

BIOTEQUE CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018**

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

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安侯建業聯合會計師事務所

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Independent Auditors' Review Report

To the Board of Directors of Bioteque Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Bioteque Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Bioteque Corporation and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Ya-Ling Chen and Yen-Ta Su.

KPMG

Taipei, Taiwan (Republic of China)

August 12, 2019

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2019 and 2018

BIOTEQUE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31 and June 30, 2018
 (expressed in Thousands of New Taiwan Dollars)

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 1,175,933	38	926,601	33	1,090,318	38
1110 Current financial assets at fair value through profit or loss (note 6(b))	178,192	6	176,325	6	176,076	6
1150 Notes receivable, net (notes 6(d) and (o))	67,600	2	71,638	3	69,725	2
1170 Accounts receivable, net (notes 6(d) and (o))	243,800	8	211,038	8	230,192	8
130X Inventories (note 6(e))	288,139	9	281,734	10	245,590	9
1476 Other current financial assets (note 8)	1,835	-	1,943	-	1,308	-
1479 Other current assets (note 6(j))	29,099	1	21,715	1	18,651	1
Total current assets	1,984,598	64	1,690,994	61	1,831,860	64
Non-current assets:						
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	-	-	237	-	340	-
1600 Property, plant and equipment (notes 6(f) and 8)	942,813	30	944,734	34	950,560	33
1755 Right-of-use assets (note 6(g))	68,818	2	-	-	-	-
1840 Deferred tax assets	2,657	-	2,657	-	3,066	-
1915 Prepayments for business facilities (note 9)	91,815	4	77,393	3	23,015	1
1980 Other non-current financial assets	2,026	-	1,972	-	1,813	-
1995 Other non-current assets (note 6(i))	3,952	-	53,555	2	54,769	2
Total non-current assets	1,112,081	36	1,080,548	39	1,033,563	36
Total assets	\$ 3,096,679	100	2,771,542	100	2,865,423	100
Liabilities and Equity						
Current liabilities:						
2100 Short-term borrowings (notes 6(h), 6(u) and 8)	\$ 64,848	2	25,000	1	25,000	1
2130 Current contract liabilities (notes 6(o))	32,782	1	33,923	1	22,300	1
2150 Notes payable	44,595	2	37,807	2	43,196	2
2170 Accounts payable	89,558	3	75,256	3	88,321	3
2209 Other payables (notes 6(p))	112,591	4	104,116	4	107,779	4
2213 Payable on machinery and equipment	6,069	-	5,941	-	2,859	-
2216 Dividends payable (notes 6(m))	277,193	9	-	-	242,544	8
2230 Current tax liabilities	67,730	2	61,746	2	54,909	2
2280 Current lease liabilities (notes 6(i) and 6(u))	4,905	-	-	-	-	-
2320 Long-term liabilities, current portion (notes 6(h) and 6(u))	20,707	1	35,840	1	50,800	2
2399 Other current liabilities	9,760	-	6,019	-	3,356	-
Total current liabilities	730,738	24	385,648	14	696,064	25
Non-Current liabilities:						
2540 Long-term borrowings (notes 6(h), 6(u) and 9)	-	-	10,240	-	20,320	1
2570 Deferred tax liabilities	51,521	2	51,521	2	38,448	1
2580 Non-current lease liabilities (notes 6(i) and 6(u))	13,030	-	-	-	-	-
2600 Other non-current liabilities	-	-	8	-	7	-
2640 Net defined benefit liability, non-current	10,107	-	10,098	1	7,339	-
Total non-current liabilities	74,658	2	71,867	3	66,114	2
Total liabilities	805,396	26	457,515	17	762,178	27
Equity attributable to owners of parent (note 6(c) and (h)):						
3100 Ordinary shares	692,983	22	692,983	25	692,983	24
3200 Capital surplus	315,168	10	315,168	11	315,168	11
Retained earnings:						
3310 Legal reserve	323,903	11	283,404	10	283,404	10
3320 Special reserve	-	-	6,459	-	6,459	-
3350 Unappropriated retained earnings	939,999	30	1,005,069	37	798,823	28
	1,263,902	41	1,294,932	47	1,088,686	38
Other equity interest:						
3410 Exchange differences on translation of foreign financial statements	19,230	1	12,259	-	7,620	-
3420 Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	(1,315)	-	(1,212)	-
	19,230	1	10,944	-	6,408	-
	2,291,283	74	2,314,027	83	2,103,245	73
Total equity	3,096,679	100	2,771,542	100	2,865,423	100
Total liabilities and equity	\$ 3,096,679	100	2,771,542	100	2,865,423	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
 Reviewed only, not audited in accordance with generally accepted auditing standards

BIOTEQUE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	For the three months ended June 30				For the six months ended June 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(o))	\$ 473,538	100	407,677	100	914,252	100	783,585	100
5000	Operating costs (notes 6(e), (f), (g), (j), (k) and 12)	<u>258,567</u>	<u>55</u>	<u>231,923</u>	<u>57</u>	<u>509,576</u>	<u>56</u>	<u>448,739</u>	<u>57</u>
	Gross profit from operations	<u>214,971</u>	<u>45</u>	<u>175,754</u>	<u>43</u>	<u>404,676</u>	<u>44</u>	<u>334,846</u>	<u>43</u>
6000	Operating expenses (notes 6(f), (g), (k), (p), 7 and 12):								
6100	Selling expenses	22,647	5	18,856	5	44,123	5	34,287	4
6200	Administrative expenses	24,453	5	21,261	5	47,695	5	42,833	6
6300	Research and development expenses	<u>11,810</u>	<u>2</u>	<u>8,895</u>	<u>2</u>	<u>20,854</u>	<u>2</u>	<u>17,586</u>	<u>2</u>
	Total operating expenses	<u>58,910</u>	<u>12</u>	<u>49,012</u>	<u>12</u>	<u>112,672</u>	<u>12</u>	<u>94,706</u>	<u>12</u>
6900	Net operating income	<u>156,061</u>	<u>33</u>	<u>126,742</u>	<u>31</u>	<u>292,004</u>	<u>32</u>	<u>240,140</u>	<u>31</u>
7000	Non-operating income and expenses (notes 6(i) and 6(q)):								
7010	Other income	9,389	2	2,538	1	12,839	1	5,633	-
7020	Other gains and losses	5,951	1	17,833	4	10,835	1	7,619	1
7050	Finance costs	<u>(548)</u>	<u>-</u>	<u>(722)</u>	<u>-</u>	<u>(1,023)</u>	<u>-</u>	<u>(1,507)</u>	<u>-</u>
	Total non-operating income and expenses	<u>14,792</u>	<u>3</u>	<u>19,649</u>	<u>5</u>	<u>22,651</u>	<u>2</u>	<u>11,745</u>	<u>1</u>
7900	Profit before tax	170,853	36	146,391	36	314,655	34	251,885	32
7951	Less: Tax expenses (note 6(l))	<u>39,346</u>	<u>8</u>	<u>33,116</u>	<u>8</u>	<u>67,151</u>	<u>7</u>	<u>55,739</u>	<u>7</u>
	Profit	<u>131,507</u>	<u>28</u>	<u>113,275</u>	<u>28</u>	<u>247,504</u>	<u>27</u>	<u>196,146</u>	<u>25</u>
8300	Other comprehensive income (loss) (note 6(m)):								
8310	Components of other comprehensive income that will not be reclassified to profit or loss:								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(12)	-	33	-	(26)	-	12	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(12)</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>12</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
8361	Exchange differences on translation	5,222	1	25,171	6	6,971	1	12,855	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>5,222</u>	<u>1</u>	<u>25,171</u>	<u>6</u>	<u>6,971</u>	<u>1</u>	<u>12,855</u>	<u>2</u>
8300	Other comprehensive income (loss), net	<u>5,210</u>	<u>1</u>	<u>25,204</u>	<u>6</u>	<u>6,945</u>	<u>1</u>	<u>12,867</u>	<u>2</u>
	Comprehensive income	<u>\$ 136,717</u>	<u>29</u>	<u>138,479</u>	<u>34</u>	<u>254,449</u>	<u>28</u>	<u>209,013</u>	<u>27</u>
	Profit, attributable to:								
	Profit, attributable to owners of parent	<u>\$ 131,507</u>	<u>28</u>	<u>113,275</u>	<u>28</u>	<u>247,504</u>	<u>27</u>	<u>196,146</u>	<u>25</u>
	Comprehensive income, attributable to:								
	Comprehensive income, attributable to owners of parent	<u>\$ 136,717</u>	<u>29</u>	<u>138,479</u>	<u>34</u>	<u>254,449</u>	<u>28</u>	<u>209,013</u>	<u>27</u>
9750	Basic earnings per share (note 6(n)) (Expressed in New Taiwan Dollars)	<u>\$ 1.90</u>		<u>1.63</u>		<u>3.57</u>		<u>2.83</u>	
9850	Diluted earnings per share (note 6(n)) (Expressed in New Taiwan Dollars)	<u>\$ 1.89</u>		<u>1.63</u>		<u>3.56</u>		<u>2.82</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

BIOTEQUE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Total equity		
	Retained earnings			Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total equity
Balance at January 1, 2018	692,983	315,168	253,010	-	882,074	-	-	(1,224)	2,136,776
Effects of retrospective application	-	-	-	-	-	-	-	1,224	-
Balance at January 1, 2018 after adjustments	692,983	315,168	253,010	-	882,074	(5,235)	(1,224)	-	2,136,776
Net income for the six months ended June 30, 2018	-	-	-	-	196,146	-	-	-	196,146
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	12,855	12	-	12,867
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	196,146	12,855	12	-	209,013
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	30,394	-	(30,394)	-	-	-	-
Special reserve	-	-	-	6,459	(6,459)	-	-	-	-
Cash dividends	-	-	-	-	(242,544)	-	-	-	(242,544)
Balance at June 30, 2018	692,983	315,168	283,404	6,459	798,823	7,620	(1,212)	-	2,103,245
Balance at January 1, 2019	692,983	315,168	283,404	6,459	1,005,069	12,259	(1,315)	-	2,314,027
Net income for the six months ended June 30, 2019	-	-	-	-	247,504	-	-	-	247,504
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	6,971	(26)	-	6,945
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	247,504	6,971	(26)	-	254,449
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	40,499	-	(40,499)	-	-	-	-
Cash dividends	-	-	-	-	(277,193)	-	-	-	(277,193)
Reversal of special reserve	-	-	-	(6,459)	6,459	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,341)	-	1,341	-	-
Balance at June 30, 2019	692,983	315,168	323,903	-	939,999	19,230	-	-	2,291,283

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

BIOTEQUE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 314,655	251,885
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	45,719	39,880
Amortization expense	1,184	2,110
Net (gain) loss on financial assets at fair value through profit or loss	(1,119)	115
Interest expense	1,023	1,507
Interest income	(3,495)	(2,309)
Loss on disposal of property, plant and equipment	-	25
Total adjustments to reconcile profit	<u>43,312</u>	<u>41,328</u>
Changes in operating assets:		
Notes receivable	4,038	4,998
Accounts receivable	(32,762)	(37,363)
Inventories	(6,405)	(47,998)
Other current assets	(8,241)	4,021
Other financial assets	108	127
Total changes in operating assets	<u>(43,262)</u>	<u>(76,215)</u>
Changes in operating liabilities:		
Current contract liabilities	(1,141)	22,300
Notes payable	6,788	(1)
Accounts payable	14,302	34,516
Other payable	8,337	10,644
Net defined benefit liability	9	48
Other current liabilities	3,741	(23,844)
Total changes in operating liabilities	<u>32,036</u>	<u>43,663</u>
Total changes in operating assets and liabilities	<u>(11,226)</u>	<u>(32,552)</u>
Total adjustments	<u>32,086</u>	<u>8,776</u>
Cash inflow generated from operations	346,741	260,661
Interest received	3,622	2,243
Income taxes paid	(61,167)	(46,886)
Net cash flows generated from operating activities	<u>289,196</u>	<u>216,018</u>
Cash flows generated from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	211	-
Acquisition of financial assets at fair value through profit or loss	(61,746)	(59,231)
Proceeds from disposal of financial assets at fair value through profit or loss	61,334	57,267
Acquisition of property, plant and equipment	(19,925)	(12,817)
Proceeds from disposal of property, plant and equipment	-	105
Increase in other non-current financial assets	(54)	(33)
Increase in other non-current assets	(1,579)	(2,205)
Increase in prepayments for business facilities	(30,587)	(8,695)
Increase (decrease) in payables on machinery and equipment	128	(6,619)
Net cash flows used in investing activities	<u>(52,218)</u>	<u>(32,228)</u>
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	65,280	-
Decrease in short-term loans	(25,000)	-
Repayments of long-term borrowings	(25,820)	(12,309)
Decrease in guarantee deposits	(8)	(1)
Payment of lease liabilities	(2,444)	-
Interest paid	(885)	(1,688)
Net cash flows generated from (used in) financing activities	<u>11,123</u>	<u>(13,998)</u>
Effect of exchange rate changes on cash and cash equivalents	1,231	3,672
Net increase in cash and cash equivalents	<u>249,332</u>	<u>173,464</u>
Cash and cash equivalents at beginning of period	<u>926,601</u>	<u>916,854</u>
Cash and cash equivalents at end of period	<u>\$ 1,175,933</u>	<u>1,090,318</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2019 and 2018

BIOTEQUE CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars except for Earning Per Share Information
and Unless Otherwise Specified)

(1) Company history

Bioteque Corporation (“the Company”) was incorporation in November, 1991 in accordance with The Company Act and the other related laws and regulations.

The Company’s stock was listed on Taipei Exchange on March 4, 2002.

The business operation of the Company and its subsidiaries (together referred to as “the Group”) are as follows:

- (a) Manufacturing, trading and selling of the medical equipment and instruments.
- (b) Reinvestment and monopoly investment in securities business.

Please refer to note 14 for the related information.

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

The consolidated financial statements for the six months ended June 30, 2019 and 2018 were authorized for issuance by the board of directors on August 12, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) IFRS 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. 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(c).

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.

- 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 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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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 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) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$71,080 thousands of right-of-use assets and \$20,352 thousands of lease liabilities, recognising the difference from other non-current and current assets. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.02%.

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	\$ 6,337
Extension and termination options reasonably certain to be exercised	14,420
Discounted Interest expense	(405)
Lease liabilities recognized at January 1, 2019	\$ 20,352

(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 Ruling 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 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.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

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:

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018

- (b) Basis of consolidation

- (i) List of subsidiaries in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
The Company	BIOTEQUE MEDICAL CO., LTD.	Investment activities	100.00 %	100.00 %	100.00 %
The Company	CHUNGTEX INVESTMENT CO., LTD	Investment activities	100.00 %	100.00 %	100.00 %
The Company	BIOTEQUE MEDICAL PHIL. INC.	Manufacturing and Trading of Medical equipment	100.00 %	100.00 %	100.00 %
BIOTEQUE MEDICAL PHIL. INC.	BONTEQ MEDICAL DISTRIBUTION PHIL. INC.	Trading of Medical equipment	100.00 %	100.00 %	100.00 %

- (ii) List of subsidiaries which are not included in the consolidated financial statements: None.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) 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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- fixed payments;
- 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 of its assessment on whether it will exercise a purchase, 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.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(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 IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 799	509	692
Cash in bank	1,002,554	757,584	924,332
RP bills	<u>172,580</u>	<u>168,508</u>	<u>165,294</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,175,933</u>	<u>926,601</u>	<u>1,090,318</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Current financial assets at fair value through profit or loss

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial assets designated as at fair value through profit or loss:			
RP bills	\$ 31,057	30,308	29,740
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Money market funds and bond funds	143,810	143,167	143,105
Stock listed on domestic markets	<u>3,325</u>	<u>2,850</u>	<u>3,231</u>
Total	<u>\$ 178,192</u>	<u>176,325</u>	<u>176,076</u>

(i) For credit risk and market risk, please refer to note 6(r).

(ii) The financial assets of the Group were not collateralized.

(c) Non-current financial assets at fair value through other comprehensive income

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic markets	<u>\$ -</u>	<u>237</u>	<u>340</u>

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities 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.

In the second quarter of 2019, the Group has disposed its equity investment at fair value through other comprehensive income for the purpose of investment management. The shares sold had a fair value of \$211 thousand, wherein the Group realized a loss of \$1,341 thousand, which was recognized as other comprehensive income; then later on, reclassified to retained earnings.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of June 30, 2018.

(ii) For credit risk and market risk, please refer to note 6(r).

(iii) The financial assets of the Group were not collateralized.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Notes and trade receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 67,600	71,638	69,725
Trade receivables	243,800	211,038	230,192
Less: Loss allowance	-	-	-
	<u>\$ 311,400</u>	<u>282,676</u>	<u>299,917</u>

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

	June 30, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 274,911	-	-
1 to 30 days past due	33,258	-	-
31 to 60 days past due	3,231	-	-
61 to 90 days past due	-	-	-
91 to 120 days past due	-	-	-
121 to 150 days past due	-	8.00 %	-
151 to 180 days past due	-	18.11 %	-
More than 181 days past due	-	100 %	-
	<u>\$ 311,400</u>		<u>-</u>
	December 31, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 265,215	-	-
1 to 30 days past due	17,461	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
91 to 120 days past due	-	-	-
121 to 150 days past due	-	9.40 %	-
151 to 180 days past due	-	20.86 %	-
More than 181 days past due	-	100 %	-
	<u>\$ 282,676</u>		<u>-</u>

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 267,692	-	-
1 to 30 days past due	31,129	-	-
31 to 60 days past due	1,096	-	-
61 to 90 days past due	-	-	-
91 to 120 days past due	-	-	-
121 to 150 days past due	-	-	-
151 to 180 days past due	-	23.08 %	-
More than 181 days past due	-	100 %	-
	\$ 299,917		-

The notes and accounts receivables of the Group were not collateralized.

(e) Inventories

	June 30, 2019	December 31, 2018	June 30, 2018
Raw materials	\$ 181,414	169,502	156,208
Work in progress	51,100	55,222	42,666
Finished goods	39,947	37,501	20,528
Merchandise	4,829	3,057	1,831
Raw materials in transit	10,849	16,452	24,357
	\$ 288,139	281,734	245,590

Except for cost of goods sold and inventories recognized as operating cost, the remaining gains or losses which were recognized as operating cost or deduction of operating cost were as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Gains on physical inventory	\$ (1,863)	(714)	(2,107)	(1,124)
Losses on valuation of inventories	621	-	1,779	-
	\$ (1,242)	(714)	(328)	(1,124)

The inventories of the Group were not collateralized.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2019 and 2018 were as follows:

	Land	Building and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2019	\$ 91,834	752,516	697,043	9,670	20,672	140,591	7,393	1,719,719
Additions	-	-	6,021	-	86	3,685	10,133	19,925
Reclassification (Note)	-	-	11,492	-	-	4,673	-	16,165
Effect of changes in foreign exchange rates	-	3,809	1,175	18	20	542	106	5,670
Balance at June 30, 2019	<u>\$ 91,834</u>	<u>756,325</u>	<u>715,731</u>	<u>9,688</u>	<u>20,778</u>	<u>149,491</u>	<u>17,632</u>	<u>1,761,479</u>
Balance at January 1, 2018	\$ 91,834	733,352	676,379	9,066	19,570	114,377	6,738	1,651,316
Additions	-	2,477	2,197	-	556	7,474	113	12,817
Disposals	-	-	(660)	-	-	(79)	-	(739)
Reclassification (Note)	-	6,136	3,274	-	-	5,897	(6,694)	8,613
Effect of changes in foreign exchange rates	-	7,862	2,400	24	30	1,095	(3)	11,408
Balance at June 30, 2018	<u>\$ 91,834</u>	<u>749,827</u>	<u>683,590</u>	<u>9,090</u>	<u>20,156</u>	<u>128,764</u>	<u>154</u>	<u>1,683,415</u>
Accumulated depreciation and impairment loss:								
Balance at January 1, 2019	\$ -	194,651	455,755	5,224	17,436	101,919	-	774,985
Depreciation	-	8,994	22,043	471	654	10,713	-	42,875
Effect of changes in foreign exchange rates	-	272	259	10	13	252	-	806
Balance at June 30, 2019	<u>\$ -</u>	<u>203,917</u>	<u>478,057</u>	<u>5,705</u>	<u>18,103</u>	<u>112,884</u>	<u>-</u>	<u>818,666</u>
Balance at January 1, 2018	\$ -	174,326	412,932	4,318	16,252	84,380	-	692,208
Depreciation	-	9,942	21,249	421	543	7,725	-	39,880
Disposals	-	-	(569)	-	-	(40)	-	(609)
Effect of changes in foreign exchange rates	-	487	435	17	17	420	-	1,376
Balance at June 30, 2018	<u>\$ -</u>	<u>184,755</u>	<u>434,047</u>	<u>4,756</u>	<u>16,812</u>	<u>92,485</u>	<u>-</u>	<u>732,855</u>
Carrying amounts:								
Balance at January 1, 2019	\$ 91,834	557,865	241,288	4,446	3,236	38,672	7,393	944,734
Balance at June 30, 2019	<u>\$ 91,834</u>	<u>552,408</u>	<u>237,674</u>	<u>3,983</u>	<u>2,675</u>	<u>36,607</u>	<u>17,632</u>	<u>942,813</u>
Balance at January 1, 2018	\$ 91,834	559,026	263,447	4,748	3,318	29,997	6,738	959,108
Balance at June 30, 2018	<u>\$ 91,834</u>	<u>565,072</u>	<u>249,543</u>	<u>4,334</u>	<u>3,344</u>	<u>36,279</u>	<u>154</u>	<u>950,560</u>

(Note) Prepayments for business facilities were reclassified as property, plant and equipment.

As of June 30, 2019, December 31 and June 30, 2018, the property, plant and equipment of the Group had been pledged as collateral for borrowings; please refer to note 8.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	50,728	20,352	71,080
Effect of changes in foreign exchange rates	<u>561</u>	<u>26</u>	<u>587</u>
Balance at June 30, 2019	<u>\$ 51,289</u>	<u>20,378</u>	<u>71,667</u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ -	-	-
Depreciation	368	2,476	2,844
Effect of changes in foreign exchange rates	<u>1</u>	<u>4</u>	<u>5</u>
Balance at June 30, 2019	<u>\$ 369</u>	<u>2,480</u>	<u>2,849</u>
Carrying amount:			
Balance at June 30, 2019	<u>\$ 50,920</u>	<u>17,898</u>	<u>68,818</u>

(h) Short-term and long-term borrowings

(i) Short-term borrowings

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Unsecured bank loans	\$ <u>64,848</u>	<u>25,000</u>	<u>80,000</u>
Unused credit lines	\$ <u>915,724</u>	<u>663,345</u>	<u>897,352</u>
Range of interest rate	<u>0.9132%~3.75%</u>	<u>1%</u>	<u>0.91%</u>

(ii) Long-term borrowings

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Unsecured bank loans	\$ 20,707	46,080	71,120
Less: Current portion	<u>(20,707)</u>	<u>(35,840)</u>	<u>(50,800)</u>
	<u>\$ -</u>	<u>10,240</u>	<u>20,320</u>
Unused credit lines	<u>\$ 31,060</u>	<u>30,720</u>	<u>30,480</u>
Range of interest rate	<u>3.75%</u>	<u>3.75%~4.49%</u>	<u>2.70%~3.77%</u>

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Parts of the Group's long-term borrowings (included current portion) will be settled in foreign currency. The details of foreign long-term liabilities were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
USD (thousand dollars)	\$ <u>667</u>	<u>1,500</u>	<u>2,333</u>
Convert to NTD	\$ <u>20,707</u>	<u>46,080</u>	<u>71,120</u>

As of June 30, 2019, the remaining balance of the borrowing due were as follows:

<u>Period</u>	<u>Amount</u>
2019.7.1~2020.6.30	\$ <u>20,707</u>

For the collateral for borrowing, please refer to note 8.

(i) Lease liabilities

	<u>June 30, 2019</u>		
	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
Less than one year	\$ 5,061	156	4,905
Between one and five years	<u>13,199</u>	<u>169</u>	<u>13,030</u>
	<u>\$ 18,260</u>	<u>325</u>	<u>17,935</u>
Current	<u>\$ 5,061</u>	<u>156</u>	<u>4,905</u>
Non-current financial assets	<u>\$ 13,199</u>	<u>169</u>	<u>13,030</u>

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>
Interest on lease liabilities	\$ <u>48</u>	<u>81</u>

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the six months ended June 30, 2019
Total cash outflow for leases	<u>\$ 2,525</u>

(i) Leases of land , buildings and structures

As of June 30, 2019, the Group leases land , buildings and structures for its office space and parking lot. The leases of office space typically run for a period of 2 to 6 years. Some leases include an option to renew the lease for an additional period of 2 to 3 years after the end of the contract term.

Some leases of equipment contain extension options exercisable. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(j) Operating lease

Since July 15, 2013, the Group has leased land from Hermosa Industrial Zone in the Philippines, with a lease term of 50 years, which will expire on July 14, 2063. After the expiry date, it will be extended automatically for another 25 years, with the expiration date on July 14, 2088. The rental for 75 years amounted to PHP77,148 thousand (approximately \$0 thousand), which has already been paid.

As of December 31 and June 30, 2018, the amounts of the prepaid rent were \$50,728 thousand and \$50,693 thousand, respectively, which recognized in other current assets of \$730 thousand and \$724 thousand and in other non-current assets of \$49,998 thousand and \$49,969 thousand, respectively.

The amounts of rental were as follows:

	Three months ended June 30, 2018	Six months ended June 30, 2018
Operating costs	<u>\$ 177</u>	<u>351</u>

(k) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Operating costs	\$ 76	69	152	139
Operating expenses	<u>146</u>	<u>125</u>	<u>292</u>	<u>360</u>
	<u>\$ 222</u>	<u>194</u>	<u>444</u>	<u>499</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Operating costs	\$ 1,397	1,350	2,743	2,699
Operating expenses	<u>495</u>	<u>572</u>	<u>1,099</u>	<u>1,142</u>
	<u>\$ 1,892</u>	<u>1,922</u>	<u>3,842</u>	<u>3,841</u>

(iii) The Group's subsidiaries incorporated in the Philippine have a defined contribution plan, wherein a monthly contribution to an independent fund, administered by the government in accordance with the pension regulations in the Republic of the Philippines, are based on certain percentage of employees' monthly salaries and wages. The Group recognized the pension costs were as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating costs	\$ 31	42
Operating expenses	<u>6</u>	<u>11</u>
	<u>\$ 37</u>	<u>53</u>

(l) Income taxes

The amounts of income tax were as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Current period	\$ 39,432	33,181	67,237	55,804
Adjustment for prior periods	<u>(86)</u>	<u>(65)</u>	<u>(86)</u>	<u>(65)</u>
Income tax expenses	<u>\$ 39,346</u>	<u>33,116</u>	<u>67,151</u>	<u>55,739</u>

The Company's income tax returns for the years through 2017 were examined by the Taipei National Tax Administration.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to June 30, 2019 and 2018. For the related information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2018.

As of June 30, 2019 and 2018, the Company's authorized share capital consisted of \$1,200,000 thousand shares of ordinary share, with \$10 dollars par value per share, of which \$69,298 thousand shares, was issued and outstanding. All issued shares were paid up upon issuance.

(i) Capital surplus

Balance of capital surplus at the reporting date were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Share capital	<u>\$ 315,168</u>	<u>315,168</u>	<u>315,168</u>

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

(ii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the annual income or earnings, after deducting any accumulated deficit, shall be set aside as a legal reserve. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserves is discontinued. The remaining balance, if any, shall be appropriated as special reserve or distributed as shareholders' equity, which is to be proposed by the board of directors during the shareholders' meeting for approval, in accordance with the relevant laws and regulations.

The Company's industry is in its development stage. In order to achieve its sustainable development goals, the Company is aggressively developing and introducing new products. Thus, the growth stage requires funds to further expand the Company's production lines to facilitate the growth in a next few years. The Company planned to adopt the policy for equalization of dividends to be paid in shares or cash, which is more than 20%, in general. However, if there is a significant capital expenditure in the future (when the purchasing amount of fixed assets or the investment of production offshoring exceed 10% of the paid-in capital), all the cash dividend can be converted into shares, with the approval from the shareholders.

When the Board of Directors decides to distribute the dividend and if the Company's market price of common stock is lower than the par value from Over The Counter Market on the previous day, the cash dividend can be fully or partially paid.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On June 18, 2019 and June 15, 2018, the shareholder's meeting resolved to distribute the 2018 and 2017 earnings. These earnings were appropriated as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Amount per share</u>	<u>Amount</u>	<u>Amount per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash of retained earnings	\$ 4.00	\$ <u>277,193</u>	3.50	<u>242,544</u>

(iii) OCI accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1, 2019	\$ 12,259	(1,315)	10,944
Exchange differences on foreign operations	6,971	-	6,971
Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income	-	(26)	(26)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	1,341	1,341
Balance at June 30, 2019	<u>\$ 19,230</u>	<u>-</u>	<u>19,230</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2018	\$ (5,235)	-	(1,224)	(6,459)
Effects of retrospective application	-	(1,224)	1,224	-
Balance at January 1, 2018 after adjustments	(5,235)	(1,224)	-	(6,459)
Exchange differences on foreign operations	12,855	-	-	12,855
Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income	-	12	-	12
Balance at June 30, 2018	<u>\$ 7,620</u>	<u>(1,212)</u>	<u>-</u>	<u>6,408</u>

(n) Earnings per share

The Company's earnings per share were calculated as follows:

(i) Basic earnings per share

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Profit attributable to ordinary shareholders of the Company	\$ <u>131,507</u>	<u>113,275</u>	<u>247,504</u>	<u>196,146</u>
Weighted-average number of ordinary shares	<u>69,298</u>	<u>69,298</u>	<u>69,298</u>	<u>69,298</u>
Basic earnings per share (express in New Taiwan Dollar)	<u>\$ 1.90</u>	<u>1.63</u>	<u>3.57</u>	<u>2.83</u>

(ii) Diluted earnings per share

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Profit attributable to ordinary shareholders of the Company	\$ <u>131,507</u>	<u>113,275</u>	<u>247,504</u>	<u>196,146</u>
Weighted-average number of ordinary shares (basic)	69,298	69,298	69,298	69,298
Effect of employee remuneration (in thousands)	139	73	237	215
Weighted-average number of ordinary shares (diluted)	<u>69,437</u>	<u>69,371</u>	<u>69,535</u>	<u>69,513</u>
Diluted earnings per share (express in New Taiwan Dollar)	<u>\$ 1.89</u>	<u>1.63</u>	<u>3.56</u>	<u>2.82</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2019</u>
Primary geographical markets:				
Asia	\$ 160,569	126,985	359,199	251,149
South America	49,934	48,806	105,070	94,987
North America	75,951	44,693	137,175	79,684
Others	<u>187,084</u>	<u>187,193</u>	<u>312,808</u>	<u>357,765</u>
Total	<u>\$ 473,538</u>	<u>407,677</u>	<u>914,252</u>	<u>783,585</u>
Major products service lines:				
Manufacturing, trading and selling of medical equipment	<u>\$ 473,538</u>	<u>407,677</u>	<u>914,252</u>	<u>783,585</u>

(ii) Contract balances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Notes and accounts receivable	\$ 311,400	282,676	299,917
Less: allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 311,400</u>	<u>282,676</u>	<u>299,917</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current contract liabilities	<u>\$ 32,782</u>	<u>33,923</u>	<u>22,300</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the six months ended June 30, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were \$31,055 thousand and \$12,371 thousand, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(p) Remuneration to employees, directors and supervisors

According to the Article of Association, once the Company has annual profit, it should appropriate no less than 5% of the profit to its employees and 1.6% or less to its directors and supervisors.

The Company's estimated remuneration is as follows:

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2018</u>
Employee remuneration	\$ 9,054	7,815	16,763	13,438
Directors' and supervisors' remuneration	<u>2,897</u>	<u>2,501</u>	<u>5,364</u>	<u>4,300</u>
	<u>\$ 11,951</u>	<u>10,316</u>	<u>22,127</u>	<u>17,738</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Association. The above remuneration were included in the operating expenses of the six months ended June 30, 2019 and 2018. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

For the year ended December 31, 2018 and 2017 the Company accrued and recognized its employee remuneration amounting to \$27,440 thousand and \$20,957 thousand, and directors' and supervisors' remuneration amounting to \$8,781 thousand and \$6,706 thousand, respectively. There was no differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(q) Non-operating income and expenses

(i) Other income

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2018</u>
Interest income:				
Interest income from RP bills	\$ 1,208	920	2,296	1,725
Interest income from funds	90	90	179	179
Interest income from deposit	3	2	6	5
Interest income from bank deposit	<u>334</u>	<u>157</u>	<u>1,014</u>	<u>400</u>
	1,635	1,169	3,495	2,309
Subsidy revenue	6,251	-	6,772	263
Compensation income	-	19	-	592
Others	<u>1,503</u>	<u>1,350</u>	<u>2,572</u>	<u>2,469</u>
	<u>\$ 9,389</u>	<u>2,538</u>	<u>12,839</u>	<u>5,633</u>

(ii) Other gains and losses

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2018</u>
Foreign exchange gains	\$ 5,599	18,431	9,905	8,381
Gains (losses) on financial assets at fair value through profit or loss	506	(114)	1,119	(115)
Gains (losses) on disposal of property plant and equipment	-	1	-	(25)
Others	<u>(154)</u>	<u>(485)</u>	<u>(189)</u>	<u>(622)</u>
	<u>\$ 5,951</u>	<u>17,833</u>	<u>10,835</u>	<u>7,619</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2019</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2018</u>
Interest expense on bank borrowings	\$ (500)	(722)	(942)	(1,507)
Interest expense on lease liabilities	(48)	-	(81)	-
	<u>\$ (548)</u>	<u>(722)</u>	<u>(1,023)</u>	<u>(1,507)</u>

(r) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2018. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of June 30, 2019, December 31 and June 30, 2018, 32%, 30% and 28% of the Group's accounts receivable were concentrated on 2 specific customers, respectively.

3) Receivables securities

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

Other financial assets at amortized costs includes other receivables.

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.

For the six months ended June 30, 2019 and 2018, the impairment loss are not recognized and reserved.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2019						
Non-derivative financial liabilities						
Short-term borrowing	\$ 64,848	65,314	65,314	-	-	-
Long-term liabilities, current portion	20,707	21,484	21,484	-	-	-
Notes payable	44,595	44,595	44,595	-	-	-
Accounts payable	89,558	89,558	89,558	-	-	-
Other payables	37,840	37,840	37,840	-	-	-
Payables on machinery and equipment	6,069	6,069	6,069	-	-	-
Dividends payable	277,193	277,193	277,193	-	-	-
Lease liabilities (current and non current)	17,935	18,260	5,061	4,987	8,212	-
	<u>\$ 558,745</u>	<u>560,313</u>	<u>547,114</u>	<u>4,987</u>	<u>8,212</u>	<u>-</u>
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowing	\$ 25,000	25,125	25,125	-	-	-
Long-term liabilities, current portion	35,840	37,681	37,681	-	-	-
Notes payable	37,807	37,807	37,807	-	-	-
Accounts payable	75,256	75,256	75,256	-	-	-
Other payables	35,634	35,634	35,634	-	-	-
Payables on machinery and equipment	5,941	5,941	5,941	-	-	-
Long-term borrowings	10,240	10,624	-	10,624	-	-
	<u>\$ 225,718</u>	<u>228,068</u>	<u>217,444</u>	<u>10,624</u>	<u>-</u>	<u>-</u>
June 30, 2018						
Non-derivative financial liabilities						
Short-term borrowing	\$ 80,000	80,232	80,232	-	-	-
Long-term liabilities, current portion	50,800	53,184	53,184	-	-	-
Notes payable	43,196	43,196	43,196	-	-	-
Accounts payable	88,321	88,321	88,321	-	-	-
Other payables	44,901	44,901	44,901	-	-	-
Payables on machinery and equipment	2,859	2,859	2,859	-	-	-
Dividends payable	242,544	242,544	242,544	-	-	-
Long-term borrowings	20,320	26,223	-	21,006	5,217	-
	<u>\$ 572,941</u>	<u>581,460</u>	<u>555,237</u>	<u>21,006</u>	<u>5,217</u>	<u>-</u>

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

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

	June 30, 2019			December 31, 2018			June 30, 2018			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	13,544	31.06	420,671	14,218	30.72	436,778	14,743	30.48	449,374
EUR		2,165	35.29	76,397	1,196	35.24	42,159	1,560	35.55	55,453
JPY		8,973	0.2872	2,577	54,721	0.2786	15,242	166,510	0.2755	45,882
PHP		65,745	0.6220	40,893	53,363	0.5990	31,964	35,682	0.5855	20,892
CNY		15,329	4.545	69,672	13,352	4.473	59,725	10,975	4.601	50,494
<u>Investments accounted for using equity method</u>										
USD		19,401	31.06	602,583	18,224	30.72	559,855	17,379	30.48	529,722
PHP		18,431	0.6220	11,464	11,833	0.5990	7,088	7,713	0.5855	4,516
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		1,707	31.06	53,015	1,044	30.72	32,068	1,197	30.48	36,476
EUR		389	35.29	13,729	296	35.24	10,414	462	35.55	16,424
JPY		39,813	0.2872	11,432	43,942	0.2786	12,240	35,573	0.2755	9,802
PHP		19,014	0.6220	11,827	27,482	0.5990	16,462	14,819	0.5855	8,677

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

A strengthening (weakening) of 1% of the NTD against the foreign currency for the six months ended June 30, 2019 and 2018 would have increased (decreased), the net profit before tax by \$5,202 thousand and \$5,507 thousand, respectively. The analysis is performed on the same basis for 2018.

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 six months ended June 30, 2019 and 2018, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$9,905 thousand and \$8,381 thousand, respectively.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) 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 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 1% 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 1% basic points the Group's net profit before tax would have decreased / increased by \$428 thousand and \$756 thousand for the six months ended June 30, 2019 and 2018 with all other variable factors remain constant. This is mainly due to the Group's borrowing at floating rates.

3) Other market price risk

For the six months ended June 30, 2019 and 2018, the sensitivity analyzes for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the six months ended June 30			
	2019		2018	
	Other comprehensive income before tax	Net profit before tax	Other comprehensive income before tax	Net profit before tax
Prices of securities at the reporting date				
Increasing 1%	\$ -	33	3	32
Decreasing 1%	\$ -	(33)	(3)	(32)

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 146,336	146,336	-	-	146,336
Designated at fair value through profit or loss	29,740	29,740	-	-	29,740
Subtotal	<u>176,076</u>	<u>176,076</u>	<u>-</u>	<u>-</u>	<u>176,076</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	340	340	-	-	340
Financial assets measured at amortized cost					
Cash and cash equivalents	1,090,318	-	-	-	-
Notes and accounts receivables	299,917	-	-	-	-
Other financial assets	3,121	-	-	-	-
Subtotal	<u>1,393,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,569,772</u>	<u>176,416</u>	<u>-</u>	<u>-</u>	<u>176,416</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 80,000	-	-	-	-
Long-term liabilities, current portion	50,800	-	-	-	-
Notes and accounts payables	131,517	-	-	-	-
Other payable	44,901	-	-	-	-
Payables on machinery and equipment	2,859	-	-	-	-
Dividends payable	242,544	-	-	-	-
Long-term borrowings	20,320	-	-	-	-
Total	<u>\$ 572,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

When the financial instruments of the Group is traded in an active market, its fair value is illustrated by the category and nature as follows:

The fair value of listed stocks and funds traded in an active market is based on the market quoted price.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market date at the reporting date.

3) Categories and fair values of financial instruments

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For the six months ended June 30, 2019 and 2018, there were no change on the fair value hierarchy of financial asset.

(s) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

(t) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2018 for further details.

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BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Investing and financing activities not affecting the current cash flow

The Group's financial activities which did not affect the current cash flow for the six months ended June 30, 2019 and 2018, were as follows:

	January 1, 2019	Cash flows	Non-cash changes	June 30, 2019
			Foreign exchange movement	
Short-term borrowings	\$ 25,000	40,280	(432)	64,848
Long-term borrowings (including current portion)	46,080	(25,820)	447	20,707
Lease liabilities (current and non current)	20,352	(2,444)	27	17,935
Total liabilities from financial activities	<u>\$ 91,432</u>	<u>12,016</u>	<u>42</u>	<u>103,490</u>

	January 1, 2018	Cash flows	Non-cash changes	June 30, 2018
			Foreign exchange movement	
Long-term borrowings (including current portion)	\$ 81,895	(12,309)	1,534	71,120
Total liabilities from financial activities	<u>\$ 81,895</u>	<u>(12,309)</u>	<u>1,534</u>	<u>71,120</u>

(7) Related-parties transactions:

(a) Names and relationship with related parties

Due to the absence of any transaction with related parties during the periods covered in the consolidated financial statements, the name and relationships of related parties have not been disclosed.

(b) Significant transactions with related parties: None.

(c) Key management personnel compensation

Key management personnel compensation were comprised as below:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Short-term employee benefits	\$ 6,045	5,520	11,681	10,236
Post-employment benefits	127	44	254	309
	<u>\$ 6,172</u>	<u>5,564</u>	<u>11,935</u>	<u>10,545</u>

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
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(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other current financial assets:				
Restricted bank deposit	Purchase guarantee	\$ 601	601	601
Property, plant and equipment				
Land	Credit of short-term borrowings	91,834	91,834	91,834
Buildings and structures	Credit of short-term borrowings	187,773	191,729	195,685
Machinery and equipment	Credit of short-term borrowings	15,297	19,367	23,534
		<u>\$ 295,505</u>	<u>303,531</u>	<u>311,654</u>

(9) Commitments and contingencies:**(a) Contingencies**

In prior years, the Group entered into the license agreement which has expired with a supplier. On July 5, 2018, the supplier filed a complaint which has not completed accusing the Group. The Group assess there is no the significant impact on its consolidated financial statements.

(b) Notes issued as guarantee

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Long-term borrowings	<u>\$ 895,300</u>	<u>743,600</u>	<u>877,160</u>

(c) The agreements for expansion of the factory and purchases of machinery and equipment

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Total contract price	<u>\$ 180,532</u>	<u>140,761</u>	<u>46,616</u>
Paid amount	<u>\$ 99,134</u>	<u>77,348</u>	<u>22,507</u>

(10) Losses Due to Major Disasters: None**(11) Subsequent Events: None**

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
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(12) Other:

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

By item	By function	Three months ended June 30, 2019			Three months ended June 30, 2018		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		50,606	23,969	74,575	46,068	26,279	72,347
Labor and health insurance		3,912	1,181	5,093	3,670	1,373	5,043
Pension		1,504	647	2,151	1,419	697	2,116
Remuneration of directors		-	2,427	2,427	-	1,802	1,802
Others		2,105	905	3,010	1,978	758	2,736
Depreciation		20,842	2,126	22,968	19,286	905	20,191
Amortization		152	341	493	518	566	1,084

By item	By function	Six months ended June 30, 2019			Six months ended June 30, 2018		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		99,951	46,709	146,660	90,101	40,978	131,079
Labor and health insurance		7,768	2,644	10,412	7,263	2,547	9,810
Pension		2,937	1,402	4,339	2,838	1,502	4,340
Remuneration of directors		-	4,274	4,274	-	3,161	3,161
Others		4,172	1,595	5,767	3,935	2,113	6,048
Depreciation		41,468	4,251	45,719	38,100	1,780	39,880
Amortization		378	806	1,184	944	1,166	2,110

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:**(a) Information on significant transactions:**

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2019 :

(i) Leading to other parties:

(In thousands of dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Amount of used loan facilities (Note 4)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2)
													Item	Value		
1	BIOTEQUE MEDICAL CO., LTD.	BIOTEQUE MEDICAL PHIL. INC.	Accounts receivable from related parties	Yes	216,230 (USD 7,000)	124,240 (USD 4,000)	124,240 (USD 4,000)	2.00%	2	-	Working Capital	-	None	-	268,213 (Note 2)	268,213 (Note 2)

Note 1: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

Note 2: For entities in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the net worth of the borrower.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In thousands of dollars)

Number	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	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 (Note 1)	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 (Note 3)										
1	The Company	BIOTEQUE MEDICAL CO., LTD.	4	207,894	30,810 (USD 1,000)	-	-	-	- %	339,561	Y	N	N
2	The Company	BIOTEQUE MEDICAL PHIL. INC.	4	207,894	205,400 (USD 6,500)	201,890 (USD 6,500)	45,565 (USD 1,467)	-	8.81 %	339,561	Y	N	N

Note 1: The total amount for the guarantees and endorsements provided by the Company to external entities shall not exceed 49% of the Company's shares. The total amount for the guarantees and endorsements provided by the Company and its subsidiaries to external entities shall not exceed 49% of the Company's net worth.

Note 2: The total amount for the guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's shares. The total amount for the guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth.

Note 3: Relationship with the Company

1. Ordinary business relationship.
2. An entity, directly and indirectly, owned more than 50% voting shares of a guarantor.
3. A guarantor, directly and indirectly, owned more than 50% voting shares of an entity.
4. An entity, directly and indirectly, owned more than 90% voting shares of a guarantor.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
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(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)		
The Company	Capital Money Market Fund	None	Current financial assets at fair value through profit or loss	641	10,351	-	10,351	
"	Yuanta Wan Tai Money Market Fund	"	"	2,497	37,865	-	37,865	
"	Franklin Templeton Sinoam Money Market Fund	"	"	2,992	30,970	-	30,970	
"	Mega Diamond Money Market Fund	"	"	2,894	36,327	-	36,327	
"	Paradigm Pion Money Market Fund	"	"	1,970	22,783	-	22,783	
CHUNGTEX INVESTMENT CO., LTD.	E.SUN FINANCIAL HOLDING COMPANY, LTD.	"	Current financial assets at fair value through profit or loss	32	828	-	828	
"	China Steel Corporation	"	"	11	274	-	274	
"	UNITED MICROELECTRONICS CORP.	"	"	10	139	-	139	
"	EVERGREEN MARINE CORP. (TAIWAN) LTD.	"	"	-	2	-	2	
"	TAISHIN FINANCIAL HOLDING CO., LTD.	"	"	64	912	-	912	
"	CHANG HWA COMMERCIAL BANK, LTD.	"	"	31	654	-	654	
"	EXCELSIOR MEDICAL CO., LTD	"	"	10	516	-	516	
"	PineBridge Emerging Market Corporate Strategy Bond Fund B	"	"	378	3,246	-	3,246	
"	Fuh Hwa Emerging Market High Yield Bond Fund B	"	"	412	2,268	-	2,268	
BIOTEQUE MEDICAL CO., LTD	Bonds with a rating of BBB- or better by the standard & poor's	"	"	-	31,057	-	31,057	

Note: If there are public markets prices, the fair value shall be evaluated by the last operating date of the accounting duration.

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: None.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
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(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	BIOTEQUE MEDICAL PHIL. INC.	Subsidiary	186,094	1.32	-	-	17,374	-

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ix) Information regarding trading in derivative financial instruments: None.

(x) Significant transactions and business relationship between the parent company and its subsidiaries for the six months ended June 30, 2019:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	BIOTEQUE MEDICAL PHIL. INC.	1	Account receivables	167,923	OA 270	5.42%
0	The Company	BIOTEQUE MEDICAL PHIL. INC.	1	Processing costs	14,028	There is no significant difference from translation terms with non-related parties.	1.53%
0	The Company	BIOTEQUE MEDICAL PHIL. INC.	1	Other receivables	18,171		OA 270
0	The Company	BIOTEQUE MEDICAL PHIL. INC.	1	Account payables	26,491	OA 30	0.86%
1	BIOTEQUE MEDICAL CO., LTD.	BIOTEQUE MEDICAL PHIL. INC.	3	Other receivables	124,240	2%	4.01%

Note 1: Company numbering as follows:

Parent company—0

Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

Parent company to subsidiary—1

Subsidiary to parent company—2

Subsidiary to subsidiary—3

Note 3: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(b) Information on investees:

The following are the information on investees for the six months ended June 30, 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 June 30, 2019			Net income (losses) of investee	Share of profits (losses) of investee	Remark
				June 30, 2019	December 31, 2018	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	BIOTEQUE MEDICAL CO., LTD.	Samou	Investment activities	16,349	16,349	500	100.00 %	268,213	1,862	1,862	Subsidiary
The Company	CHUNGTEX INVESTMENT CO., LTD.	Taipei	Investment activities	28,800	28,800	2,880	100.00 %	29,666	940	940	*
The Company	BIOTEQUE MEDICAL PHIL. INC.	Philippines	Manufacturing and Trading of Medical equipment	299,315	299,315	4,481	100.00 %	334,370	37,378	37,378	*
BIOTEQUE MEDICAL PHIL. INC.	BONTEQ MEDICAL DISTRIBUTION PHIL. INC.	Philippines	Trading of Medical equipment	6,801	6,801	100	100.00 %	11,464	4,016	4,016	Investment through subsidiary

Note: The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

(c) Information on investment in Mainland China: None.

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(14) Segment information:

There were no significant changes in the Group's division, as well as the profit and loss measurement basis, as disclosed in the consolidated financial statements for the year December 31, 2018.

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

Three months ended June 30, 2019						
	<u>Segment A</u>	<u>Segment B</u>	<u>Segment C</u>	<u>Other Segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:						
Revenue from external customers	\$ 208,527	78,780	182,062	4,169	-	473,538
Intersegment revenue	-	6,100	-	-	(6,100)	-
Total revenue	<u>\$ 208,527</u>	<u>84,880</u>	<u>182,062</u>	<u>4,169</u>	<u>(6,100)</u>	<u>473,538</u>
Reporting segment profit or loss	<u>\$ 40,554</u>	<u>23,366</u>	<u>92,144</u>	<u>14,789</u>	<u>-</u>	<u>170,853</u>
Three months ended June 30, 2018						
	<u>Segment A</u>	<u>Segment B</u>	<u>Segment C</u>	<u>Other Segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:						
Revenue from external customers	\$ 172,678	78,810	152,521	3,668	-	407,677
Intersegment revenue	-	6,312	-	-	(6,312)	-
Total revenue	<u>\$ 172,678</u>	<u>85,122</u>	<u>152,521</u>	<u>3,668</u>	<u>(6,312)</u>	<u>407,677</u>
Reporting segment profit or loss	<u>\$ 28,778</u>	<u>21,988</u>	<u>76,441</u>	<u>19,184</u>	<u>-</u>	<u>146,391</u>
Six months ended June 30, 2019						
	<u>Segment A</u>	<u>Segment B</u>	<u>Segment C</u>	<u>Other Segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:						
Revenue from external customers	\$ 396,759	160,873	349,520	7,100	-	914,252
Intersegment revenue	-	11,663	-	-	(11,663)	-
Total revenue	<u>\$ 396,759</u>	<u>172,536</u>	<u>349,520</u>	<u>7,100</u>	<u>(11,663)</u>	<u>914,252</u>
Reporting segment profit or loss	<u>\$ 75,488</u>	<u>44,676</u>	<u>172,295</u>	<u>22,196</u>	<u>-</u>	<u>314,655</u>
Six months ended June 30, 2018						
	<u>Segment A</u>	<u>Segment B</u>	<u>Segment C</u>	<u>Other Segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:						
Revenue from external customers	\$ 329,498	147,051	300,572	6,464	-	783,585
Intersegment revenue	-	11,188	-	-	(11,188)	-
Total revenue	<u>\$ 329,498</u>	<u>158,239</u>	<u>300,572</u>	<u>6,464</u>	<u>(11,188)</u>	<u>783,585</u>
Reporting segment profit or loss	<u>\$ 55,086</u>	<u>37,695</u>	<u>148,689</u>	<u>10,415</u>	<u>-</u>	<u>251,885</u>

The material reconciling items of the above reportable segment as below:

Total reportable segment revenue after deducting the intersegment revenue was \$6,100 thousand, \$6,312 thousand, \$11,663 thousand and \$11,188 thousand dollars in the three months and six months ended June 30, 2019 and 2018.