to use GE monogram trademark.

The Company is dedicated to developing the new product, Continuous Glucose Monitoring (CGM). For the year ended December 31,2019, the Company capitalized relevant development cost of $ 35,218 and amortized in 4 years after the capitalized period ended. The amortized cost of $11,891 each year.

(i) Amortization

The amortizations of intangible assets were included in the statement of comprehensive income:

		2019	2018
Operating costs	$	82	10
Operating expenses	$	9,636	14,069

(ii) Disclosures on pledges

As of December 31, 2019 and 2018, none of the intangible assets of the Company had been pledged as collateral.

(Continued)

(k) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

		December 31, 2019	December 31, 2018
Overpaid sales tax	$	5,188	6,235
Temporary payments		3,208	2,296
Other current assets-other		753	927
	$	9,149	9,458

For the years ended December 31, 2018, the Company recognized the impairment loss of $57,866 to write down the carrying amount of prepaid royalty of GE to the estimated recoverable value.

(l) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2019			
	Guarantee or acceptance institution	Range of interest rate (%)		Amounts
Commercial paper payable	Taiwan Corporation Bank	1.18%	$	100,000
Commercial paper payable	Grand Bank	1.15%		100,000
Less: Discount on short-term notes and bills payable				(225)
Total			$	199,775

	December 31, 2018			
	Guarantee or acceptance institution	Range of interest rate (%)		Amounts
Commercial paper payable	Taiwan Corporation Bank	1.18%	$	100,000
Commercial paper payable	Mega Bank	1%		60,000
Commercial paper payable	Grand Bank	1.15%		100,000
Less: Discount on short-term notes and bills payable				(252)
Total			$	259,748

(Continued)

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 175,275	268,440
Secured bank loans	290,524	369,895
	$ 465,799	**638,335**
Unused credit line	**884,201**	**545,365**
Range of Interest rates	**0.6716%~3.9642%**	**0.35%~3.9642%**

For the collateral pledged for short-term borrowings, please refer to note 8.

(n) Other current liabilities

The details were as follows:

	December 31, 2019	December 31, 2018
Contract liability	$ 1,228	1,302
Temporary payment	8,258	2,817
Other	-	998
	$ 9,486	**5,117**

(o) Long-term borrowings

The details were as follows:

	December 31, 2019			
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.25%	2023~2026	$ 1,122,792
Unsecured bank loans	TWD		110	50,000
		1.20%		
Less: current portion				(200,667)
Total				**$ 972,125**
Unused credit line				**$ -**

	December 31, 2018			
	Currency	Interest rates	Maturity year	Amount
Secured bank loans	TWD	1.25%~1.72%	2023~2026	$ 1,199,556
Less: current portion				(85,042)
Total				**$ 1,114,514**
Unused credit line				**$ -**

Property, plant and equipment pledged as collateral for long-term borrowings, please refer to Note 8.

(Continued)

(p) Lease liabilities

The lease liabilities were as follows:

	December 31, 2019
Current	$ 1,225
Non-current financial assets	$ 2,413

For the maturity analysis, please refer to note 6(z).

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 19
Expenses relating to short-term leases	$ 6,296

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31, 2019
Total cash outflow for leases	$ 6,866

(i) Real estate leases

As of December 31, 2019, the Company leases warehouses, machinery and vehicles. The leases typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company has some trivial leases with contract terms of one year. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(q) Operating Lease

The Company did not sign any significant contract of operating lease in 2019. For the relevant information, please refer to not 6(m) in consolidated financial reports in 2018.

(Continued)

(r) Employee Benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	4,090	3,628
Fair value of plan assets		(4,075)	(3,640)
Net defined benefit liabilities (assets)	$	15	(12)

The Company's employee benefit liabilities were as follows:

		December 31, 2019	December 31, 2018
Short-term vacation liability	$	9,371	9,634

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $4,060 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of defined benefit obligations for the Company were as follows:

		2019	2018
Defined benefit obligation at January 1	$	3,628	3,221
Current service costs and interest cost		49	52
Remeasurements loss (gain):			
Actuarial loss (gain) arising from:			
－financial assumptions		413	355
Defined benefit obligation at December 31	$	4,090	3,628

(Continued)

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2019	2018
Fair value of plan assets at January 1	$	3,640	3,450
Interest income		50	58
Contributions paid by the employer		254	69
Remeasurements loss (gain):			
－Return on plan assets excluding interest income		131	63
Fair value of plan assets at December 31	$	4,075	3,640

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2019	2018
Net interest of net liabilities for the defined benefit obligation	$	-	(6)
Administration expenses	$	-	(6)

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 was as follows:

		2019	2018
Accumulated amount at January 1	$	(2,511)	(2,219)
Recognized during the period		(282)	(292)
Accumulated amount at December 31	$	(2,793)	(2,511)

6) Actuarial assumptions

The Company's principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.10%	1.35%
Future salary increase rate	3.00%	3.00%

(Continued)

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $150.

The weighted average lifetime of the defined benefit plans is 21.3 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, the impact on the present value of the defined benefit obligation, due to the change in actuarial assumption, was as follows:

	Influences of defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2019	$ 1,117	(526)
Discount rate	(202)	214
Future salary increasing rate	915	(740)

	Influences of defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2018	$ 1,015	(474)
Discount rate	(182)	194
Future salary increasing rate	833	(668)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined benefit plans

The Company allocates 6% of each employee’ s monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company paid a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $18,891 and $19,100 for the years ended December 31, 2019 and 2018, respectively.

(Continued)

(s) Income Taxes

(i) Income Tax Expense

The Company of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current income tax expense			
Current period	$	19,020	2,263
Adjustment for prior period		3,450	2,779
Adjustment in tax rate		-	(4,024)
5% surtax on un-distributed earnings		4	-
		22,474	1,018
Deferred tax expense (gain)			
Origination and reversal of temporary differences		1,207	22,815
	$	1,207	22,815
Income tax expense	$	23,681	23,833

The amount of income tax recognized in other comprehensive income for years 2019 and 2018 was as follows:

		2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange difference translation	$	-	-

Reconciliation of income tax and profit before tax for 2019 and 2018, is as follows.

		2019	2018
Profit excluding income tax	$	129,939	151,865
Income tax using the Company’ s domestic tax rate		25,988	30,373
Adjustment in tax rate		-	(4,024)
Non-deductible expenses		(46)	(124)
Tax-exempt income		(1,783)	(3,871)
Investment income recognized under equity method		(4,441)	(3,767)
Changes in unrecognized temporary differences		509	204
Prior years income tax adjustment		3,450	2,779
5% surtax on undistributed earnings		4	-
Income basic tax		-	2,263
	$	23,681	23,833

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$	4,045	3,536

The entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at December 31, 2019 and 2018. Also, the management considers it is possible that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets. Details are as follows:

		December 31, 2019	December 31, 2018
Aggregated amount of temporary differences related to investments in subsidiaries	$	293,624	313,918
Unrecognized deferred tax assets	$	58,725	62,784

2) Unrecognized deferred tax liabilities

The entity is able to control the timing of the reversal of temporary differences associated with its investments in subsidiaries as at December 31, 2019 and 2018. Also the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

		December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	$	11,817	9,907
Unrecognized deferred tax liabilities	$	2,363	1,981

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018, were as follows:

Deferred Tax Assets:

		Unrealized loss on inventory obsolescence		Unrealized Foreign exchange loss	Unrealized inter-company profits resulting from sales to affiliated companies	Impairment loss	Total
Balance at January 1, 2019	$	2,580	$	-	1,790	-	4,370
Recognized in profit or loss		(557)		274	(1,188)	-	(1,471)
Balance at December 31,2019	**$**	**2,023**	**$**	**274**	**602**	**-**	**2,899**
Balance at January 1,2018	$	2,020	$	-	834	20,400	23,254
Recognized in profit or loss		560		-	956	(20,400)	(18,884)
Balance at December 31, 2018	**$**	**2,580**	**$**	**-**	**1,790**	**-**	**4,370**

Deferred Tax Liabilities:

		Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2019	$	315	45	360
Recognized in profit or loss		(315)	51	(264)
Balance at December 31, 2019	**$**	**-**	**96**	**96**
Balance at January 1, 2018	$	427	26	453
Recognized in profit or loss		(112)	19	(93)
Balance at December 31, 2018	**$**	**315**	**45**	**360**

(iii) Assessment of tax

The Company’ s tax returns for the years through 2017 were assessed by the Tax Authority.

(Continued)

(t) **Capital and Other Equity**

As of December 31 2019 and 2018, the numbers of authorized ordinary shares were 70,000 thousand shares for each year, with par value of $10 per share. The total value of authorized ordinary shares amounted to $700,000 (and of which $60,000 was reserved for the exercising of employee share options for each year). As of the date 59,670 (2018: 59,447) of ordinary thousand shares amounting $596,698 (2018: $594,468) were issued. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2019 and 2018 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2019	**2018**
Balance on January1	59,447	59,447
Exercise of share options	223	-
Balance on December 31	**59,670**	**59,447**

(i) Ordinary shares

The Company issued 35,000, 19,000, 169,000 and 866,000 new shares of common stock for the exercise of employee stock options, amounting to $49.7, $49.7, $47.7 and $47.7 per share, respectively. The carrying value of employee stock options amounted to $1,740, $944, $8,061 and $41,308, respectively, in 2019. For the 35,000, 19,000 and 169,000 shares have been completed related registration procedures on June 20, June 30 and November 11, 2019, as the date of capital increase, respectively. For the 866,000 shares for the year ended December 31, 2019, the amount of the capital collected in advance for $41,308. The Company has received approval from the Financial Supervisory Commission for this capital increase, with February 14, 2020, as the date of capital increase. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Share capital	$ 1,211,097	1,202,582
Employee share options	37,654	26,771
Expired options	88,360	85,546
The variation of ownership recognized in the subsidiary	15	-
	$ 1,337,126	**1,314,899**

(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, the capital increase, by transferring the capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.

(iii) Retained Earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

The Company's dividend policy depends on the Company's capital expenditure budget and required working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend cannot be less than 5% of the total dividends distributed.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders’ equity resulting from the first-time adoption of IFRSs and the carrying amount of special reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions.

(Continued)

3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of the shareholders held on June 20, 2019 and June 20, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders				
Cash	**$ 2**	**114,894**	**-**	**-**

The Company's general meeting of the shareholders resolved to distribute the capital surplus cash dividends of $237,830 on June 20, 2018.

(iv) Treasury shares

As of December 31, 2019, a total of 2,000 thousand shares have not yet been cancelled.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of June 30, 2017, the Company could repurchase no more than 6,345 shares, with a total value of no more than $1,773,235.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

(v) OCI accumulated in reserves (net of tax)

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2019	$	(5,500)
Exchange differences on foreign operations		(5,507)
Balance at December 31, 2019	**$**	**(11,007)**
Balance at January 1, 2018	$	(8,592)
Exchange differences on foreign operations		3,092
Balance at December 31, 2018	**$**	**(5,500)**

(Continued)

(u) **Share-Based Payment**

(i) Employee stock options

As of December 31, 2019, details of the Employee Stock Option Plans ("ESOP") were as follows:

	2017 ESOP	2018 ESOP	2019 ESOP
Grant date	2017.1.13	2018.1.2	2019.11.5
Units issued	3,000,000	1,000,000	2,930,000
Term of grant	2017.1.13~2019.1.12	2018.1.2~2020.1.1	2019.11.5~2029.11.4
Grant object	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries
Vesting conditions	Services of the next two years	Services of the next two years	Services of the next two years

1) Determining the fair value of equity instruments granted

The Company used Black-Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2019		
	2017 ESOP	2018 ESOP	2019 ESOP
Fair value at grant date	\$16.07~\$17.35	\$15.34~\$16.56	\$22.53~\$25.83
Share price at grant date	56.9	55.4	60.2
Exercise price	49.7	51.4	60.2
Expected volatility (%)	40.70%	40.10%	38.50%
Expected life (years)	four years	four years	ten years
Expected dividend	-	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%	0.54%

(Continued)

	2018	
	2017 ESOP	**2018 ESOP**
Fair value at grant date	\$16.07~\$17.35	\$15.34~\$16.56
Share price at grant date	56.9	55.4
Exercise price	49.7	51.4
Expected volatility (%)	40.70%	40.10%
Expected life (years)	four years	four years
Expected dividend	-	-
Risk-free interest rate(%)	0.66%~0.70%	0.47%~0.51%

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Company determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, which are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2) Description of share-based payment arrangements

Details of the employee stock options are as follows:

	2019		**2018**	
(in dollars)	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	\$ 50.90	3,267,000	53.60	2,724,000
Granted during the year (number)		2,930,000		1,000,000
Forfeited during the year (number)		(161,000)		(457,000)
Exercised during the year (number)		(1,089,000)		-
Expired during the year (number)		(67,000)		-
Outstanding at December 31	**55.45**	**4,880,000**	**50.9**	**3,267,000**
Exercisable at December 31		**4,880,000**		**3,267,000**

(Continued)

(ii) Employee recognized in profit or loss

The Company incurred expenses and liabilities of share-based arrangements in 2019 and 2018 were as follows:

	2019	2018
Expenses resulting from granted employee share options	$ 13,697	20,633

(v) **Earnings per Share**

(i) Basic earnings per share

The calculation of basic earnings per share as of December 31, 2019 and 2018 were based on the profit attributable to ordinary shareholders of the Company of $106,258 and $128,032; respectively; and the weighted average number of ordinary shares outstanding of 57,499 thousand shares and 57,447 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 106,258	128,032

2) Weighted average number of ordinary shares

	2019	2018
Weighted-average number of ordinary shares at December 31	57,499	57,447
Basic earnings per share	$ 1.85	2.23

(ii) Diluted earnings per share

The calculation of diluted earnings per share as of December 31, 2019 and 2018 were based on profit attributable to ordinary shareholders of the Company of $106,258 and $128,032, respectively; and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,777 thousand shares and 58,119 thousand shares were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 106,258	128,032

(Continued)

2) Weight-average number of ordinary shares (diluted)

	2019	2018
Weighted-average number of ordinary shares (basic)	57,499	57,447
Effect of issuance of employee share options	973	204
Effect of employee share bonus	305	468
Weighted-average number of ordinary shares (diluted) at December 31	58,777	58,119
Diluted earnings per share	$ 1.81	2.20

(w) **Revenue from contracts with customers**

Disaggregation of revenue

	For the year ended December 31	
	2019	2018
Primary geographical markets		
Algeria	$ 428,535	434,210
China	334,627	404,716
Switzerland	287,012	257,369
United State	101,237	140,051
Other	901,951	709,865
	$ 2,053,362	1,946,211
Major products		
Meter and Strips	$ 2,053,362	1,946,211

The Company estimated its sales returned and sales discount and less from the sales revenue, according to the historical experience and other reasons.

(x) **Employee compensation, Directors' and supervisors' remuneration**

In accordance with the articles of incorporation the Company should contribute no less than 1.5% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(Continued)

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $19,000 and $18,788 and directors and supervisors remuneration amounting to $4,000, and $4,000, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(y) **Non-operating Income and Expenses**

(i) Other income

The details of other income for the years 2019 and 2018 were as follows:

		2019	2018
Interest income:			
Interest income-bank deposits	$	387	237
Others		12,823	4,756
	$	13,210	4,993

(ii) Other gains and losses

The details of other gains and losses for the years 2019 and 2018 were as follows:

		2019	2018
Foreign exchange (losses) gains	$	(553)	2,882
Gains on disposals of property, plant and equipment		179	4,539
Impairment losses		-	(57,866)
Gains on disposals of investment property		8	-
	$	(366)	(50,445)

(iii) Finance costs

The details of financial costs for the years 2019 and 2018 were as follows:

		2019	2018
Interest expenses-bank loans	$	(30,799)	(28,112)
Interest of lease liabilities		(19)	-
	$	(30,818)	(28,112)

(Continued)

(z) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The maximum exposure to credit risk mainly derived from the carrying amount of financial assets recognized in the balance sheet which were $1,004,977 and $1,205,205 respectively, as of December 31, 2019 and 2018.

2) Concentration of credit risk

The major clients of Company are concentrated in medical instruments market. To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the trade receivables and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2019 and 2018, 64% and 73%, respectively, of trade receivables were from five customers. Thus, the credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6 (c).

Other financial assets at amortized cost includes other receivables. For the details on loss allowance, please refer to note 6 (d).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f).

The loss allowance provision as of December 31, 2019 was determined as follows:

	Debt investments at amortized cost
Balance on January 1, 2019	-
Impairment losses recognized	$ -
Balance on December 31, 2019	-
Balance on January 1, 2018	157
Gain of impairment losses reversed recognized	(157)
Balance on December 31, 2018	-

(Continued)

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1 -2 years	2 -5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 1,413,316	1,435,115	501,463	203,175	435,502	294,975
Unsecured bank loans	225,275	229,056	229,056	50,600	-	-
Short-term notes and bills payable	199,775	200,000	200,000	-	-	-
Notes and trade payables (including related parties)	147,993	147,993	147,993	-	-	-
Other payables (including related parties)	185,731	185,731	185,731	-	-	-
Payable on machinery and equipment	16,793	16,793	16,793	-	-	-
Lease liabilities (Current and non-current)	3,638	3,707	1,262	-	-	-
	$ 2,192,521	2,218,395	1,282,298	253,775	435,502	294,975
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 1,569,451	1,598,330	469,885	203,175	574,720	350,550
Unsecured bank loans	268,440	275,796	275,796	-	-	-
Short-term notes and bills payable	259,748	260,000	260,000	-	-	-
Notes and trade payables (including related parties)	162,782	162,782	162,782	-	-	-
Other payables (including related parties)	174,905	174,905	174,905	-	-	-
Payable on machinery and equipment (excluding lease liabilities)	14,564	14,564	14,564	-	-	-
	$ 2,449,890	**2,486,377**	**1,357,932**	**203,175**	**574,720**	**350,550**

(Continued)

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
Financial assets						
Monetary items						
USD	USD 22,642	30.00	679,260	USD 25,383	30.74	780,273
EUR	EUR 2,885	33.61	96,965	EUR 2,593	35.22	91,325
Financial liabilities						
Monetary items						
USD	USD 16,189	30.00	485,670	USD 28,826	30.74	886,111
EUR	EUR 2,073	33.61	69,674	EUR 1,220	35.22	42,968

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the TWD against the USD and the EUR as of December 31, 2019 and 2018, would have increased (decreased) the net profit after tax by $883 and $230, respectively. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact resulting from the forecasted sales and purchases. The analysis is performed on the same basis for 2018 (prior year).

3) Foreign exchange gain and loss on monetary items

Since the Company has many kind of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2019 and 2018, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to $(553) and $2,882, respectively.

(Continued)

(iv) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5%, the Company's net income would have increased / decreased by $6,554 and $7,352 for the year ended December 31, 2019 and 2018, respectively with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, lease liabilities disclosure of fair value information is not required.

	December 31, 2019				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	$ 36,100	-	-	36,100	36,100
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 263,052	-	-	-	-
Notes and trade receivables (including related parties)	737,036	-	-	-	-
Other receivables (including related parties)	4,889	-	-	-	-
Sub total	1,004,977	-	-	-	-
	$ 1,041,077	-	-	36,100	36,100

(Continued)

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Notes to the Financial Statements

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	$ 465,799	-	-	-	-
Short-term notes and bills payable	199,775	-	-	-	-
Notes and trade payables, and other payables (including related parties)	333,724	-	-	-	-
Payable on machine and equipment	16,793	-	-	-	-
Lease liabilities (Current and Non-current)	3,638	-	-	-	-
Long-term borrowings, including current portion	1,172,792	-	-	-	-
	$ 2,192,521	**-**	**-**	**-**	**-**

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks unlisted companies	**$ 30,100**	-	-	**30,100**	**30,100**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 334,546	-	-	-	-
Notes and trade receivables (including related parties)	852,140	-	-	-	-
Other receivables (including related parties)	18,519	-	-	-	-
	1,205,205	-	-	30,100	30,100
	$ 1,235,305	**-**	**-**	**30,100**	**30,100**
Financial liabilities					
Financial liabilities at amortized					
Short-term borrowings	$ 638,335	-	-	-	-
Short-term notes and bills payable	259,748	-	-	-	-
Notes and trade payables, and other payables (including related parties)	337,687	-	-	-	-
Payable on machine and equipment	14,564	-	-	-	-
Long-term borrowings, including current portion	1,199,556	-	-	-	-
	$ 2,449,890	**-**	**-**	**-**	**-**

(Continued)

2) Valuation techniques for financial instruments not measured at fair value :

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

If there is quoted price generated by transactions for financial liabilities measured at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2019 and 2018.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	
Opening balance, January 1, 2019	$	30,100
Purchased		6,000
Ending Balance, December 31, 2019	$	36,100
Opening balance, January 1, 2018(i.e. December 31, 2018)	$	30,100

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is "fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Discounted Cash Flow Method	– Forecast annual revenue growth rate（December 31, 2019 ; 12%~100%） – Weight average capital cost（December 31, 2019 ; 10.08%）	– the annual revenue growth rate were higher, the fair value were higher – the weight average capital cost were higher, the fair value were higher

(Continued)

(aa) **Financial Risk Management**

(i) Overview

The Company is exposed to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risk. For more disclosures about the quantitative effects on these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

(Continued)

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantee

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2019, no guarantees were outstanding (2018: none).

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2019 and 2018, the Company's unused credit lines were amounted to 884,201 thousand and 545,365 thousand, respectively.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which affects the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the operating center.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily New Taiwan Dollars (TWD)、EUR and US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, EUR, US Dollars (USD), and CNY.

2) Interest rate risk

The Company by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Company applies a hedge ratio of 1:1.

(Continued)

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, reprising dates and maturities and the notional or par amounts. The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

– The effect of the counterparty and the Company's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

– differences in reprising dates between the swaps and the borrowings.

3) Other market price risk

The Company is not exposed to equity price risk from its investments in equity securities.

(ab) **Capital Management**

The Company's objectives for managing capital to safeguard its capacity to continue to operate, and provide a return on shareholders, as well as to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2019, the Company's capital management strategy is consistent with that of the prior year as of December 31, 2018 and the debt to equity ratio is maintained within 30% to 75% to ensure financing at reasonable cost. The Company's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 2,358,815	2,579,823
Less: cash and cash equivalents	263,052	334,546
Net debt	$ 2,095,763	2,245,277
Total equity	$ 2,042,577	1,991,237
Total capital	$ 4,138,340	4,236,514
Debt-to-equity ratio at 31 December	50.64%	53.00%

As of December 31, 2019, there was no change in the capital management.

(Continued)

(ac) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2019	Cash flows	Non-cash changes Foreign exchange movement	December 31,2019
Long-term borrowings	$ 1,199,556	(26,764)	-	1,172,792
Short-term borrowings	638,335	(165,999)	(6,537)	465,799
Lease liabilities (current and non-current)	207	3,431	-	3,638
Total liabilities from financing activities	$ 1,838,098	(189,332)	(6,537)	1,642,229

	January 1,2018	Cash flows	Non-cash changes Foreign exchange movement	December 31,2018
Long-term borrowings	$ 799,906	399,650	-	1,199,556
Short-term borrowings	878,002	(243,215)	3,548	638,335
Total liabilities from financing activities	$ 1,677,908	156,435	3,548	1,837,891

(7) Related-party transactions:

(a) Name and relationship with related parties

The following are entities that have had transactions with a related party during the periods covered in the financial statements.

Name of related Party	Relationship with the Company
Bionime Incorporated (B. V. I)	Subsidiary of the company
Bionime GmbH	Subsidiary of the company
Bionime USA Corporation	Subsidiary of the company
Bionime Australia Pty Limited	Subsidiary of the company
Bionime (Malaysia) Sdn Bhd	Subsidiary of the company
Bionime (Shenzhen) Limited Company (Bionime Shenzhen)	Subsidiary of the company
Bionime (Pingtan) Limited Company (Bionime Pingtan)	Subsidiary of the company
Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao)	Key management personnel
Shanghai Juyi Network Technology Co., Ltd. (Juyi)	Entity which is joint controlled by key management
HUANG, CHUN-MU	Key management personnel

(Continued)

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to its related party were as follow:

		2019	2018
Subsidiary	$	155,035	150,189
Key management personnel of the company -Tonghua Dongbao		236,012	322,636
	$	391,047	472,825

The price given to the related-party is not comparable to other non-related products due to product characteristics. The general customer’ s collection term is about 45 to 120 days, or advance sales receipts Bionime Incorporated (B.V.I), Bionime GmbH, Bionime USA Corporation, Bionime Australia Pty Limited, Bionime (Malaysia) Sdn Bhd and Bionime (Pingtan) Limited Company were approximately 90 days, 60 days, 120 days, 120 days, 90 days and 90 days, respectively, the key management personnel of the Company, the collection conditions is advance sales receipts or 180 days from the end of the month of when the invoice is issued.

(ii) Purchases

The amounts of purchases by the Company from related parties were as follows:

		2019	2018
Subsidiary	$	3,443	2,489

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were 90 days.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Trade receivables	Subsidiary	$	41,032	41,147
Trade receivables	Key management personnel of the company-Tonghua Dongbao		69,039	182,034
Other receivables	Subsidiary:			
	Bionime (Malaysia) Sdn Bhd		-	4,970
	Bionime Shenzhen		378	716
	Others		3	3
		$	110,452	228,870

(Continued)

As of December 31, 2019 and 2018, the expenses of the Company for the subsidiaries were $381 and $5,689 (account for other receivables - related party).

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Trade payable	Subsidiary	$	1,575	108
Other payables	Subsidiary:			
	Bionime GmbH		19,240	19,542
	Bionime Pingtan		249	-
Other payables	Key management personnel of the company-Tonghua Dongbao		24,012	19,294
Other payables	Other related parties-Juyi		2,187	-
		$	47,263	38,944

(v) Others (account for other current liabilities)

The others to related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Temporary receipts	Key management personnel of the company-Tonghua Dongbao	$	4	4
	Subsidiary		227	227
		$	231	231

(Continued)

(vi) Other Related Parties

1) The service fees paid by the company were as follows:

		2019	2018
Bionime GmbH	$	29,027	30,407
Bionime Pingtan		24,456	46,770
Other related parties-Juyi		23,235	-
	$	76,718	77,177

As of December 31, 2019 and December 31, 2018, the service fees payable of the Company for the subsidiaries and other related parties-Juyi were $21,427 and $19,542 (account for other payables - related party).

2) As of December 31, 2019 and 2018, the expenses of the subsidiaries and key management personnel for the Company were $2,318 and $3,050 (account for other payables-related party).

3) The company sold equipment to subsidiaries in 2015, and disposed of the price and disposal benefits were $2,078 and $1,455 respectively, and deferred recognition of unrealized disposal benefits were $1,455. In 2019 and 2018, the amortization of assets based on the useful life of the assets was recognized as the realized gain of assets for sale was $179. For more details information on Property, plant and equipment, please refer to Note 6(h).

4) The sales expense of $3,960 and $12,347 in 2019 and 2018, respectively, which caused by signing contract with key management personnel of the company-Tonghua Dongbao was under selling expenses.

5) The company entered into a patent license agreement with the key management. The agreement is from June 30, 2004, to April 17, 2023, and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(Continued)

(d) Key management personnel compensation

Key management personnel compensation comprised:

		2019	2018
Short-term employee benefits	$	15,790	16,168
Post-employment Benefits		-	-
Termination benefits		-	-
Other long-term employee benefits		-	-
Share-based payment		-	-
	$	15,790	16,168

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object		December 31, 2019	December 31, 2018
Property, plant and equipment	Guarantee for bank loans	$	2,164,632	2,180,425

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments are as follows:

		December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$	18,456	13,266

(b) Contingencies

(i) The Company had entered into a trademark license agreement with GE in March 2011. According to the addendum contract in July 2013, the future minimum royalty payments were as follows:

Period		Amount
2020.1.1~2020.1.28	$	2,762

Note: The agreement states that either party can issue a written notice to terminate the aforementioned trademark license agreement after December 31, 2018. The Company terminated the contract prematurely on January 28, 2020, and expected to sign the new contract in the future.

(ii) The Company signed a long-term sales contract with Tonghua Dongbao Pharmaceutical Co., Ltd. (Tonghua Dongbao) in August 2015, and designated Tonghua Dongbao as the exclusive distributor across Mainland China, with the Company's authorization. The contract specifies the minimum amount Tonghua Dongbao is required to purchase annually from the Company from 2016 to 2020, and the amount Tonghua Dongbao will compensate the Company for any loss due to the insufficient purchase amount if Tonghua Dongbao, fails.

(Continued)

(iii) The Company signed a patent license agreement with the key management. The agreement is from Jane 30, 2004 to April 17, 2023 and entitles the Company to use U.S. patent No. 10/354684 and No. 10/462904 without any charges.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

1) The Company issued 866,000 new shares of common stock for the exercise of employee stock options, amounting to $47.7 in 2019, and total amount $41,308 was collected on February 14, 2020, as the date of capital increase.

2) In the beginning of 2020, the outbreak of coronavirus (COVID-19) caused the uncertainty over operating environment in China. However, the Company 's main manufacture place is in Taiwan and has sufficient stocks. After evaluation, it would not cause the significant impact on the Company. The Company will continuously pay attention to the development of the event for timely assessment due to the uncertainty which caused unpredictable impact amount to operating results and financial situation.

The Company will continue to focus on the event for evaluation in time.

(Continued)

(12) Other:

A summary of current-period employee benefits, depreciation, depletion, and amortization, by function, is as follows:

By function / By item	2019			2018		
	Operating Costs	**Operating Expenses**	**Total**	**Operating Costs**	**Operating Expenses**	**Total**
Employee benefits						
Salary	287,809	210,938	498,747	286,992	207,249	494,421
Labor and health insurance	25,586	16,932	42,518	24,108	17,166	41,274
Pension	10,642	8,249	18,891	10,503	8,591	19,094
Remuneration of directors	-	2,800	2,800	-	2,800	2,800
Others	16,446	13,979	30,425	16,323	11,598	27,921
Depreciation	111,686	38,370	150,056	99,517	36,569	136,086
Amortization	82	9,636	9,718	10	14,069	14,079

The additional information of the numbers of employee and employee benefits in 2019 and 2018 were as follows :

	December 31, 2019	**December 31, 2018**
The number of employees	897	866
Directors were not serving as employees	5	5
Average of employee benefits	$ 662	677
Average of employee salary expenses	$ 559	574
Adjustment of the average of employee salary expenses	(2.61)%	-

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties: None

(Continued)

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Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Bionime (Shenzhen) Limited Company	Huanuang Biological Technology (Pingtan) Limited Company	Note 1 (3)	204,258 (Note 2, 4)	21,495	-	-	-	- %	204,258 (Note 3, 4)	Y	N	Y

Note 1: The relationship between guarantee provider and guarantee party were as follows:

1) Entities with business relationship with the Company.

2) Entities which the Company, directly or indirectly, held more than 50% voting shares.

3) Entities which, directly or indirectly, held more than 50% voting shares of the Company.

4) Entities which the Company, directly and indirectly, held more than 90% voting shares.

5) Entities which provide guarantee for each other based on the contractual requirements of inter-industry or co-creation.

6) An entity that is guaranteed by all capital contributing shareholders in accordance with their shareholding percentages based on their joint investment relationship.

7) Performance guarantees for pre-sales contracts under the Consumer Protection Act.

Note 2: In accordance with Procedure of Endorsement and Guarantees" issued by the individual subsidiary", the amount of guarantee between subsidiaries shall not exceed 100% of each subsidiary's net worth.

Note 3: In accordance with Procedure of Endorsement and Guarantees" issued by the individual subsidiary", the total amount of external guarantees provided by the subsidiary shall not exceed 100% of each subsidiary's net worth .

Note 4: The total amount of endorsements and/or guarantees to any individual subsidiary ,or all to subsidiaries of the Group, shall not exceed 10% of Bionime Company's net worth.

(Continued)

(iii) Securities held as of December 31, 2019 (excluding those investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest balance during the year: Shares/Units (Thousands)	Highest balance during the year: Percentage of ownership (%)	Note
The company	Ordinary -Bonraybio Corporation	None	Financial assets measured at fair value through other comprehensive gains and losses-non-current	960	36,100	7.51%	36,100	960	7.51%	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details: Purchase/ Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
The Company	Tonghua Dongbao Pharmaceutical Co.,Ltd.	Key management personnel	Sale	(236,012)	(11.49)%	Advance receipts or net 180 day from the end of the month of when the invoice issued	No comparison	Advance receipts or net 180 day from the end of the month of when the invoice issued	69,039	9.37%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(Continued)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Shares/Units (thousands)	Percentage of ownership (%)			
The company	Bionime GmbH	Switzerland	Merchandise trading	CHF300	CHF300	Note1	100%	19,525	Note1	100%	1,242	1,242	Note4
The company	Bionime Incorporated (B.V.I)	British Virgin Islands	Investing and holding	USD3,090	USD3,090	3.09	100%	85,607	3.09	100%	5,329	5,329	Note4
The company	Bionime USA Corporation	America	Merchandise trading	USD11,150	USD11,150	1,115	100%	55,432	1,115	100%	14,657	14,657	Note4
The company	Bionime Australia Pty Limited	Australia	Merchandise trading	AUD350	AUD350	Note2	100%	(124)	Note2	100%	(51)	(51)	Note4
The company	Bionime (Malaysia) Sdn.Bhd	Malaysia	Merchandise trading	MYR1,046	MYR698	Note3	66.06%	8,318	Note3	72%	1,480	1,027	Note4

Note1: A company was established in Switzerland.

Note2: A company was established in Australia.

Note3: A company was established in Malaysia.

Note4: The transactions have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow				Highest Percentage of ownership			
Bionime (Shenzhen) Limited Company	Merchandise trading	US$2,300	Note1	US$850	-	-	US$850	4,953 (Note3)	100%	100%	4,953	71,58	US$2,087 (NT$63,084)
Bionime (Pingtan) Limited Company	Merchandise trading and manufacturing	RMB$20,000	Note2	-	-	-	-	10,496 (Note3)	100%	100%	10,496	51,50	-

(Continued)

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US$850 (NT$ 27,520)	US$ 2,300 (NT$ 70,863)	NT$1,225,547

Note 1: The investment method is to establish a company to invest in mainland companies through investment in the third region.

Note 2: Which is invested by Shenzhen subsidiary.

Note 3: Amount was recognized base on the audited financial statement.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidation financial statements. Please refer to "Information on significant transactions" of consolidation financial statements.

(14) Segment information:

Please refer to 2019 consolidated financial report.

BIONIME CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Foreign currency	Exchange rate	Amount
Cash	Petty cash and cash on hand			$ 538
Cash in bank	Demand deposit			194,889
	Foreign currencies－USD	1,609,957.03	30	
	Foreign currencies－EUR	419,549.54	33.61	
	Foreign currencies－CHF	31,027.33	31	
	Foreign currencies－AUD	183,690.53	21.01	
	Foreign currencies－JPY	145	0.28	
	Foreign currencies－CNY	59,847.77	4.3	
	Foreign currencies－SGD	6,580.12	22.27	67,625
				$ 263,052

BIONIME CORPORATION

Statement of Notes and Trade Receivables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
Notes receivable－Non-Related Parties		
TWGK11	Operating	$ 712
TWGC26	Operating	703
Others (Note2)	Operating	1,968
		3,383
Trade receivable－Related Parties		
Tonghua Dongbao Pharmaceutical Co.,Ltd.	Operating	69,039
Bionime (Pingtan) Limited Company	Operating	35,821
Others (Note2)	Operating	5,211
		110,071
Trade receivable－Non-Related Parties		
AFDZ01	Operating	289,695
AFEG01	Operating	40,864
WECH03	Operating	32,978
AFMA01	Operating	31,264
Others (Note2)	Operating	241,612
		636,413
Less：Loss allowance		(12,831)
		623,582
		$ 737,036

Note1：Due to contract agreement, revealed by code.

Note2：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Other Receivables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other Receivables	Other Receivables	$ 1,199
	Tax Refund Receivables	3,309
		$ 4,508

Statement of Inventories

Item	Amount: Cost	Amount: Net realizable value	Note
Finished goods	$ 27,066	58,673	Price by realizable value
Work in process	261,811	364,535	Price by realizable value
Materials	106,586	114,568	Price by realizable value
	395,463	**537,776**	
Less：Loss allowance	(20,234)		
	$ 375,229		

BIONIME CORPORATION

Statement of Prepayments and other current assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other prepaid expenses	Prepaid expenses of project contract and exhibition fee	26,761
Prepayments	Prepaid insurance	2,304
Prepayments to purchases	Prepayments to Suppliers	2,146
	Others (Note)	214
		31,425
Other current assets	Overpaid sales tax	5,188
	Temporary payments	9,641
	Others (Note)	753
		15,582
		$ 47,007

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Addition		Decrease		Inventment gains and losses			Ending Balance (with foreign currency translation adjustment)			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	recognized by the equity method	Translation adjustment	Others (Note)	Shares	Percentage of ownership	Amount	Collateral
Bionime GmbH	-	$ 18,417	-	-	-	-	1,242	(134)	-	-	100	19,525	None
Bionime Incorporated (B.V.I)	3.09	80,013	-	-	-	-	5,329	(3,865)	4,130	3.09	100	85,607	"
Bionime USA Corporation	1,115	40,412	-	-	-	-	14,657	(1,460)	1,823	1,115	100	55,432	"
Bionime Australia Pty Limited	-	(76)	-	-	-	-	(51)	3	-	-	100	(124)	"
Bionime (Malaysia) Sdn Bhd	-	4,831	3	2,520	-	-	1,027	(51)	(9)	-	66.06	8,318	"
		$ 143,597		2,520		-	22,204	(5,507)	5,944			168,758	

Note：Unrealized Sales income changes.

BIONIME CORPORATION

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Addition	Decrease	Reclassification (Note)	Ending Balance	Collateral
Cost：						
Land	$ 1,420,840	-	-	-	1,420,840	Please refer to Note 8
Building and structures	861,302	9,597	-	(3,730)	867,169	"
Machinery equipment	642,923	23,197	210	82,289	748,199	-
Molding equipment	139,985	8,114	-	3,100	151,199	-
Transportation equipment	1,588	-	-	-	1,588	-
Leasehold Improvements	17,066	-	-	-	17,066	-
Office and other equipment	500,411	6,531	4,312	1,035	503,665	-
	3,584,115	47,439	4,522	82,694	3,709,726	
Accumulated Depreciation：						
Buildings and structures	101,717	21,969	621	311	123,376	
Machinery equipment	468,159	69,435	210	-	537,384	
Molding equipment	103,784	20,617	-	-	124,401	
Transportation equipment	988	144	-	-	1,132	
Leasehold Improvements	13,319	1,565	-	-	14,884	
Office and other equipment	217,305	35,769	4,312	-	248,762	
	905,272	149,499	5,143	311	1,049,939	
	$ 2,678,843	(102,060)	(621)	82,383	2,659,787	

Note：Prepayment for equipment reclassification for $85,509 thousand, buildings and equipment reversal for $(4,401) thousand and inventory reclassification for $915 thousand.

BIONIME CORPORATION

Statement of Refundable Deposit

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable Deposit	Rental deposit	$ 2,554

BIONIME CORPORATION

Statement of changes in Intangibles Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Addition	Internal Development	Amortization	Reclassification	Ending Balance
Computer software	$		-			
Development cost	-			-	-	
	$					

Statement of short-term borrowings

December 31, 2019

Creditors	Description	Ending Balance	Contract Period	Range of interest rate	Bank of Credit Line	Collateral
Chang Hwa Bank	Pledge loan	$ 290,524	Less one year	1.0588%~3.7586%	600,000	Land, Building and Structures
Shanghai Bank	Unsecured loan	71,980	"	0.8%~3.4234%	150,000	None
Cathay United Bank	"	67,583	"	0.6716%~1.1300%	90,000	"
Taiwan cooperative Bank	"	27,815	"	2.7656%~3.9642%	100,000	"
Mega Bank	"	7,897	"	2.8044%~3.8274%	60,000	"
		$ 465,799				

BIONIME CORPORATION

Statement of Notes and Trade Payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Account Payable-Non-Related Parties：		
A Company	Operating	14,151
B Company	〃	12,978
C Company	〃	10,298
D Company	〃	9,242
Others (Note)	〃	101,324
		147,993
Account Payable-Related Parties：		
Bionime (Pingtan) Limited Company	Operating	1,575
		$ 149,568

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

Statement of Short-term Notes and Bills Payable

			Amount			
Item	**Contract period**	**Range of interest rate**	**Total amount**	**Unamortized Discount**	**Book Value**	**Collateral**
Taiwan cooperative Bills	2019.11.11~2020.1.10	1.18%	$ 100,000	34	99,966	None
Grand Bills	2019.12.20~2020.3.19	1.15%	100,000	191	99,809	None
			$ 200,000	**225**	**199,775**	

BIONIME CORPORATION

Statement of Other Payables and Other Current Liabilities

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Salary and Wages Payable	$ 104,112
	Payback fee	79,224
	Employee Bonus Payable	19,000
	Other payable	64,819
		267,155
Other current liabilities	Temporary receipts	8,258
	Advance Sales Receipts	1,228
		9,486
		$ 276,641

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Long-term Borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

		Loan amount				
Creditors	**Description**	**Expired within one year**	**More than one year due**	**Contract Period**	**Range of interest rate**	**Collateral**
Chang Hwa Bank	Mortgage loan	$ 50,667	494,000	2015.9.30~2026.9.30	1.25%	Land, Building and Structures
Chang Hwa Bank	Mortgage loan	62,500	187,500	2018.12.12~2023.12.12	1.25%	"
Chang Hwa Bank	Mortgage loan	87,500	240,625	2018.09.03~2023.09.03	1.25%	"
Jih Sun Bank	Credit loan	-	50,000	2019.08.22~2021.08.22	1.20%	None
		$ 200,667	972,125			

Statement of Operating Revenue

For the year ended December 31, 2019

Item	**Quantity**	**Unit**	**Amount**
Meter	1,305	thousand tables	$ 246,714
Strips	533,336	thousand pieces	1,749,779
Others			76,859
			2,073,352
Sales Returns			(4,932)
Sale Discounts and Allowances			(15,058)
Net Operating Revenues			$ 2,053,362

BIONIME CORPORATION

Statement of Operting Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item		Amount
Raw materials beginning of year	$	109,142
Add：Raw materials purchased		667,880
Gain on physical inventory		346
Less：Raw materials end of year		106,586
Raw materials sold and scrapped		18,293
Other		7,513
Raw materials used		644,976
Direct labor		264,439
Manufacturing overhead		307,087
Manufacturing costs		1,216,502
Add：work in process beginning of year		266,087
work in process purchased		1,697
Less：work in process end of year		261,811
work in process sold and scrapped		49,602
Transfer expense and other		41,790
Loss on physical inventory		2
Cost of finished goods		1,131,081
Add：Finished goods beginning of year		30,600
Less：Finished goods end of year		27,066
Finished goods scrapped		247
Other		1,660
Cost of manufacturing goods sold		1,132,708
Add：Sold raw materials and work in process cost		57,031
Inventory scrapped		11,111
Less：The reversal of write-down of Inventory		5,568
Gain on disposal of left over bits and pieces		4,927
Gain on physical inventory		344
Other		914
Operating cost	$	1,189,097

BIONIME CORPORATION

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling Expense	Administration Expense	Research and Developed Expense
Salary	$ 38,047	85,040	90,651
Advertisement	93,293	34	3
Royalty	42,360	-	-
Professional service fees	28,670	31,392	61,438
Research Materials	-	-	40,923
Amortization	410	7,408	1,818
Depreciation	2,126	24,768	11,476
Others (Note)	48,264	78,642	47,382
	$ 253,170	227,284	253,691

Note：If the amount does not exceed 5 percent of the balance of the subject, it will not be listed separately.

BIONIME CORPORATION

Statement of Non-Operting income and expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description		Amount
Non-Operating Income			
Interest income	Interest income of bank deposits	$	387
Gains on disposal and scrapped of fixed assets	Gains on disposal and scrapped of fixed assets		179
Net of other income	Miscellaneous income and Miscellaneous disbursements		12,823
Investment income	Investment gains recognized by the equity method		22,204
Gains on disposal of investment	Gains on disposal of the investment on the subsidiary		8
		$	35,601
Non-Operating Expenses			
Interest expenses	Interest expenses of loan	$	30,818
Net of Foreign exchange losses	Net of foreign exchange losses		553
		$	31,371

VII. A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks

1. Financial Position

(1) Financial Statements Comparison Analysis Table

Unit: NT$ Thousand

Item \ Year	2018	2019	Difference	
			Amount	%
Current assets	1,769,945	1,595,432	(174,513)	-9.86%
Property, plant and equipment	2,689,666	2,669,672	(19,994)	-0.74%
Intangible assets	8,550	49,503	40,953	478.98%
Other assets	121,243	89,633	(31,610)	-26.07%
Total assets	4,589,404	4,404,240	(185,164)	-4.03%
Current liabilities	1,481,422	1,380,966	(100,456)	-6.78%
Non-current liabilities	1,114,874	976,429	(138,445)	-12.42%
Total liabilities	2,596,296	2,357,395	(238,901)	-9.20%
Capital stock	594,468	638,006	43,538	7.32%
Capital reserves	1,314,899	1,337,126	22,227	1.69%
Retained earnings	225,511	216,593	(8,918)	-3.95%
Other Equity	-141,770	-144,880	(3,110)	2.19%
Total shareholders' equity	1,993,108	2,046,845	53,737	2.70%

Analysis of any significant change: (The change is up to 20%, and amounted to NT$10 million)

(1) Increase of intangible assets: The Company developed a new product -CGM (continuous glucose monitor), which has realized technical feasibility in 2019 and met the condition for recognition of intangible assets under IFRS. Therefore, the relevant costs in the development stage, NT$35,218,000 was capitalized and transferred to intangible assets.

(2) Decrease of other assets: It is due to the decrease of prepayment for equipment .

(2) Where the effect is of material significance, the annual report shall describe the measures to be taken in response: The above-mentioned changes have no material impact on finance and business.

2. Financial performance

(1) Comparison Analysis Table for Results of Operations

Unit: NT$ Thousand

Item \ Year	2018	2019	Increased /decreased Amount	Percentage of change (%)
Operating revenues	1,970,889	2,193,383	(222,494)	11.29%
Less: Sales return and discount	36,333	20,460	(15,873)	-43.69%
Net operating revenue	2,007,222	2,172,923	165,701	8.26%
Operating cost	1,090,223	1,224,505	134,282	12.32%
Gross profit	916,999	948,418	31,419	3.43%
Operating expense	676,448	792,147	115,699	17.10%
Operating profit	240,551	156,271	(84,280)	-35.04%
Non-Operating revenues and expenditures	-78,588	-21,704	56,884	-72.38%
Net profit before tax	161,963	134,567	(27,396)	-16.91%
Less: Income tax expense	34,071	27,856	(6,215)	-18.24%
Net Income	127,892	106,711	(21,181)	-16.56%

Analysis of any significant change: (The change is up to 20%, and amounted to NT$10 million)

(1) Decrease of operating profit: The increase of operating cost and operating expense results in the decrease of operating profit.

(2)Decrease of non-Operating revenues and expenditures: It is due to the decrease of impairment loss.

(2) The expected sales volume and its basis: Not applicable.

(3) The Company's future financial performance for any possible impact: The loss of the subsidiary was mainly due to new entrants usually require 3-5 years for market development. As the market is in the pre-market stage, hence, the effect of investment is yet to be seen.

(4) Measures to be taken in response: Keep abreast of the business and financial position of the invested business in order to provide the necessary resources and assistance in a timely manner.

3. Cash flow analysis

(1) Cash flow change analysis

Unit: NT$ Thousand

Opening balance (December 31, 2018)	The cash flow generated from operating activities (2019)	The cash flow from generated from investment and financing activities (2019)	Cash flow surplus (December 31, 2019)	Cash shortage contingency pl	
				Investment plan	Financing plan
433,631	405,556	(467,112)	359,558	-	-

Cash flow change analysis in 2019 is as follow

i. Cash inflow from operating activities of NT$ 405,556 thousand: Mainly due to net cash surplus from operating activities.

ii. Cash inflows from investment activities amounted to NT$ 129,090 thousand: It is mainly due to the acquisition of real properties and intangible assets.

iii. The cash inflow from financing activities of NT$ 338,022 thousand: It is due to the reduction of the long-term loans.

(2) Remedial measures and liquidity analysis for cash deficit: There is no cash deficit concerns.

(3)Cash flow analysis for the coming year: Not applicable.

4.Major capital expenditures during the most recent fiscal year: None

5.Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year

(1) Re-investment policy of the Company:

The re-investment policies of the Company are followed by the relevant executive departments in accordance with the internal control system - “Investment Cycle” and “Acquisition and Disposal of Assets Procedures”, etc. The above-mentioned regulations or procedures are resolved by the board of directors or shareholders meeting.

(2) The main reasons for the profits or losses, improvement plans and future investment plan of re-investment:

(1) The subsidiary in Swiss is Bionime’s PO service center in Europe without any revenue. Currently, the local employees include three salesmen, one PM concurrently serving as the business assistant and one part-time accountant. It mainly aims to explore related markets. The remaining related costs are mainly HR costs and rents.

The monthly expenses are still stable, and it maintains small amount of profit every year.

(2) After six years of deployment in retailers, pharmacies, doctors' clinics and diabetes educators in the United States, the subsidiary in the US every year with the stable growth in the demands and sales of test strips.

(3) The subsidiary in China is mainly a technical service and customer service company established for the needs of operations in China. After the service support and customer service income paid by the head office, it is in losses in the past two years.

(4) The subsidiary in Malaysia established in 2018 is mainly engaged in the sales of glucose testers and strips. It is profitable in 2019.

Also, the Company is always keeps abreast of the business and financial position of the invested business in order to provide the necessary resources and assistance in a timely manner.

(3) Investment plans for the coming year:

The Mainland second-tier subsidiary has been re-invested in Pingtan, Fujian by establishing a subsidiary as a production base in Mainland China. Under the rapid changes in the market of blood glucose meters in the mainland, especially the Chinese government’s policy of protecting local industries has been promoted. It is expected that foreign-imported blood glucose meters will no longer have an advantage in the next few years, hence, it is necessary to localize the products. Established a plant in China for local production, which responsible for the sales and manufacturing of blood glucose meters in the Mainland.

6. Risk and evaluation in the most recent fiscal year and up to the publication of the annual

(1) The impact of changes in the interest rate, fluctuation of exchange rate, inflation rate on the Company’s profits (losses) and countermeasures to be taken in the future:

A. The effect upon the Company's profits (losses) of interest rate fluctuations and countermeasures to be taken in the future

Item	2019	2020Q1
Net operating revenue	2,172,923	353,406
Net income	106,711	(8,296)
Net interest income and expenditure	31,791	(6,261)
Net operating revenue ratio	1.46%	1.77%

Net income ratio	29.79%	(75.47%)

The net interest income and expenditure of 2019 accounted for approximately (1.46%) and (29.79%) of the Company's and its subsidiaries' revenue and net income. The net interest income and expenditure of the first quarter of 2020 accounted for approximately (1.77%) and (75.47%) of the Company's and its subsidiaries' revenue and net income. Therefore, the interest rate fluctuations have a significant impact on the revenue and profit of the Company and its subsidiaries.

In response to the risk of interest rate fluctuations, the Company will continue to pay attention to the future trends of the interest rate in the market and collect interest rate information of banks. It timely evaluates the interest rate of the current loans, and continues to establish good relations with banks. By presenting good bank financing credit record, it could obtain a relatively preferential interest rate of loans. When financing is needed, plan appropriate long-term and short-term bank loans depending on the actual capital requirements, to minimize the risks caused by fluctuations in interest rates and capital costs to the Company's operations.

B. The effect upon the Company's profits (losses) of exchange rate fluctuations and countermeasures to be taken in the future

Unit: NT$ Thousand

Net operating revenue	2019	2020Q1
Net Income	2,172,923	353,406
Net exchange gains and losses	106,711	(8,296)
Net operating revenue ratio	(4,931)	(1,810)
Net income ratio	0.23%	0.51%
Net operating revenue	4.62%	(21.82%)

The operating revenue of the Company and its subsidiaries is mainly denominated in US dollars and Euros. Therefore, the depreciation of US dollar or the Euro against the New Taiwan dollar will result in reduction of the profit of the Company and its subsidiaries. In order to reduce the impact of fluctuation of exchange rate on the profit and loss of the Company and its subsidiaries, the Accounts Department of the Company also collects information on exchange rate at any time, focuses on the trend and changes of major currencies in the international currency market to grasp the exchange rate trend, and maintain a good interactive relationship with the bank in order to get more extensive information on foreign exchange and more favorable exchange rate quotes. In terms of strategy, the balance of foreign currency assets and liabilities should be achieved as much as possible to achieve the effect of natural hedging, and reduce the impact of exchange rate fluctuations on the Company's profit and loss.

C. The impact of changes in the inflation rate on the Company's profits (losses) and countermeasures to be taken in the future

The increase in domestic and international prices will lead to an increase in the Company's purchasing costs, which may adversely affect the Company's profitability. However, the Company has more than one supplier. In the future, the Company will pay close attention to the inflation situation, and negotiate with different suppliers to reduce the impact of inflation on the Company.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and countermeasures to be taken in the future: None.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work

For the details of R&D situation, please refer to the detailed explanation in V. Operational Highlights. The R&D expenditures of the Company in 2019 was NT$ 255,121 thousand, and the estimated R&D expenditures in 2020 is NT$ 374,989 thousand. The main factors affecting the success of future R&D are the R&D capabilities of R&D personnel and the mastery of software and hardware systems. It is believed that the experience accumulated of the R&D team of the Company will surely competently perform this important task, and continues to develop competitive products.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and countermeasures to be taken:

In response to the subsequent revision of the guidelines for various operations by domestic and foreign authorities, the Company has actively cooperated with it, and currently, it has no significant impact on the financial operations.

(5) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and countermeasures to be taken:

The Company has always attached great importance to the improvement of R&D capabilities, paying attention to the evolution of technology in the industry, and commencing the evaluation and R&D of various products to meet market demand. It is evaluated that the developments in science and technology have no significant impact on the Company's financial operations in the near future.

(6) Effect on the Company's crisis management of changes in the Company's corporate image, and countermeasures to be taken:

As of the publication of the annual report, there is no major events affecting the Company’s corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures being or to be taken: None.

(8) Expected benefits and possible risks associated with any plant expansion, and countermeasures being or to be taken: None.

(9) Risks associated with any consolidation of sales or purchasing operations, and countermeasures being or to be taken:

A Purchasing operation: The main purchase items of the Company are the components of blood glucose meter and blood glucose test strip and related raw materials. The procurement amounts of company F in 2018 and 2019 have reached 6.5% and 8.8% of the net procurement amount of the Company. The procurement amounts of company F in 2018 and 2019 have reached 6.4% and 6.3% of the net procurement amount of the Company. This is because the Company chose to cooperate with company C and company F for a long time under the Company's comprehensive consideration of the supplier’s production technology, quality yield, supply capacity and cost planning. There is no consolidation of purchases in the most recent two years.

B. Sales operation: Tung Pao is the only exclusive distributor of the Company in Mainland China and has successfully developed the Mainland market, therefore, it has become the main customer of the Company’s sales in recent years. However, the Company’s products are distributed throughout Europe, Americas and Asia, and there is no consolidation of sales operation, hence, there is no risk of consolidation of sales operation.

(10) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the

Company has been transferred or has otherwise changed hands, and countermeasures being or to be taken: None.

(11) Effect upon and risk to Company associated with any change in governance personnel or top management, and countermeasures being or to be taken:

The Company’s operations are mostly proposed by the executive units, and then approved by the management, therefore, a complete operation model has been established. If there is a change in governance personnel or top management, the impact on the Company’s sustainable operation is limited.

(12) Litigation or non-litigation:

i. Any have been determined or are including in the litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price, it should be fully disclosed in detail and include the facts of the dispute, cost of litigation, date of commencement of proceedings, litigants and the current situation regarding handling of litigation of the Company in the most recent two fiscal years and up to the date of publication of the annual report: None.

ii. The Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been determined or are including in the litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price in the most recent two fiscal years and up to the date of publication of the annual report: None.

iii. The Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been violated the provisions of Article 157 of the Securities and Exchange Act and the current situation regarding handling of the Company in the most recent two fiscal years and up to the date of publication of the annual report and: None.

(13) Other important risks, and countermeasures being or to be taken:

Assessment analysis of security risk and countermeasures: The Company builds the operational management mechanism by referring to the COSO structure, and measuring the factors such as the control environment, risk assessment, control activities, information and communication, and supervision. Moreover, it summarizes the functions of risk management and internal control based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies". The information security risk management mechanism is described as follows:

(1) Information security management mechanism

The Company shall, in accordance with the relevant laws and regulations and the Company's operating requirements, formulate internal management operations for control of electronic data processing operation cycles and information communication security, which shall be followed by all employees.

(2) Information security management scheme

As for the information security risks of the Company, it confirms the unfavorable impact of the security risks on the Company's operating profit based on the results of the last step, so as to adopt corresponding management measures.

Information security management schemes planned after evaluation and consideration of information security risks:

1. The operations of information system and the machine room are all implemented in accordance with ISO 27001 standards and comply with ISO27001 certification.
2. Network firewall settings
3. Email management and control
4. Antivirus software settings
5. Security control of files and facilities

The management of the Company carries out internal control and risk supervision and management based on the business scope and operation management process of the Company.

(3) Information security management and review

The Company has listed information security inspection and control operations as an annual audit item. The audit office will conduct the audit annually at least; and the Company will conduct inspection based on the internal control system annually, and will report the results of internal control implementation to the Board for review and confirmation A statement of internal control system is issued based on the results of the evaluation.

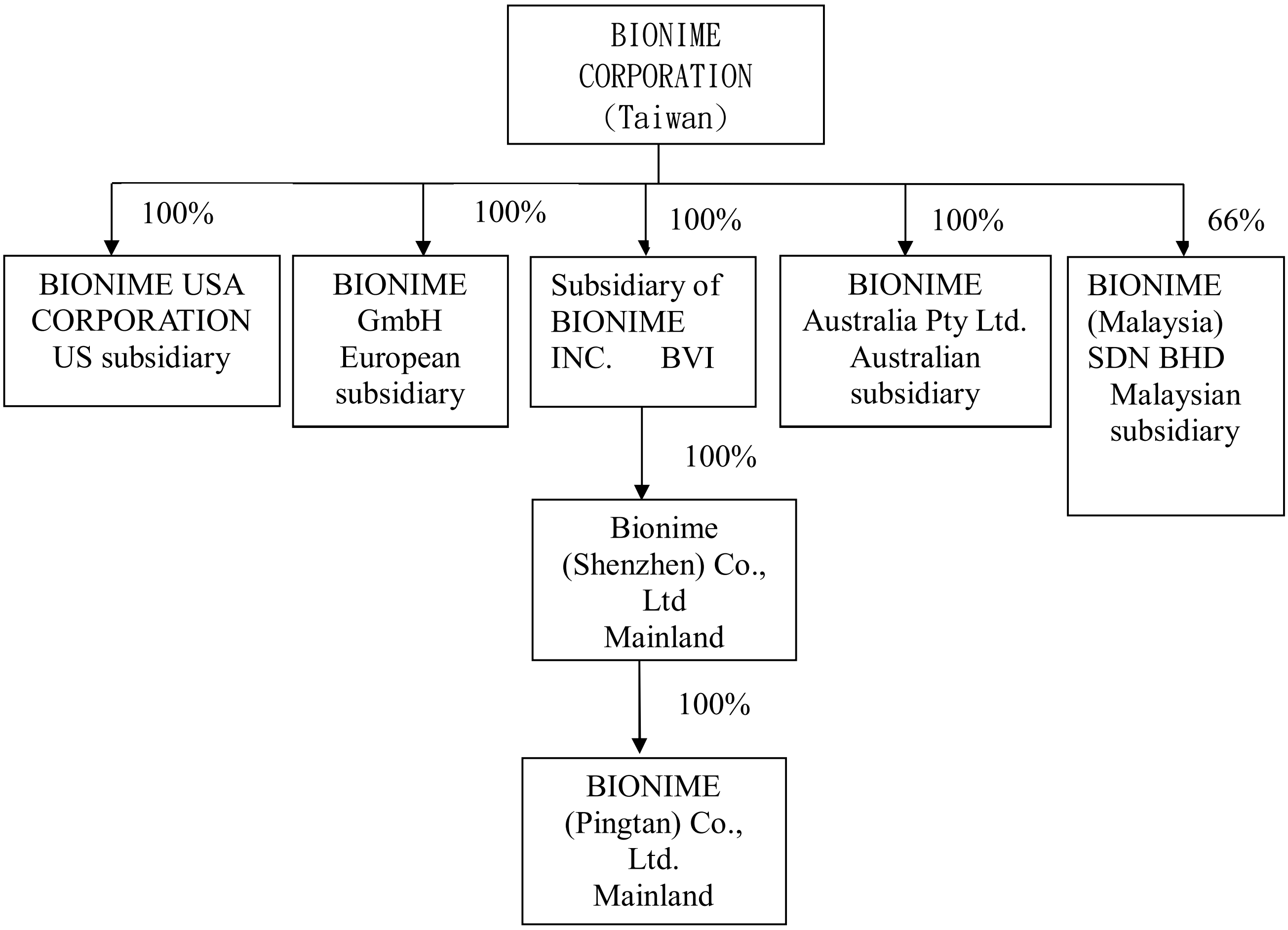
7. **Other important matters:** None.

VIII. Special Disclosure

1. Information related to the Company's affiliates

(1) Consolidated business reports of affiliated companies

i. Organizational chart of affiliated companies (December 31, 2019)



2. Basic information of affiliated companies

Name of company	Date of incorporation	Region	Paid-in Capital	Principal business activity
Bionime Inc.	November 2004	OMC Chambers, P.O. Box 3152, Road Town, Tortola, B. V. I.	USD 3,090 thousand	Investment company
Bionime (Shenzhen) Co., Ltd	December 2005	Zone A, 9th Floor, Fukang Technology Building, 8 Fukang Commercial Plaza, 10th Industrial Zone, Yousong, Longhua Office, Bao'an	USD 2,300 thousand	Merchandising-sector company

		New District, Shenzhen		
Bionime GmbH	April 2005	Tramstrasse 16 9442 Berneck / Switzerland	CHF 300 thousand	Merchandising-sector company
Bionime USA Corp.	February 2008	1450 E Spruce Street, Bldg. B Ontario CA 91761-8314	USD 11,150 thousand	Merchandising-sector company
Bionime Australia Pty Ltd	February 2010	Level 7, York Street, Sydney NSW 2000 Australia	AUD 350 thousand	Merchandising-sector company
BIONIME (Pingtan) Co., Ltd.	January 2015	Taiwan Pioneer Park, Pingtan Comprehensive Experimental Area, Pingtan County, Fuzhou City, Fujian Province, China	RMB20,000 thousand	Manufacturing company
BIONIME(MALAYSIA) SDN BHD	April 2018	C-05-11,ITECH TOWER,JALAN IMPACT,CYBER 6 CYBERJAYA SELANGOR	RM 1,046 thousand	Merchandising-sector company

iii. Shareholders presumed to have control and subordinate relationship with the same information: None.

iv. The operating activities of affiliated companies and their association

Industry Type	Name of company	Association with the operating activities of affiliated companies
Investment company	Bionime Inc.	The parent company of Bionime (Shenzhen) Co., Ltd.
Merchandising-sector company	Bionime (Shenzhen) Co., Ltd	The re-investment company of Bionime Inc.
Merchandising-sector company	Bionime GmbH	None

Merchandising-sector company	Bionime USA Corp.	None
Merchandising-sector company	Bionime Australia Pty Ltd	None
Manufacturing company	BIONIME (Pingtan) Co., Ltd.	The re-investment company of Bionime (Shenzen) Co., Ltd.
Merchandising-sector company	BIONIME(MALAYSIA) SDN BHD	None

v. Directors, supervisors and general managers of affiliated companies:

Name of company	Position tittle	Name or representative	Shareholding	
			Number of shares (1000 shares)	Shareholding percentage
Bionime Inc.	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	3.09	100%
Bionime (Shenzhen) Co., Ltd	Legal representative	Bionime Inc. Representative: Huang,Chun-Mu	- (Note 1)	100%
Bionime GmbH	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	- (Note 2)	100%
Bionime USA Corp.	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	1,150	100%
Bionime Australia Pty Ltd	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	- (Note 3)	100%

BIONIME (Pingtan) Co., Ltd.	Legal representative	Representative of Bionime (Shenzhen) Co., Ltd: Huang,Chun-Mu	- (Note 1)	100%
Bionime(Malaysia) SDN BHD	Chairman	BIONIME CORPORATION Representative: Huang,Chun-Mu	MYR1,046 thousand	66%
	Director	BIONIME CORPORATION Representative: Chiang,Tai-Hsiung		

Note 1: A limited company established in Mainland China

Note 2: A limited company established in Switzerland

Note 3: A limited company established in Australia

(2) Consolidated financial statements of affiliated companies

The companies should be included in the consolidated financial statements of affiliated enterprises of the Company in 2019 (from January 1-December 31, 2019) was prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same with the companies should be included in the parent and subsidiary consolidated financial statements in accordance with the IFRS No. 10 approved by the Financial Supervisory Commission, and the relevant information shall disclose in the consolidated financial statements of the affiliated enterprises has been disclosed, therefore, no separate consolidated financial statements of the affiliated enterprises will be presented.

2. Transaction about the Company's private placement of securities during the most recent fiscal year up to the publication of the annual report: None.

3. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year up to the publication of the annual report: None.

4. Other matters for which supplementary explanation is required: None.

IX. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year up to the publication of the annual report: None.

BIONIME CORPORATION 

Chairman: Huang,Chun-Mu