

BIOTEQUE CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements**

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

Address: 5F.-6, No.23, Sec.1. Chang-An E. Rd., Taipei City 104, Taiwan (R.O.C.)
Telephone: +886-2-2571-0269

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.

Table of contents

| Contents | Page |
|---|-------|
| 1. Cover Page | 1 |
| 2. Table of Contents | 2 |
| 3. Independent Auditors' Review Report | 3 |
| 4. Consolidated Balance Sheets | 4 |
| 5. Consolidated Statements of Comprehensive Income | 5 |
| 6. Consolidated Statements of Changes in Equity | 6 |
| 7. Consolidated Statements of Cash Flows | 7 |
| 8. Notes to the Consolidated Financial Statements | |
| (1) Company history | 8 |
| (2) Approval date and procedures of the consolidated financial statements | 8 |
| (3) New standards and interpretations not yet adopted | 8~9 |
| (4) Summary of significant accounting policies | 9~10 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 10~11 |
| (6) Explanation of significant accounts | 11~30 |
| (7) Related-party transactions | 30 |
| (8) Pledged assets | 31 |
| (9) Commitments and contingencies | 31 |
| (10) Losses Due to Major Disasters | 31 |
| (11) Subsequent Events | 31 |
| (12) Other | 32 |
| (13) Other disclosures | |
| (a) Information on significant transactions | 33~35 |
| (b) Information on investees | 35 |
| (c) Information on investment in mainland China | 35 |
| (d) Major shareholders | 35 |
| (14) Segment information | 36 |



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

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 March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, 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 March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 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)

May 12, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 March 31, 2020 and 2019

BIOTEQUE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31 and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

| | March 31, 2020 | | December 31, 2019 | | March 31, 2019 | |
|---|---------------------|------------|-------------------|------------|------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | |
| Current assets: | | | | | | |
| 1100 Cash and cash equivalents (note 6(a)) | \$ 1,147,953 | 37 | 1,054,596 | 36 | 1,065,930 | 36 |
| 1110 Current financial assets at fair value through profit or loss (note 6(b)) | 177,258 | 6 | 178,118 | 6 | 177,223 | 6 |
| 1150 Notes receivable, net (notes 6(d) and (n)) | 73,083 | 3 | 68,834 | 2 | 70,595 | 3 |
| 1170 Accounts receivable, net (notes 6(d) and (n)) | 252,792 | 8 | 218,958 | 8 | 204,898 | 7 |
| 130X Inventories (note 6(e)) | 283,047 | 9 | 268,278 | 9 | 279,312 | 10 |
| 1476 Other current financial assets (note 8) | 601 | - | 513 | - | 1,613 | - |
| 1479 Other current assets | 26,325 | 1 | 26,532 | 1 | 28,155 | 1 |
| Total current assets | 1,961,059 | 64 | 1,815,829 | 62 | 1,827,726 | 63 |
| Non-current assets: | | | | | | |
| 1517 Non-current financial assets at fair value through other comprehensive income (note 6(c)) | - | - | - | - | 222 | - |
| 1600 Property, plant and equipment (notes 6(f), 8 and 9) | 942,019 | 31 | 943,782 | 32 | 940,904 | 32 |
| 1755 Right-of-use assets (note 6(g)) | 69,204 | 2 | 64,365 | 2 | 69,811 | 2 |
| 1840 Deferred tax assets | 4,093 | - | 4,093 | - | 2,657 | - |
| 1915 Prepayments for business facilities (note 9) | 92,445 | 3 | 103,336 | 4 | 75,599 | 3 |
| 1980 Other non-current financial assets | 1,980 | - | 1,956 | - | 1,999 | - |
| 1995 Other non-current assets | 6,940 | - | 7,137 | - | 3,969 | - |
| Total non-current assets | 1,116,681 | 36 | 1,124,669 | 38 | 1,095,161 | 37 |
| Total assets | \$ 3,077,740 | 100 | 2,940,498 | 100 | 2,922,887 | 100 |
| Liabilities and Equity | | | | | | |
| Current liabilities: | | | | | | |
| 2130 Current contract liabilities (note 6(n)) | 42,320 | 2 | 36,709 | 1 | 51,017 | 2 |
| 2150 Notes payable | 32,742 | 1 | 41,415 | 2 | 39,223 | 1 |
| 2170 Accounts payable | 84,211 | 3 | 66,441 | 3 | 78,507 | 3 |
| 2209 Other payables (note 6(o)) | 111,042 | 4 | 125,208 | 4 | 106,466 | 4 |
| 2213 Payable on machinery and equipment | 6,362 | - | 6,597 | - | 3,347 | - |
| 2230 Current tax liabilities | 92,637 | 3 | 63,695 | 2 | 89,388 | 3 |
| 2280 Current lease liabilities (notes 6(f) and 6(t)) | 6,535 | - | 4,933 | - | 4,877 | - |
| 2320 Long-term liabilities, current portion (notes 6(h) and 6(t)) | 5,038 | - | 10,027 | - | 28,243 | 1 |
| 2399 Other current liabilities | 6,351 | - | 9,952 | - | 8,916 | - |
| Total current liabilities | 387,238 | 13 | 364,977 | 12 | 409,984 | 14 |
| Non-Current liabilities: | | | | | | |
| 2540 Long-term borrowings (notes 6(h), 6(t) and 9) | 67,603 | 2 | 67,603 | 3 | 51,521 | 2 |
| 2570 Deferred tax liabilities | 13,736 | 1 | 10,549 | - | 14,253 | 1 |
| 2580 Non-current lease liabilities (notes 6(i) and 6(t)) | - | - | - | - | 8 | - |
| 2600 Other non-current liabilities | 9,242 | - | 9,242 | - | 10,227 | - |
| 2640 Net defined benefit liability, non-current | 90,581 | 3 | 87,394 | 3 | 81,144 | 3 |
| Total non-current liabilities | 171,162 | 6 | 174,788 | 6 | 167,153 | 6 |
| Total liabilities | 558,400 | 19 | 539,765 | 18 | 577,137 | 20 |
| Equity attributable to owners of parent (note 6(i)): | | | | | | |
| 3100 Ordinary shares | 692,983 | 22 | 692,983 | 24 | 692,983 | 24 |
| 3200 Capital surplus | 315,168 | 10 | 315,168 | 11 | 315,168 | 11 |
| Retained earnings: | | | | | | |
| 3310 Legal reserve | 323,903 | 11 | 323,903 | 11 | 283,404 | 10 |
| 3320 Special reserve | - | - | - | - | 6,459 | - |
| 3350 Unappropriated retained earnings | 1,266,332 | 41 | 1,157,787 | 39 | 1,121,066 | 38 |
| Other equity interest: | 1,590,235 | 52 | 1,481,690 | 50 | 1,410,929 | 48 |
| Exchange differences on translation of foreign financial statements | 1,535 | - | (1,714) | - | 14,008 | - |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | - | - | - | (1,329) | - |
| Total equity | 2,599,921 | 84 | 2,488,127 | 85 | 2,431,759 | 83 |
| Total liabilities and equity | \$ 3,077,740 | 100 | 2,940,498 | 100 | 2,922,887 | 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 ended March 31, 2020 and 2019

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

| | | <u>For the three months ended March 31</u> | | | |
|------|--|--|-----------|----------------|-----------|
| | | <u>2020</u> | | <u>2019</u> | |
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Operating revenue (note 6(n)) | \$ 440,476 | 100 | 440,714 | 100 |
| 5000 | Operating costs (notes 6(e), (f), (j) and 12) | <u>246,474</u> | <u>56</u> | <u>251,009</u> | <u>57</u> |
| | Gross profit from operations | <u>194,002</u> | <u>44</u> | <u>189,705</u> | <u>43</u> |
| 6000 | Operating expenses (notes 6(d), (f), (g), (j), (n),(o), (q), 7 and 12): | | | | |
| 6100 | Selling expenses | 21,154 | 5 | 21,476 | 5 |
| 6200 | Administrative expenses | 22,150 | 5 | 23,242 | 5 |
| 6300 | Research and development expenses | 16,184 | 4 | 9,044 | 2 |
| 6450 | Expected credit loss | <u>165</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total operating expenses | <u>59,653</u> | <u>14</u> | <u>53,762</u> | <u>12</u> |
| 6900 | Net operating income | <u>134,349</u> | <u>30</u> | <u>135,943</u> | <u>31</u> |
| 7000 | Non-operating income and expenses (notes 6(i) and (p)): | | | | |
| 7010 | Other income | 2,624 | 1 | 3,450 | - |
| 7020 | Other gains and losses | 760 | - | 4,884 | 1 |
| 7050 | Finance costs | <u>(128)</u> | <u>-</u> | <u>(475)</u> | <u>-</u> |
| | Total non-operating income and expenses | <u>3,256</u> | <u>1</u> | <u>7,859</u> | <u>1</u> |
| 7900 | Profit before tax | 137,605 | 31 | 143,802 | 32 |
| 7951 | Less: Tax expenses (note 6(k)) | <u>29,060</u> | <u>6</u> | <u>27,805</u> | <u>6</u> |
| | Profit | <u>108,545</u> | <u>25</u> | <u>115,997</u> | <u>26</u> |
| 8300 | Other comprehensive income (loss) (note 6(l)): | | | | |
| 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 | - | - | (14) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total components of other comprehensive income (loss) that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>(14)</u> | <u>-</u> |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss: | | | | |
| 8361 | Exchange differences on translation | 3,249 | - | 1,749 | 1 |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total components of other comprehensive income (loss) that will be reclassified to profit or loss | <u>3,249</u> | <u>-</u> | <u>1,749</u> | <u>1</u> |
| 8300 | Other comprehensive income (loss), net | <u>3,249</u> | <u>-</u> | <u>1,735</u> | <u>1</u> |
| | Comprehensive income | <u>\$ 111,794</u> | <u>25</u> | <u>117,732</u> | <u>27</u> |
| | Profit, attributable to: | | | | |
| | Profit, attributable to owners of parent | <u>\$ 108,545</u> | <u>25</u> | <u>115,997</u> | <u>26</u> |
| | Comprehensive income, attributable to: | | | | |
| | Comprehensive income, attributable to owners of parent | <u>\$ 111,794</u> | <u>25</u> | <u>117,732</u> | <u>27</u> |
| 9750 | Basic earnings per share (note 6(m)) (Expressed in New Taiwan Dollars) | <u>\$ 1.57</u> | | <u>1.67</u> | |
| 9850 | Diluted earnings per share (note 6(m)) (Expressed in New Taiwan Dollars) | <u>\$ 1.56</u> | | <u>1.67</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 three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | Attributable to owners of parent | | | | Other equity interest | | Total equity | |
|--|----------------------------------|-----------------|---------------|-----------------|----------------------------------|---|--------------|---|
| | 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 |
| 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 three months ended March 31, 2019 | - | - | - | - | 115,997 | - | - | 115,997 |
| Other comprehensive income for the three months ended March 31, 2019 | - | - | - | - | - | 1,749 | (14) | 1,735 |
| Total comprehensive income for the three months ended March 31, 2019 | - | - | - | - | 115,997 | 1,749 | (14) | 117,732 |
| Balance at March 31, 2019 | \$ 692,983 | 315,168 | 283,404 | 6,459 | 1,121,066 | 14,008 | (1,329) | 2,431,759 |
| Balance at January 1, 2020 | \$ 692,983 | 315,168 | 323,903 | - | 1,157,787 | (1,714) | - | 2,488,127 |
| Net income for the three months ended March 31, 2020 | - | - | - | - | 108,545 | - | - | 108,545 |
| Other comprehensive income for the three months ended March 31, 2020 | - | - | - | - | - | 3,249 | - | 3,249 |
| Total comprehensive income for the three months ended March 31, 2020 | - | - | - | - | 108,545 | 3,249 | - | 111,794 |
| Balance at March 31, 2020 | \$ 692,983 | 315,168 | 323,903 | - | 1,266,332 | 1,535 | - | 2,599,921 |

(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 three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31 | |
|---|-------------------------------------|-----------|
| | 2020 | 2019 |
| Cash flows generated from (used in) operating activities: | | |
| Profit before tax | \$ 137,605 | 143,802 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 25,358 | 22,751 |
| Amortization expense | 1,060 | 691 |
| Expected credit loss | 165 | - |
| Net loss (gain) on financial assets at fair value through profit or loss | 1,224 | (613) |
| Interest expense | 128 | 475 |
| Interest income | (853) | (1,860) |
| Total adjustments to reconcile profit | 27,082 | 21,444 |
| Changes in operating assets: | | |
| Notes receivable | (4,249) | 1,043 |
| Accounts receivable | (33,999) | 6,140 |
| Inventories | (14,769) | 2,422 |
| Other current assets | 379 | (6,928) |
| Other financial assets | - | 330 |
| Total changes in operating assets | (52,638) | 3,007 |
| Changes in operating liabilities: | | |
| Current contract liabilities | 5,611 | 17,094 |
| Notes payable | (8,673) | 1,416 |
| Accounts payable | 17,770 | 3,251 |
| Other payable | (14,153) | 2,322 |
| Net defined benefit liability | - | 129 |
| Other current liabilities | (3,601) | 2,897 |
| Total changes in operating liabilities | (3,046) | 27,109 |
| Total changes in operating assets and liabilities | (55,684) | 30,116 |
| Total adjustments | (28,602) | 51,560 |
| Cash inflow generated from operations | 109,003 | 195,362 |
| Interest received | 681 | 1,618 |
| Income taxes paid | (118) | (162) |
| Net cash flows generated from operating activities | 109,566 | 196,818 |
| Cash flows generated from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through profit or loss | (30,761) | (30,607) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 30,550 | 30,412 |
| Acquisition of property, plant and equipment | (6,156) | (10,439) |
| Increase in other financial assets | (112) | (27) |
| Increase in other non-current assets | (863) | (1,103) |
| Increase in prepayments for business facilities | (2,452) | (6,567) |
| Decrease in payables on machinery and equipment | (235) | (2,594) |
| Net cash flows used in investing activities | (10,029) | (20,925) |
| Cash flows generated from (used in) financing activities: | | |
| Decrease in short-term loans | - | (25,000) |
| Repayments of long-term borrowings | (5,022) | (12,844) |
| Payment of lease liabilities | (1,624) | (1,224) |
| Interest paid | (141) | (447) |
| Net cash flows used in financing activities | (6,787) | (39,515) |
| Effect of exchange rate changes on cash and cash equivalents | 607 | 2,951 |
| Net increase in cash and cash equivalents | 93,357 | 139,329 |
| Cash and cash equivalents at beginning of period | 1,054,596 | 926,601 |
| Cash and cash equivalents at end of period | \$ 1,147,953 | 1,065,930 |

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 March 31, 2020 and 2019

BIOTEQUE CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars Except for Earnings 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 three months ended March 31, 2020 and 2019 were authorized for issue by the board of directors on May 12, 2020.

(3) New standards and interpretations not yet 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, 2020.

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|--|------------------------------------|
| Amendments to IFRS 3 “Definition of a Business” | January 1, 2020 |
| Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform” | January 1, 2020 |
| Amendments to IAS 1 and IAS 8 “Definition of Material” | January 1, 2020 |

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

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) 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 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2022 |

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

| <u>Issuance / Release Dates</u> | <u>Standards or Interpretations</u> | <u>Content of amendment</u> |
|---------------------------------|---|---|
| January 23, 2022 | Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. |

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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the 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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019

(b) Basis of consolidation

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | |
|-----------------------------|--|--|----------------|-------------------|----------------|
| | | | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| 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.

(c) 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 (and allocated to current and deferred taxes based on its proportionate size).

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.

(d) 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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(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, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|---|---------------------------|------------------------------|---------------------------|
| Cash on hand | \$ 1,072 | 670 | 678 |
| Cash in bank | 1,116,609 | 983,863 | 895,171 |
| RP bills | <u>30,272</u> | <u>70,063</u> | <u>170,081</u> |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>\$ 1,147,953</u> | <u>1,054,596</u> | <u>1,065,930</u> |

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|---|---------------------------|------------------------------|---------------------------|
| Financial assets designated as at fair value through profit or loss: | | | |
| RP bills | \$ 30,864 | 30,499 | 30,593 |
| Mandatorily measured at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Money market funds and bond funds | 143,345 | 144,033 | 143,511 |
| Stock listed on domestic markets | <u>3,049</u> | <u>3,586</u> | <u>3,119</u> |
| Total | <u>\$ 177,258</u> | <u>178,118</u> | <u>177,223</u> |

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

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

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|---|---------------------------|------------------------------|---------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Stock listed on domestic markets | <u>\$ -</u> | <u>-</u> | <u>222</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of March 31, 2020 and 2019.

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

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

(d) Notes and trade receivables

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------|-------------------|----------------------|-------------------|
| Notes receivable | \$ 73,083 | 68,834 | 70,595 |
| Trade receivables | 252,957 | 218,958 | 204,898 |
| Less: Loss allowance | (165) | - | - |
| | <u>\$ 325,875</u> | <u>287,792</u> | <u>275,493</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:

| | March 31, 2020 | | |
|-----------------------------|--------------------------|--------------------------------|-----------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 292,082 | - | - |
| 1 to 30 days past due | 33,793 | - | - |
| 31 to 60 days past due | - | - | - |
| 61 to 90 days past due | - | - | - |
| 91 to 120 days past due | - | - | - |
| 121 to 150 days past due | - | 6.61 % | - |
| 151 to 180 days past due | 165 | 15.32%~100% | 165 |
| More than 181 days past due | - | 100 % | - |
| | <u>\$ 326,040</u> | | <u>165</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 March 31, 2020 | Three months ended March 31, 2019 |
|------------------------------------|--|--|
| Gains on physical inventory | \$ (209) | (244) |
| Losses on valuation of inventories | - | 1,158 |
| | \$ (209) | 914 |

The inventories of the Group were not collateralized.

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2020 and 2019 were as follows:

| | <u>Land</u> | <u>Building and structures</u> | <u>Machinery and equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|--|------------------|--|--|-------------------------------------|-----------------------------|----------------------------|-------------------------------------|------------------|
| Cost: | | | | | | | | |
| Balance at January 1, 2020 | \$ 91,834 | 747,211 | 748,707 | 9,636 | 24,682 | 158,686 | 21,792 | 1,802,548 |
| Additions | - | - | 150 | 336 | - | 3,876 | 1,794 | 6,156 |
| Reclassification (Note) | - | - | 5,711 | 144 | - | 7,488 | - | 13,343 |
| Effect of changes in foreign exchange rates | - | 1,680 | 692 | 8 | 9 | 294 | 89 | 2,772 |
| Balance at March 31, 2020 | \$ 91,834 | 748,891 | 755,260 | 10,124 | 24,691 | 170,344 | 23,675 | 1,824,819 |
| Balance at January 1, 2019 | \$ 91,834 | 752,516 | 697,043 | 9,670 | 20,672 | 140,591 | 7,393 | 1,719,719 |
| Additions | - | 2,585 | 3,415 | - | 57 | 2,109 | 2,273 | 10,439 |
| Reclassification (Note) | - | - | 7,197 | - | - | 1,164 | - | 8,361 |
| Effect of changes in foreign exchange rates | - | (1,577) | 308 | 5 | 5 | 139 | 20 | (1,100) |
| Balance at March 31, 2019 | \$ 91,834 | 753,524 | 707,963 | 9,675 | 20,734 | 144,003 | 9,686 | 1,737,419 |
| Accumulated depreciation and impairment loss: | | | | | | | | |
| Balance at January 1, 2020 | \$ - | 210,428 | 499,824 | 5,991 | 18,832 | 123,691 | - | 858,766 |
| Depreciation | - | 4,472 | 12,153 | 147 | 502 | 6,266 | - | 23,540 |
| Effect of changes in foreign exchange rates | - | 148 | 171 | 6 | 6 | 163 | - | 494 |
| Balance at March 31, 2020 | \$ - | 215,048 | 512,148 | 6,144 | 19,340 | 130,120 | - | 882,800 |
| Balance at January 1, 2019 | \$ - | 194,651 | 455,755 | 5,224 | 17,436 | 101,919 | - | 774,985 |
| Depreciation | - | 4,488 | 10,933 | 241 | 328 | 5,340 | - | 21,330 |
| Effect of changes in foreign exchange rates | - | 69 | 64 | 2 | 3 | 62 | - | 200 |
| Balance at March 31, 2019 | \$ - | 199,208 | 466,752 | 5,467 | 17,767 | 107,321 | - | 796,515 |
| Carrying amounts: | | | | | | | | |
| Balance at January 1, 2020 | \$ 91,834 | 536,783 | 248,883 | 3,645 | 5,850 | 34,995 | 21,792 | 943,782 |
| Balance at March 31, 2020 | \$ 91,834 | 533,843 | 243,112 | 3,980 | 5,351 | 40,224 | 23,675 | 942,019 |
| Balance at January 1, 2019 | \$ 91,834 | 557,865 | 241,288 | 4,446 | 3,236 | 38,672 | 7,393 | 944,734 |
| Balance at March 31, 2019 | \$ 91,834 | 554,316 | 241,211 | 4,208 | 2,967 | 36,682 | 9,686 | 940,904 |

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

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of March 31, 2020, December 31 and March 31, 2019, the property, plant and equipment of the Group had been pledged as collateral for borrowings; please refer to note 8.

(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, 2020 | \$ 49,670 | 20,362 | 70,032 |
| Additions | - | 6,413 | 6,413 |
| Effect of changes in foreign exchange rates | <u>247</u> | <u>1</u> | <u>248</u> |
| Balance at March 31, 2020 | <u>\$ 49,917</u> | <u>26,776</u> | <u>76,693</u> |
| Balance at January 1, 2019 | \$ - | - | - |
| Effects of retrospective application | 50,728 | 20,352 | 71,080 |
| Effect of changes in foreign exchange rates | <u>148</u> | <u>4</u> | <u>152</u> |
| Balance at March 31, 2019 | <u>\$ 50,876</u> | <u>20,356</u> | <u>71,232</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2020 | \$ 714 | 4,953 | 5,667 |
| Depreciation for the year | 179 | 1,639 | 1,818 |
| Effect of changes in foreign exchange rates | <u>4</u> | <u>-</u> | <u>4</u> |
| Balance at March 31, 2020 | <u>\$ 897</u> | <u>6,592</u> | <u>7,489</u> |
| Balance at January 1, 2019 | \$ - | - | - |
| Depreciation for the year | <u>183</u> | <u>1,238</u> | <u>1,421</u> |
| Balance at March 31, 2019 | <u>\$ 183</u> | <u>1,238</u> | <u>1,421</u> |
| Carrying amount: | | | |
| Balance at January 1, 2020 | <u>\$ 48,956</u> | <u>15,409</u> | <u>64,365</u> |
| Balance at March 31, 2020 | <u>\$ 49,020</u> | <u>20,184</u> | <u>69,204</u> |
| Balance at March 31, 2019 | <u>\$ 50,693</u> | <u>19,118</u> | <u>69,811</u> |

(h) Short-term and long-term borrowings

(i) Short-term borrowings

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|------------------------|---------------------------|------------------------------|---------------------------|
| Unsecured bank loans | \$ - | - | - |
| Unused credit lines | <u>\$ 732,081</u> | <u>947,322</u> | <u>923,390</u> |
| Range of interest rate | <u>-</u> | <u>-</u> | <u>-</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Long-term borrowings

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------------|-------------------|----------------------|--------------------|
| Unsecured bank loans | \$ 5,038 | 10,027 | 33,378 |
| Less: Current portion | (5,038) | (10,027) | (28,243) |
| | <u>\$ -</u> | <u>-</u> | <u>5,135</u> |
| Unused credit lines | <u>\$ 30,230</u> | <u>30,080</u> | <u>30,810</u> |
| Range of interest rate | <u>3.75%</u> | <u>3.75%</u> | <u>3.75%~4.49%</u> |

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:

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------------|-------------------|----------------------|-------------------|
| USD (thousand dollars) | \$ 167 | 333 | 1,083 |
| Convert to NTD | <u>\$ 5,038</u> | <u>10,027</u> | <u>33,378</u> |

As of March 31, 2020, the remaining balance of the borrowing due were as follows:

| Period | Amount |
|-----------------------|-----------------|
| 2020.04.01~2021.03.31 | \$ <u>5,038</u> |

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

(i) Lease liabilities

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------|-------------------|----------------------|-------------------|
| Current | \$ <u>6,535</u> | <u>4,933</u> | <u>4,877</u> |
| Non-current | <u>\$ 13,736</u> | <u>10,549</u> | <u>14,253</u> |

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

There were no significant issues, repurchases and repayments of lease liabilities for the three months ended March 31, 2020 and 2019.

The amounts recognized in profit or loss were as follows:

| | For the three months ended March 31, 2020 | For the three months ended March 31, 2019 |
|-------------------------------|---|---|
| Interest on lease liabilities | \$ <u>47</u> | <u>33</u> |

(Continued)

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 three months ended March 31, 2020 | For the three months ended March 31, 2019 |
|-------------------------------|--|--|
| Total cash outflow for leases | <u>\$ 1,671</u> | <u>1,257</u> |

(i) Leases of land , buildings and structures

As of March 31, 2020 and 2019, the Group leases land , buildings and structures for its office space, warehouse and parking lot. The leases 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) 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, 2019 and 2018.

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

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|--------------------|--|--|
| Operating costs | \$ 76 | 76 |
| Operating expenses | <u>619</u> | <u>146</u> |
| | <u>\$ 695</u> | <u>222</u> |

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2020 and 2019 were as follows:

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|--------------------|--|--|
| Operating costs | \$ 1,351 | 1,346 |
| Operating expenses | <u>709</u> | <u>604</u> |
| | <u>\$ 2,060</u> | <u>1,950</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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. For the three months ended March 31, 2020 and 2019, the Group recognized the pension costs amounting to \$30 and \$16 thousand in accordance with the pension regulations.

(k) Income taxes

The amounts of income tax were as follows:

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|----------------------|---|---|
| Current tax expenses | <u>\$ 29,060</u> | <u>27,805</u> |

The Company's income tax returns for the years through 2018 were examined by the Taipei National Tax Administration.

(l) 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 March 31, 2020 and 2019. For the related information, please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2019.

As of March 31, 2020 and 2019, 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:

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---------------|-------------------|----------------------|-------------------|
| 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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

On March 11, 2020 the Company's board of directors resolved to appropriated the 2019 earnings. On June 18, 2019, the shareholders' meeting resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

| | <u>2019</u> | | <u>2018</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> | 4.00 | <u>277,193</u> |

(iii) OCI accumulated in reserves, net of tax

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income | Total |
|--|---|--|---------------|
| Balance at January 1, 2020 | \$ (1,714) | | (1,714) |
| Exchange differences on foreign operations | 3,249 | | 3,249 |
| Balance at March 31, 2020 | <u>\$ 1,535</u> | | <u>1,535</u> |
| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income | Total |
| Balance at January 1, 2019 | \$ 12,259 | (1,315) | 10,944 |
| Exchange differences on foreign operations | 1,749 | - | 1,749 |
| Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income | - | (14) | (14) |
| Balance at March 31, 2019 | <u>\$ 14,008</u> | <u>(1,329)</u> | <u>12,679</u> |

(m) Earnings per share

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

(i) Basic earnings per share

| | <u>Three months ended March 31, 2020</u> | <u>Three months ended March 31, 2019</u> |
|---|--|--|
| Profit attributable to ordinary shareholders of the Company | \$ <u>108,545</u> | <u>115,997</u> |
| Weighted-average number of ordinary shares | <u>69,298</u> | <u>69,298</u> |
| Basic earnings per share (express in New Taiwan Dollar) | \$ <u>1.57</u> | <u>1.67</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Profit attributable to ordinary shareholders of the Company | \$ <u>108,545</u> | <u>115,997</u> |
| Weighted-average number of ordinary shares (basic) | 69,298 | 69,298 |
| Effect of employee remuneration (in thousands) | 289 | 262 |
| Weighted-average number of ordinary shares (diluted) | <u>69,587</u> | <u>69,560</u> |
| Diluted earnings per share (express in New Taiwan Dollar) | <u>\$ 1.56</u> | <u>1.67</u> |

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Primary geographical markets: | | |
| Asia | \$ 181,217 | 198,630 |
| South America | 30,877 | 55,136 |
| North America | 71,383 | 61,224 |
| Others | 156,999 | 125,724 |
| Total | <u>\$ 440,476</u> | <u>440,714</u> |
| Major products service lines: | | |
| Manufacturing, trading and selling of medical equipment | <u>\$ 440,476</u> | <u>440,714</u> |

(ii) Contract balances

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--------------------------------|-------------------|----------------------|-------------------|
| Notes and accounts receivable | \$ 326,040 | 287,792 | 275,493 |
| Less: allowance for impairment | (165) | - | - |
| Total | <u>\$ 325,875</u> | <u>287,792</u> | <u>275,493</u> |
| Current contract liabilities | <u>\$ 42,320</u> | <u>36,709</u> | <u>51,017</u> |

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

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$30,871 thousand and \$28,759 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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) 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 March 31,</u> | |
|--|-------------------------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Employee remuneration | \$ 7,266 | 7,709 |
| Directors' and supervisors' remuneration | <u>2,325</u> | <u>2,467</u> |
| | <u>\$ 9,591</u> | <u>10,176</u> |

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 three months ended March 31, 2020 and 2019. 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 March 31, 2020 and 2019 the Company accrued and recognized its employee remuneration amounting to \$31,389 thousand and \$27,440 thousand, respectively; and its directors' and supervisors' remuneration amounting to \$10,045 thousand and \$8,781 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.

(p) Non-operating income and expenses

(i) Other income

| | <u>Three months ended March 31, 2020</u> | <u>Three months ended March 31, 2019</u> |
|-----------------------------------|--|--|
| Interest income: | | |
| Interest income from RP bills | \$ 651 | 1,088 |
| Interest income from funds | 88 | 89 |
| Interest income from deposit | 3 | 3 |
| Interest income from bank deposit | <u>111</u> | <u>680</u> |
| | 853 | 1,860 |
| Subsidy revenue | 592 | 521 |
| Others | <u>1,179</u> | <u>1,069</u> |
| | <u>\$ 2,624</u> | <u>3,450</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other gains and losses

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|--|--|--|
| Foreign exchange gains | \$ 2,184 | 4,306 |
| Gains (losses) on financial assets at fair value through profit or loss | (1,224) | 613 |
| Others | <u>(200)</u> | <u>(35)</u> |
| | <u>\$ 760</u> | <u>4,884</u> |

(iii) Finance costs

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---------------------------------------|--|--|
| Interest expense on bank borrowings | \$ (81) | (442) |
| Interest expense on lease liabilities | <u>(47)</u> | <u>(33)</u> |
| | <u>\$ (128)</u> | <u>(475)</u> |

(q) 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, 2019. 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 March 31, 2020, December 31 and March 31, 2019, 29%, 33% and 33%, of the Group's notes and accounts receivable were concentrated on two specific customers, respectively.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

As 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.

The loss allowance provision was determined as follows:

| | <u>Accounts receivable</u> |
|----------------------------|----------------------------|
| Balance at January 1, 2020 | \$ - |
| Impairment loss recognized | 165 |
| Balance at March 31, 2020 | <u>\$ 165</u> |

For the three months ended March 31, 2019, the impairment loss is not recognized and reserved.

(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> |
|---|------------------------|-------------------------------|----------------------|------------------|------------------|---------------------|
| March 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Long-term liabilities, current portion | \$ 5,038 | 5,227 | 5,227 | - | - | - |
| Notes payable | 32,742 | 32,742 | 32,742 | - | - | - |
| Accounts payable | 84,211 | 84,211 | 84,211 | - | - | - |
| Other payables | 111,042 | 111,042 | 111,042 | - | - | - |
| Payables on machinery and equipment | 6,362 | 6,362 | 6,362 | - | - | - |
| Lease liabilities (current and non-current) | 20,271 | 20,579 | 6,698 | 6,359 | 7,522 | - |
| | <u>\$ 259,666</u> | <u>260,163</u> | <u>246,282</u> | <u>6,359</u> | <u>7,522</u> | <u>-</u> |
| December 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Long-term liabilities, current portion | \$ 10,027 | 10,403 | 10,403 | - | - | - |
| Notes payable | 41,415 | 41,415 | 41,415 | - | - | - |
| Accounts payable | 66,441 | 66,441 | 66,441 | - | - | - |
| Other payables | 45,733 | 45,733 | 45,733 | - | - | - |
| Payables on machinery and equipment | 6,597 | 6,597 | 6,597 | - | - | - |
| Lease liabilities (current and non-current) | 15,482 | 15,721 | 5,062 | 4,811 | 5,848 | - |
| | <u>\$ 185,695</u> | <u>186,310</u> | <u>175,651</u> | <u>4,811</u> | <u>5,848</u> | <u>-</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>within 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|----------------------|------------------|------------------|---------------------|
| March 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Long-term liabilities, current portion | \$ 28,243 | 29,552 | 29,552 | - | - | - |
| Notes payable | 39,223 | 39,223 | 39,223 | - | - | - |
| Accounts payable | 78,507 | 78,507 | 78,507 | - | - | - |
| Other payables | 37,569 | 37,569 | 37,569 | - | - | - |
| Payables on machinery and equipment | 3,347 | 3,347 | 3,347 | - | - | - |
| Long-term borrowings | 5,135 | 5,328 | - | 5,328 | - | - |
| Lease liabilities (current and non-current) | 19,130 | 19,502 | 5,046 | 5,063 | 9,393 | - |
| | <u>\$ 211,154</u> | <u>213,028</u> | <u>193,244</u> | <u>10,391</u> | <u>9,393</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.

(iii) Market risk

1) Currency risk

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

| | <u>March 31, 2020</u> | | | <u>December 31, 2019</u> | | | <u>March 31, 2019</u> | | | |
|--|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|---------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | |
| Financial assets | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD | \$ | 13,451 | 30.23 | 406,616 | 12,916 | 30.08 | 388,519 | 12,946 | 30.81 | 398,864 |
| EUR | | 1,736 | 33.27 | 57,773 | 2,058 | 33.74 | 69,435 | 1,515 | 34.61 | 52,444 |
| JPY | | 94,236 | 0.2791 | 26,296 | 85,378 | 0.2772 | 23,662 | 63,291 | 0.2777 | 17,573 |
| PHP | | 79,266 | 0.6085 | 48,233 | 16,610 | 0.6080 | 10,099 | 65,341 | 0.6020 | 39,335 |
| CNY | | 14,665 | 4.258 | 62,443 | 14,377 | 4.321 | 62,121 | 12,088 | 4.594 | 55,533 |
| <u>Investments accounted for using equity method</u> | | | | | | | | | | |
| USD | | 20,757 | 30.23 | 627,474 | 20,423 | 30.08 | 614,311 | 18,835 | 30.81 | 580,300 |
| PHP | | 28,976 | 0.6085 | 17,632 | 26,031 | 0.6080 | 15,827 | 15,327 | 0.6020 | 9,227 |
| Financial liabilities | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD | | 1,485 | 30.23 | 44,880 | 1,700 | 30.08 | 51,127 | 1,199 | 30.81 | 36,948 |
| EUR | | 245 | 33.27 | 8,161 | 163 | 33.74 | 5,493 | 166 | 34.61 | 5,753 |
| JPY | | 44,744 | 0.2791 | 12,486 | 35,677 | 0.2772 | 9,888 | 32,094 | 0.2777 | 8,911 |
| PHP | | 15,942 | 0.6085 | 9,701 | 20,257 | 0.6080 | 12,316 | 15,796 | 0.6020 | 9,509 |

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 three months ended March 31, 2020 and 2019 would have increased (decreased), the net profit before tax by \$5,261 thousand and \$5,026 thousand, respectively. The analysis is performed on the same basis for 2019.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 three months ended March 31, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$2,184 thousand and \$4,306 thousand, respectively.

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 \$50 thousand and \$334 thousand for the three months ended March 31, 2020 and 2019 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 three months ended March 31, 2020 and 2019, 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:

| Prices of securities at the reporting date | Three months ended March 31 | | | |
|--|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| | 2020 | | 2019 | |
| | Other comprehensive income before tax | Net profit before tax | Other comprehensive income before tax | Net profit before tax |
| Increasing 1% | \$ - | 30 | 2 | 31 |
| Decreasing 1% | \$ - | (30) | (2) | (31) |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 lease liabilities, disclosure of fair value information is not required:

| | March 31, 2020 | | | | |
|---|---------------------|----------------|----------|----------|----------------|
| | 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 | \$ 146,394 | 146,394 | - | - | 146,394 |
| Designated at fair value through profit or loss | 30,864 | 30,864 | - | - | 30,864 |
| Subtotal | <u>177,258</u> | <u>177,258</u> | <u>-</u> | <u>-</u> | <u>177,258</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,147,953 | - | - | - | - |
| Notes and accounts receivables | 325,875 | - | - | - | - |
| Other financial assets | 2,581 | - | - | - | - |
| Subtotal | <u>1,476,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,653,667</u> | <u>177,258</u> | <u>-</u> | <u>-</u> | <u>177,258</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term liabilities, current portion | \$ 5,038 | - | - | - | - |
| Notes and accounts payables | 116,953 | - | - | - | - |
| Other payable | 111,042 | - | - | - | - |
| Payables on machinery and equipment | 6,362 | - | - | - | - |
| Lease liabilities (current and non-current) | 20,271 | - | - | - | - |
| Total | <u>\$ 259,666</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| December 31, 2019 | | | | | |
| | 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 | \$ 147,619 | 147,619 | - | - | 147,619 |
| Designated at fair value through profit or loss | 30,499 | 30,499 | - | - | 30,499 |
| Subtotal | <u>178,118</u> | <u>178,118</u> | <u>-</u> | <u>-</u> | <u>178,118</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,054,596 | - | - | - | - |
| Notes and accounts receivables | 287,792 | - | - | - | - |
| Other financial assets | 2,469 | - | - | - | - |
| Subtotal | <u>1,344,857</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,522,975</u> | <u>178,118</u> | <u>-</u> | <u>-</u> | <u>178,118</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2019 | | | | |
|---|---------------------|----------------|----------|----------|----------------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term liabilities, current portion | \$ 10,027 | - | - | - | - |
| Notes and accounts payables | 107,856 | - | - | - | - |
| Other payable | 45,733 | - | - | - | - |
| Payables on machinery and equipment | 6,597 | - | - | - | - |
| Lease liabilities (current and non-current) | 15,482 | - | - | - | - |
| Total | \$ 185,695 | - | - | - | - |
| March 31, 2019 | | | | | |
| | 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 | \$ 146,630 | 146,630 | - | - | 146,630 |
| Designated at fair value through profit or loss | 30,593 | 30,593 | - | - | 30,593 |
| Subtotal | 177,223 | 177,223 | - | - | 177,223 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 222 | 222 | - | - | 222 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,065,930 | - | - | - | - |
| Notes and accounts receivables | 275,493 | - | - | - | - |
| Other financial assets | 3,612 | - | - | - | - |
| Subtotal | 1,345,035 | - | - | - | - |
| Total | \$ 1,522,480 | 177,445 | - | - | 177,445 |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term liabilities, current portion | \$ 28,243 | - | - | - | - |
| Notes and accounts payables | 117,730 | - | - | - | - |
| Other payable | 37,569 | - | - | - | - |
| Payables on machinery and equipment | 3,347 | - | - | - | - |
| Long-term borrowings | 5,135 | - | - | - | - |
| Lease liabilities (current and non-current) | 19,130 | - | - | - | - |
| Total | \$ 211,154 | - | - | - | - |

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.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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 data 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 three months ended March 31, 2020 and 2019, there were no change on the fair value hierarchy of financial asset.

(r) 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, 2019.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) 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, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

The Group's financial activities which did not affect the current cash flow for the three months ended March 31, 2020 and 2019, were as follows:

| | January 1, 2020 | Cash flows | Non-cash changes | | March 31, 2020 |
|--|--------------------|----------------|---------------------------------|--------------|-------------------|
| | | | Foreign exchange movement | Other | |
| Long-term borrowings (including current portion) | \$ 10,027 | (5,022) | 33 | - | 5,038 |
| Lease liabilities (current and non- current) | 15,482 | (1,624) | - | 6,413 | 20,271 |
| Total liabilities from financial activities | <u>\$ 25,509</u> | <u>(6,646)</u> | <u>33</u> | <u>6,413</u> | <u>25,309</u> |

| | January 1, 2019 | Cash flows | Non-cash changes | | March 31, 2019 |
|--|--------------------|-----------------|---------------------------|------------|-------------------|
| | | | Foreign exchange movement | | |
| Long-term borrowings (including current portion) | \$ 46,080 | (12,844) | | 142 | 33,378 |
| Lease liabilities (current and non- current) | 20,352 | (1,224) | | 2 | 19,130 |
| Total liabilities from financial activities | <u>\$ 66,432</u> | <u>(14,068)</u> | | <u>144</u> | <u>52,508</u> |

(7) Related-party 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 March 31, 2020 | Three months ended March 31, 2019 |
|------------------------------|--------------------------------------|--------------------------------------|
| Short-term employee benefits | \$ 6,382 | 5,636 |
| Post-employment benefits | 600 | 127 |
| | <u>\$ 6,982</u> | <u>5,763</u> |

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

| <u>Pledged assets</u> | <u>Object</u> | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</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 | 181,838 | 183,816 | 189,751 |
| Machinery and equipment | Credit of short-term borrowings | <u>9,335</u> | <u>11,322</u> | <u>17,284</u> |
| | | <u>\$ 283,608</u> | <u>287,573</u> | <u>299,470</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>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|--------------------------------|---------------------------|------------------------------|---------------------------|
| Long and short term borrowings | <u>\$ 680,690</u> | <u>832,160</u> | <u>894,050</u> |

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

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> | <u>March 31, 2019</u> |
|----------------------|---------------------------|------------------------------|---------------------------|
| Total contract price | <u>\$ 182,250</u> | <u>173,832</u> | <u>110,092</u> |
| Paid amount | <u>\$ 129,489</u> | <u>136,056</u> | <u>73,792</u> |

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

The outbreak of Coronavirus pandemic (COVID-19) since early 2020, has brought the uncertainty to Group's operating environment in Philippines, and has impacted the Group's operations and financial performance accordingly. Due to uncertain evolving of COVID-19, the Group cannot reasonably measure the impact on its business and financial position now, but would continue to closely monitor the developments of the epidemic.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 March 31, 2020 | | | Three months ended March 31, 2019 | | |
|----------------------------|-------------|-----------------------------------|--------------------|--------|-----------------------------------|--------------------|--------|
| | | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | | |
| Salary | | 49,075 | 24,888 | 73,963 | 49,345 | 22,740 | 72,085 |
| Labor and health insurance | | 3,740 | 1,862 | 5,602 | 3,856 | 1,463 | 5,319 |
| Pension | | 1,447 | 1,338 | 2,785 | 1,433 | 755 | 2,188 |
| Remuneration of directors | | - | 1,832 | 1,832 | - | 1,847 | 1,847 |
| Others | | 2,282 | 926 | 3,208 | 2,067 | 690 | 2,757 |
| Depreciation | | 23,121 | 2,237 | 25,358 | 20,626 | 2,125 | 22,751 |
| Amortization | | 375 | 685 | 1,060 | 226 | 465 | 691 |

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclical 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 three months ended March 31, 2020 :

(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 | 121,200 (USD4,000) | 120,920 (USD4,000) | 120,920 (USD4,000) | 2% | 2 | - | Working Capital | - | None | - | 263,396 (Note 2) | 263,396 (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 PHIL. INC. | 4 | 207,894 | 121,200 (USD4,000) | 120,920 (USD4,000) | 5,038 (USD 167) | - | 4.65 % | 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
Notes to the Consolidated Financial Statements

(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 | 10,393 | - | 10,393 | |
| " | Yuanta Wan Tai Money Market Fund | " | " | 2,497 | 38,008 | - | 38,008 | |
| " | Franklin Templeton Sinoam Money Market Fund | " | " | 2,992 | 31,102 | - | 31,102 | |
| " | Mega Diamond Money Market Fund | " | " | 2,894 | 36,483 | - | 36,483 | |
| " | Paradigm Pion Money Market Fund | " | " | 1,970 | 22,875 | - | 22,875 | |
| CHUNGTEX INVESTMENT CO., LTD. | E.SUN FINANCIAL HOLDING COMPANY, LTD. | " | Current financial assets at fair value through profit or loss | 34 | 827 | - | 827 | |
| " | China Steel Corporation | " | " | 11 | 208 | - | 208 | |
| " | UNITED MICROELECTRONICS CORP. | " | " | 10 | 137 | - | 137 | |
| " | EVERGREEN MARINE CORP. (TAIWAN) LTD. | " | " | - | 2 | - | 2 | |
| " | CHANG HWA CONNERCIAL BANK, LTD. | " | " | 32 | 606 | - | 606 | |
| " | TAISHIN FINANCIAL HOLDING CO., LTD. | " | " | 65 | 762 | - | 762 | |
| " | EXCELSIOR MEDICAL CO., LTD | " | " | 10 | 507 | - | 507 | |
| " | PineBridge Emerging Market Corporate Strategy Bond Fund B | " | " | 378 | 2,719 | - | 2,719 | |
| " | Fuh Hwa Emerging Market High Yield Bond Fund B | " | " | 412 | 1,765 | - | 1,765 | |
| BIOTEQUE MEDICAL CO., LTD | Bonds with a rating of BBB- or better by the standard & poor's | " | " | - | 30,864 | - | 30,864 | |

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
Notes to the Consolidated Financial Statements

(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 | 242,217 | 0.89 | - | - | 41,457 | - |

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 three months ended March 31, 2020:

(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 | 176,872 | OA 270 | 5.75% |
| 0 | The Company | BIOTEQUE MEDICAL PHIL. INC. | 1 | Processing costs | 23,485 | There is no significant difference from translation terms with non-related parties. OA 270 | 5.33% |
| 0 | The Company | BIOTEQUE MEDICAL PHIL. INC. | 1 | Other receivables | 65,345 | | 2.12% |
| 0 | The Company | BIOTEQUE MEDICAL PHIL. INC. | 1 | Account payables | 19,572 | | OA 30 |
| 1 | BIOTEQUE MEDICAL CO., LTD. | BIOTEQUE MEDICAL PHIL. INC. | 3 | Other receivables | 120,920 | 2% | 3.93% |

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 three months ended March 31, 2020 (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 March 31, 2020 | | Net income (losses) of investee | Share of profits (losses) of investee | Remark | |
|-----------------------------|--|-------------|--|----------------------------|-------------------|------------------------------|-------------------------|---------------------------------|---------------------------------------|---------|-------------------------------|
| | | | | March 31, 2020 | December 31, 2019 | Shares (in thousands) | Percentage of ownership | | | | |
| The Company | BIOTEQUE MEDICAL CO., LTD. | Sansou | Investment activities | 16,349 | 16,349 | 500 | 100.00 % | 263,166 | 461 | 461 | Subsidiary |
| The Company | CHUNGTEX INVESTMENT CO., LTD. | Taipei | Investment activities | 28,800 | 28,800 | 2,880 | 100.00 % | 28,621 | (1,315) | (1,315) | * |
| The Company | BIOTEQUE MEDICAL PHIL. INC. | Philippines | Manufacturing and Trading of Medical equipment | 299,315 | 299,315 | 4,481 | 100.00 % | 364,308 | 13,866 | 13,866 | * |
| BIOTEQUE MEDICAL PHIL. INC. | BIOTEQUE MEDICAL DISTRIBUTION PHIL. INC. | Philippines | Trading of Medical equipment | 6,801 | 6,801 | 100 | 100.00 % | 17,633 | 1,789 | 1,789 | 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.

(d) Major shareholders: None.

(Continued)

BIOTEQUE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2019.

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

| | Three months ended March 31, 2020 | | | | | |
|----------------------------------|--|----------------------|----------------------|--------------------------|---|----------------|
| | <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 | \$ 184,970 | 79,284 | 173,496 | 2,726 | - | 440,476 |
| Intersegment revenue | - | 5,049 | - | - | (5,049) | - |
| Total revenue | <u>\$ 184,970</u> | <u>84,333</u> | <u>173,496</u> | <u>2,726</u> | <u>(5,049)</u> | <u>440,476</u> |
| Reporting segment profit or loss | <u>\$ 36,166</u> | <u>14,023</u> | <u>84,263</u> | <u>3,153</u> | <u>-</u> | <u>137,605</u> |
| | | | | | | |
| | Three months ended March 31, 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 | \$ 188,232 | 82,093 | 167,458 | 2,931 | - | 440,714 |
| Intersegment revenue | - | 5,563 | - | - | (5,563) | - |
| Total revenue | <u>\$ 188,232</u> | <u>87,656</u> | <u>167,458</u> | <u>2,931</u> | <u>(5,563)</u> | <u>440,714</u> |
| Reporting segment profit or loss | <u>\$ 34,934</u> | <u>21,310</u> | <u>80,151</u> | <u>7,407</u> | <u>-</u> | <u>143,802</u> |

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

Total reportable segment revenue after deducting the intersegment revenue was \$5,049 thousand and \$5,563 thousand dollars in the three months ended March 31, 2020 and 2019.