

**Tanvex BioPharma, Inc.**

**2015 Annual Report  
(Translation)**

**tanvex**

Stock code: 6541



The Tanvex Annual Report is available at: <http://mops.twse.com.tw>

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**5. Listing Foreign Stock Exchange and Query Method: Not Applicable****6. Company Website: [www.tanvex.com](http://www.tanvex.com)****Notice to readers:**

For the convenience of readers and for informational purposes only, the 2015 Annual Report for the 2016 Annual General Meeting has been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version, or any differences in the interpretation of the two versions, the Chinese-language report shall prevail.

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## 1. Letter to Shareholders

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“ Tanvex BioPharma, Inc. intends to be one of the leading suppliers of safe, effective and affordable biological products to help patients and healthcare providers, and to reduce the costs affecting the healthcare system. ”

# 1. Letter to Shareholders



Dear Shareholders,

The retirement trends of post WWII baby boomers, prolonged life expectancy in the 21st century, and the current low birth rate have combined to create a world facing the difficult problems of an aging population. These shifting demographics place increased demands on our healthcare system. The cost of medication, particularly of branded drugs, is becoming a significant burden on governments, individuals, and society. As a result, the governments of many countries have initiated and approved various healthcare reforms in an attempt to lower costs for these medications. For example, the United States government passed the Hatch-Waxman Act in 1984, encouraging the manufacture of small molecule generic drugs. Over the course of the last thirty years or so, these small molecule generics have saved the U.S. government, managed healthcare, payers, and patients trillions of dollars.

Now, thirty years later, with the evolution of biomedical technology, biologic drugs play a vital role in the treatment of severe, even life-threatening diseases such as cancers and autoimmune disorders, including rheumatoid arthritis and diabetes. However, these biologic drugs are becoming a financial burden on the healthcare system overall. As a result, the Patient Protection and Affordable Care Act was signed into law in 2010 by the United States government, establishing an abbreviated licensure pathway for biosimilars through the Food and Drug Administration (FDA). According to research released by the IMS Institute for Healthcare Informatics in March 2016, greater market acceptance of biosimilars -- affordable and interchangeable alternatives to existing FDA-approved biologic drugs -- is expected to deliver total savings of as much as US\$110 billion in the European Union (EU) and United States (US) sectors through 2020.

Driven by such vast demand, new entrant Tanvex BioPharma, Inc. intends to capitalize on the emerging market by becoming a leading supplier of safe, effective and affordable biological products to help patients and healthcare providers, and to reduce the costs affecting the healthcare system.

Tanvex derives compelling advantage through its resources and technology, and its ability to control drug product development and manufacturing internally. The Company is uniquely positioned with a highly talented team distinguished by a proven record of success in the biopharmaceutical industry, and with the truly vertical integration of in-house process from cell line development, cell culture, purification, formulation, scale-up capabilities, drug substance and drug product manufacturing to commercialization. All of this gives Tanvex self-reliance, control with flexibility, and high quality, cost effective operations, so that we can be efficient and competitive in an evolving new market.

Patient need and market demand for biosimilars can be anywhere and everywhere. To strategically focus our efforts, Tanvex's initial objective is to develop biologics for the U.S. market, the largest single market at this time, with future options to expand to the global market.

Tanvex and its team are committed to delivering safe, effective and affordable biologic products to the market as soon as regulations permit. The goal is to create a sustainable operation that is stable and adaptable to the evolving market and industry. When the Company succeeds, both patients and the Company's shareholders will benefit greatly. We thank our hard-working employees, management, and shareholders for all the continuing support.

Thank you all.

A handwritten signature in black ink, appearing to read "Allen Chao".

Allen Chao, CEO  
Tanvex BioPharma, Inc.

## 1.2 2015 Business Report

### 1.2.1 Business Strategies

Tanvex BioPharma, Inc. ("Tanvex") is an international company engaged in the development, production/manufacturing, and marketing of biosimilars. The company is committed to developing affordable biosimilars of the highest quality. In 2015, it completed the expansion of its mammalian and microbial plants, strengthening its leading-edge technologies for development of such products and equipping itself with the capacity to produce on a commercial scale. Looking forward, the company will step into new drug development with the expectation of marked progress in the future.

### 1.2.2 Current Progress

Biosimilar products in development by the company include a G-CSF (granulocyte colony-stimulating factor) as well as two biosimilars slated for use in the treatment of breast cancer and other cancers. Two of these products have completed Phase I clinical trial, while the remaining product has completed pre-clinical trial animal testing. In the meantime, several other special products are either under active development or are going into the pre-clinical trial stage.

### 1.2.3 Highlights of Accomplishments

The company was established in 2013. All products are still at the research and development stage, with none having been marketed commercially and no revenue yet generated. Business activities remain chiefly confined to research and development initiatives and process development of the biosimilar products.

The achievements of major projects in development in 2015 include:

- Completed the first phase expansion of the U.S. initial commercialized manufacturing facility.
- Closed approximately US\$50 million fund raising for product development and operations.
- One product obtained U.S. IND and completed Phase I human clinical trial, and is expected to finish Phase I clinical trial report in the second quarter of 2016.
- One product completed process development and pre-clinical animal study.
- Completed initial public offering on the Emerging Stock Market in Taiwan.

### 1.2.4 Financial Results

The company is still in the startup phase and product development stage, thus has not yet generated any revenue. Financial performance and financial position of 2015 compared with 2014 is shown below:

	Unit: NT in \$thousands			
	2015	2014	Variance	% of Difference
Financial Performance:				
G&A Expenses	(169,755)	(124,340)	(45,415)	37%
R&D Expenses	(662,197)	(340,557)	(321,640)	94%
Total operating expenses	(831,952)	(464,897)	(367,055)	79%
Net non-operating income and expenses	(3,278)	(7,564)	4,286	(57%)
Income tax expenses	(25)	(24)	(1)	4%
<b>Net loss</b>	<b>(835,255)</b>	<b>(472,485)</b>	<b>(362,770)</b>	<b>77%</b>
Financial Position:				
Current assets	780,472	218,425	562,047	257%
Property, plants and equipment	704,701	385,741	318,960	83%
Other assets	84,241	50,573	33,668	67%
<b>Total assets</b>	<b>1,569,414</b>	<b>654,739</b>	<b>914,675</b>	<b>140%</b>
Total liabilities	121,414	65,095	56,319	87%
Total equity	1,448,000	589,644	858,356	146%
<b>Total liabilities and equity</b>	<b>1,569,414</b>	<b>654,739</b>	<b>914,675</b>	<b>140%</b>

### 1.2.5 Research and Development

Tanvex aims to become one of the top biopharmaceutical companies with the launch of clinical trials, enhanced capabilities in Taiwan, integrated scale-up and production expertise in the U.S., and engagement of FDA regulatory specialists, mammalian and microbial platforms and professional teams, as well as outstanding R&D talent. Through teamwork, collaboration and support across disciplines, the company will be able to research, develop, and produce more biotech drugs to help patients. Tanvex aspires to create a world-class biopharmaceutical company for Taiwan.

Advances in biosimilars have matured, thanks to streamlined FDA regulations and Tanvex BioPharma's teamwork, cooperation and efforts in recent years. To date, we have had two products obtain IND from the FDA and complete Phase I clinical trial. We have finished a manufacturing facility expansion in 2015, which provides the capacity for initial commercialized production. Looking forward, we expect to further the development of the two products that have completed Phase I clinical trial, move them forward into Phase III clinical trial, then submit a BLA and get permits to expedite product launch.

#### Tanvex BioPharma, Inc.

Chairman: Chi-Chuan Chen

Chief Executive Officer: Dr. Allen Chao



## 2 Company Profile

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At the forefront of the emerging biopharmaceutical industry, we are poised to revolutionize the products by developing and delivering safe, effective, and affordable biologic and biosimilar drugs for people whose lives depend upon them.

## 2 Company Profile

### 2.1 Company Overview

Tanvex BioPharma was founded by Dr. Allen Chao on May 8th, 2013. The company has two subsidiaries –Tanvex Biologics Corporation, Taiwan and La Jolla Biologics, Inc. It went public on the Taiwan Emerging Stock Market in August 2015. About 30 years ago, when the generic drug industry was an emerging market, Dr. Chao seized the opportunity to develop generics of small molecule drugs and established Watson Pharmaceuticals, Inc. in 1984. Watson became a NASDAQ company in 1993 and an NYSE-listed company in 1997. It ultimately grew into one of the world's three leading generic drug manufacturers. Dr. Chao retired as the CEO of Watson in 2007 and as the company's Chairman in 2008.

Driven by a sense of mission to offer quality, affordable, and beneficial biosimilars to the people who need them, Dr. Chao proceeded to set up Tanvex BioPharma. The Company includes a Taiwan subsidiary located in Xizhi, New Taipei City that is in charge of Cell Line Development, accompanied by a commercialized production facility situated in San Diego, CA in the U.S. that is responsible for the creation of upstream and downstream process development, formulation, and ultimately, product fill/finish and packaging, as well as mass production on a commercial scale.

#### Team

Combining R&D talent from Taiwan with process scale-up expertise and the manufacturing technologies of the U.S., Tanvex BioPharma's veteran team is not only familiar with clinical trial filing and drug approval regulations in the U.S., but also understands U.S. market needs.

#### Technologies

Tanvex BioPharma possesses capabilities in, and platforms for, both stem strain development of mammalian-based drugs and product development of microbial-based products, thus will be able to cover the entire protein drug market effectively.

#### Capabilities

The in-house vertical integration of all functions from R&D to manufacturing to sales reduces costs while maintaining product quality, entirely covering each part of the supply chain.

#### Capacity

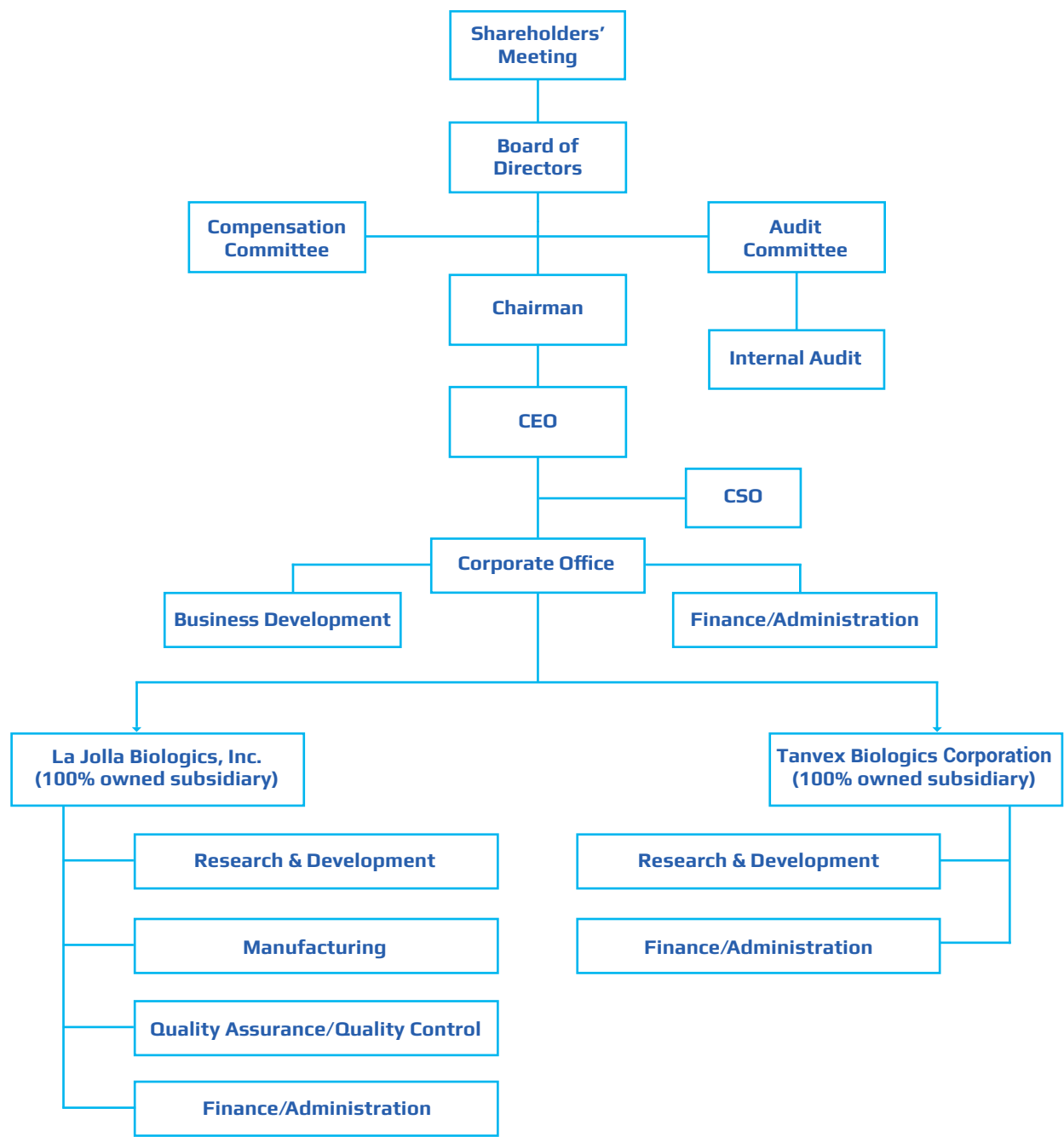
The initial commercial production facility is located in San Diego, CA in the U.S. The company implemented a facility expansion plan in 2015, investing in a 150 liter microbial fermenter with space and capacity to expand to two 150 liter microbial fermenters in the future. Employing an internationally accepted green technology platform, it installed two 1,000 liter mammalian bioreactors in 2015, added two more in 2016, and has reserved space for future expansion of capacity.

### 2.2 market Overview

In 2010, the U.S. government passed a Biologics Price Competition Innovation Act, (BPCIA), which is part of The Patient Protection and Affordable Care Act passed in March 2010, offering a simplified approval process for biosimilars, with a 351(k) application provided. Further, in February 2012 the FDA announced three draft guidelines on the development of biosimilars, to assist with their development in the U.S. through demonstration of their biosimilarity (high similarity and no clinically meaningful difference to reference product in terms of safety, effect, purity, etc.) and interchangeability (in addition to biosimilarity, they are expected to produce same clinical result as the reference product in any patient, with no safety and efficacy risk of alternating or switching between the use of the biosimilar and reference products).

## 2.3 Organization

### 2.3.1 Organizational Chart



## 2.3.2 Duties of Main Departments

Department	Main Duties
Board of Directors	Formulate strategies, objectives, and policies on Tanvex BioPharma's business operations.
Audit Committee	Conduct financial and business supervision over Tanvex BioPharma, oversee representations in its financial reports to ensure appropriateness, and monitor its implementation of internal controls to ensure effectiveness.
Compensation Committee	Review performance evaluation and remuneration of directors and officers and formulate and review on a regular basis policies, systems, standards and structures regarding performance evaluation and remuneration of directors and officers.
Chairman of the Board of Directors (the "Board")	(1) Oversee company operations on behalf of the Board. (2) Guide officers in implementation of major operational strategies of the group, according to Board resolutions.
CEO	(1) Formulate, plan and supervise the company's operational plans, objectives, and quality policies. (2) Formulate the company's overall business strategies and devise business performance forecasts. (3) Execute plans and report the operational results to the Board.
Internal Audit	(1) Examine and evaluate the soundness, reasonableness, effectiveness, and implementation of internal controls of each department. (2) Execute annual audit plans. (3) Draft audit reports, assess improvements, and conduct self-examination of internal control systems. (4) Other actions as required by laws and regulations.
Finance /Administration	(1) Convene and assist with board of directors' and shareholders' meetings. (2) Employ personnel, conduct office procurements, and handle administrative matters. (3) Manage accounting and tax matters. (4) Manage financing and the utilization of funds. (5) Manage and maintain computer software and hardware. (6) Set up and manage the security of information systems. (7) Manage properties, inventories, and materials.
Business Development	Formulate, plan, execute, manage and coordinate the company's business development strategies.
Research & Development	U.S. subsidiary, La Jolla Biologics, Inc.: (1) Cell culture development, purification, formulation, fill/finish, packaging and analysis, etc. (2) Research and development of cell lines, scale-up and improvement of manufacturing processes.
	Taiwan subsidiary, Tanvex Biologics Corporation: (1) Cell line development and bioprocess development. (2) Implement product development plans.
Manufacturing	Conduct GMP manufacturing of cell cultures, purification, fill/finish, and packaging.
Quality Assurance/ Quality Control	(1) Analysis process design, product analysis. (2) Establish SOP of analysis documentation/procedures and validation.
Corporate Office	Handle headquarters affairs locally and complete tasks assigned by the headquarters.

## 2.4 Board Members Information

### 2.4.1 Board Member Profile

April 18, 2016

Title (Note 1)	Nationality or Place of Regis- tration	Name	Date Elected	Term	Date First Elected (Note 2)	Shareholding Upon Election		Current Shareholding		Spouse and Minors Shareholding		Share Held in Another's Name		Work (and) Educa- tional) Experince (Note 3)	Concurrent Positions Held in the Company and Other Companies	Other Officer, Director or Supervisor who is the spouse or within a sec- ond-degree relationship of consanguinity to the member		
						No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relation- ship
Chairman	Taiwan, R.O.C.	Peng Lin Invest- ment Co., Ltd.	05/15/ 2015	Three Years	10/04/ 2013	71,836,999	43.36%	70,816,999	36.76%	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Repre- sentative: Chen, Chi- Chuan	05/15/ 2015	Three Years	10/04/ 2013	43,000	0.03%	49,046	0.03%	79,952	0.04%	—	—	Master in Business, National Taiwan University College of Manage- ment  Vice President and Special Assistant to CEO, Investment Manage- ment Office, Ruentex Group	Representative of corporate chairman, Tanvex BioPharma, Inc. Representative of corporate Board direc- tor, Tanvex Biologics Corporation. Representative of corporate chairman, Taimed Biologics Inc. Chairman, TMB HK Services Limited. Representative of corporate chairman, TaiMed Biologics HK Limited Board Director of Mr.Hsun-Ruo YIN Educational Foundation Memorial Scholarship Board Director, The Yin Shu-Tien Medical Foundation. Representative of cor- porate Board director, Mithra Biotechnology Inc. Representative of corporate Board director, Mass Solutions Technology Co., Ltd. Representative of cor- porate Board director, Global Mobile Corp. Representative of cor- porate Board director, Amaran Biotechnology, Inc. Representative of cor- porate Board director, Diamond Biofund Inc. Representative of cor- porate Board director, Diamond Capital Inc. Board Director, of Shanghai International Shanghai Growth Representative of cor- porate Board director, RENBO, Inc. Representative of corporate Board direc- tor, RenBio Holdings Limited Board Director of Search MediaBiologics Supervisor, Kang Sheng Recruiting Co., Ltd. Supervisor, Sunny Friend Environmental Technology Co., Ltd. Representative of corporate supervisor, Ruenfu New Life Representative of corporate supervisor, Gogoro Taiwan Limited Representative of corporate supervisor, RT Mart International Limited Representative of corporate supervisor, Ruentex Industries Limited Representative of corporate supervisor, Ruen Chen Investment Holding Co., Ltd.	—	—	—



April 18, 2016

Title (Note 1)	Nationality or Place of Regis- tration	Name	Date Elected	Term	Date First Elected (Note 2)	Shareholding Upon Election		Current Shareholding		Spouse and Minors Shareholding		Share Held in Another's Name		Work (and) Educa- tional) Experience (Note 3)	Concurrent Positions Held in the Company and Other Companies	Other Officer, Director or Supervisor who is the spouse or within a sec- ond-degree relationship of consanguinity to the member		
						No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relation- ship
Director	Taiwan, R.O.C.	Peng Lin Invest- ment Co., Ltd.	05/15/ 2015	Three years	10/04/ 2013	71,836,999	43.36%	70,816,999	36.76%	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Repre- sentative: Cho, Lung-Yeh	05/15/ 2015	Three years	10/04/ 2013	—	—	—	—	—	—	—	—	Bachelor in Account- ing, Nation- al Taipei University CPA, KPMG Executive Assistant to CEO, Ruentex Group	Executive Assistant to CEO, Hui Hong Invest- ment Co., Ltd. Representative of Cor- porate Board Director, Diamond Biofund Inc. Representative of Cor- porate Board Director, OBI Pharma, Inc. Representative of Cor- porate Board Director, Renbio, Inc. Representative of Cor- porate Board Director, Tanvex BioPharma, Inc. Representative of Corporate Board Direc- tor, RenBio Holdings Limited Supervisor, Ruenhui Biopharmaceuticals Inc.	—	—	—
Director	Cayman Islands	Delos Capital Fund, LP	05/15/ 2015	Three years	05/15/ 2015	13,000,000	7.85%	14,400,000	7.48%	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Repre- sentative: Chen, Lin Cheng	05/15/ 2015	Three years	05/15/ 2015	—	—	—	—	—	—	—	—	J.D., Harvard University Managing Partner, De- los Capital Fund, LP Partner and Co-Head of Asia, Permira Managing Director, Goldman Sachs Lawyer, Davis Polk & Wardwell, LLP and New York Bar	Representative of Cor- porate Board Director, Tanvex BioPharma, Inc. Managing Partner, De- los Capital Fund, LP Board Director, Apama Medical Inc. Board Director, Atia Medical Inc.	—	—	—
Director	U.S.	Allen Chao and Lee Hwa Chao Family Trust	05/15/ 2015	Three years	05/15/ 2015	16,443,032	9.93%	17,013,022	8.83%	—	—	—	—	—	—	—	—	—
	U.S.	Repre- sentative: Allen Chao	05/15/ 2015	Three years	06/10/ 2013	—	—	—	—	180,000	0.09%	—	—	Ph. D., Purdue University, College of Pharmacy Founder and CEO, Watson Pharma- ceuticals. (now Allergan)	CEO and Represen- tative of Corporate Board Director, Tanvex BioPharma, Inc. Chairman, Tanvex Biologics Corp. Chairman, Newport Healthcare Chairman, Anson BioPharma Board Director, Impax Lab., Inc. Board Director, Arbor Pharmaceuticals Board Director, Mithra Biotechnology Inc. Turst Director, Taipei Medical University	Di- rec- tor	David Hsia	Brother-in- law
Director	U.S.	Hsia Family Trust	05/15/ 2015	Three Years	05/15/ 2015	2,354,430	1.42%	2,442,430	1.27%	—	—	—	—	—	—	—	—	—
	U.S.	Repre- sentative: David Hsia	05/15/ 2015	Three years	05/15/ 2015	—	—	—	—	—	—	—	—	Ph. D., Purdue University, College of Pharmacy Senior Vice President, R&D, Watson Pharma- ceuticals (now Allergan) Manager, Pharma- ceutical Technology R&D Director, American Hospital Supply Corp. (now Baxter)	Board Director, Tanvex Biologics Inc. Representative of Cor- porate Board Director and Chief Scientific Officer, Tanvex BioPhar- ma, Inc.	Di- rec- tor	Allen Chao	Brother-in- law

April 18, 2016

Title (Note 1)	Nationality or Place of Regis- tration	Name	Date Elected	Term	Date First Elected (Note 2)	Shareholding Upon Election		Current Shareholding		Spouse and Minors Sharehold- ing		Share Held in Another's Name		Work (and) Educational Experience (Note 3)	Concurrent Positions Held in the Company and Other Companies	Other Officer, Director or Supervisor who is the spouse or within a second-degree relationship of consanguinity to the member		
						No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Rela- tion- ship
Director	Taiwan, R.O.C.	Yen, Yun	05/15/ 2015	Three Years	05/15/ 2015	240,000	0.14 %	273,748	0.14 %	-	-	-	-	Adjunct Professor, Graduate Institute of Oncology, Na- tional Taiwan University Affiliate Professor, California Institute of Technology Attending Physician, Divi- sion of Medical Oncology, City of Hope; Professor, Medical Oncology and Grad- uate School, City of Hope; Director, Developmental Can- cer Therapeutics Program, City of Hope; Chairman, Molecular Pharmacology De- partment, City of Hope; Vice President, City of Hope Fellow, Hematology and Oncology Section, School of Medicine, Yale U. Ph.D. in Pathology and Cell Biology, Thomas Jefferson University M.D., Taipei Medical Univ.	Board Director, Tanvex BioPharma, Inc. President and Professor, the Ph. D. Program for Cancer Biology and Drug Discovery, Taipei Medical University	-	-	-
Director	Taiwan, R.O.C.	Tsai, Jin-Pau	05/15/ 2015	Three years	05/15/ 2015	-	-	-	-	-	-	-	-	Department of Accounting, National Chengchi University Master in Accounting, Graduate Institute of Ac- counting, National Chengchi University Master in Law, College of Law, National Chengchi University Vice Chairman, Fuh Hwa Securities Investment Trust Co., Ltd. Deputy CEO, CEO and Deputy Chairman, PwC Taiwan Consultant, Public Service Pension Fund Supervisory Board President, Pricewaterhouse- coopers Management Consulting Company Ltd. Director and Managing Director, Taiwan Corporate Governance Association Managing Director, Accounting Research and Development Foundation, and Chairman, Auditing Standards Committee Associate Professor, Depart- ment of Accounting, Nation- al Chengchi University	Board Director, Tanvex BioPharma, Inc. Chairman, Jia Guang Kai Fa Shi Ye Co., Ltd. Chairman, Wan Shi Da Kai Fa Shi Ye Co., Ltd. Board Director, Orient Recreation and Develop- ment Corp. Board Director, Tuntex Incorporation Board Director, FCB Leasing Co., Ltd. Board Director, FCB International Leasing (Suzhou) Co., Ltd. Board Director, FCB International Leasing (Xiamen) Co., Ltd. Independent Director, Star Travel Corp. Independent Director, Sunny Friend Environ- mental Technology Co., Ltd. Board Director, Trans- Globe Life Insurance Inc.	-	-	-
Inde- pendent director	Taiwan R.O.C.	Chang, Lee-chiou	05/15/ 2015	Three years	05/15/ 2015	-	-	-	-	-	-	-	-	NCCU Department of Risk Management and Insurance Department of Public Finance, National Chengchi University Chairman, Yuanta Securities Finance Co., Ltd. President, Yuanta Securities Co., Ltd. President, Grand Cathay Securities Corp. Auditor, Director, Special Commissioner, Assistant Director, Director, Securities and Exchange Commission, Ministry of Finance Auditor and Assistant Auditor, National Taxation Bureau of Taipei	Board Director, Tanvex BioPharma, Inc. CEO, Sun Ten Group Chairman, Sun Ten In- ternational Investment Co., Ltd. Senior Consultant, Yuanta Securities Co., Ltd. Board Director, Taiwan Stock Exchange Cor- poration Board Director, Sun Ten Natureceutica Co., Ltd. Supervisor, Taipei Exchange Supervisor, Ichia Tech- nologies, Inc Independent Board Director, Ta Ya Electric Wire & Cable Co., Ltd. Independent Director, Acme Electronics Corporation Independent Director, TEX Global Holdings Corp. Director and Convener, Taiwan Securities Association	-	-	-
Inde- pendent director	Taiwan R.O.C.	Shih, Chuan	05/15/ 2015	Three years	05/15/ 2015	-	-	-	-	-	-	-	-	National Chung-Hsing University, BS The Ohio State University, MS/PhD	Board Director, Tanvex BioPharma, Inc. Special Researcher and Director, Institute of Biotechnology and Pharmaceutical Research (IBPR), Na- tional Health Research Institutes (NHRI)	-	-	-

Note 1: A corporate shareholder shall list its name and its representative individually (where the member is a representative of a corporate shareholder, the name of the corporate shareholder shall be specified). Table 1 shall also be completed.

Note 2: The time the member first acted as a company director or supervisor shall be entered. In the event of suspension, the reason shall be stated.

Note 3: In regard to experiences relevant to positions currently held, the titles held and duties shall be stated if the member has worked in a CPA firm or an affiliate thereof during the aforementioned period.

## 2.4.2 Major Institutional Shareholders on the Board

April 18th, 2016

Corporate Shareholder Name	Major Shareholders
Peng Lin Investment Co., Ltd.	Yin, Chungyao (100%)
Delos Capital Fund, LP	Peng Lin Investment Co., Ltd. (38.46%), Alpha Corporate Holdings Limited (15.38%), Viva Victory Limited (7.69%), Taishin Venture Capital Co. Ltd. (7.69%), E. Sun. Venture Capital Co. Ltd (7.69%), MAL Investment Company (3.85%), Allen Chao and Lee Hwa Chao Family Trust (3.85%)
Allen Chao and Lee Hwa Chao Family Trust	Allen Chao and Lee Hwa Chao (100%)
Hsia Family Trust	David Hsia and Phylis Hsia (100%)

Note 1: Where a supervisor is a representative of a corporate shareholder, the name of corporate shareholder shall be specified.

Note 2: Top 10 shareholders shall be listed with their shareholding percentage. If the shareholder is a corporate entity, further information shall be provided in below table.

## 2.4.3 Major Shareholders of the Institutional Shareholders with Representation on the Board

December 31st, 2015

Corporate Shareholder Name (Note 1)	Major Shareholders (Note 2)
Peng Lin Investment Co., Ltd.	Yin, Chungyao (100%)
Alpha Corporation Holdings Limited	Geng, Zhongxuan (91%), Chang, Jinjin (9%)
Viva Victory Limited	Geng, Zhongxuan (91%), Chang, Jinjin (9%)
MAL Investment Company	Allen Chao and Lee Hwa Chao Family Trust(69%) Michael Chao(31%)
Taishin Venture Capital Co. Ltd.	Taishin Venture Capital Co. Ltd. (100%)
E. Sun. Venture Capital Co. Ltd	E. Sun. Venture Capital Co. Ltd. (100%)

Note 1: If shareholder is a corporate entity, the name of the entity shall be specified.

Note 2: Top 10 shareholders shall be listed with their shareholding percentage.

## 2.4.4 Qualifications and Independence of Directors and Supervisors

December 31st, 2015

Name	Qualifications	At least five years work experience and holds the following professional qualifications			Independence (Note)										No. of other public companies for which the member acts as an independent director concurrently
		Rank of lecturer or above in business, law, finance, accounting or other department related to company business, of a public or private college or university	Judge, prosecutor, lawyer, accountant, or other professional and technical personnel having passed a national examination with a certificate granted, as required by company business	Work experience in business, law, finance, accounting, or otherwise required by company business	1	2	3	4	5	6	7	8	9	10	
Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	–	–	✓	✓	✓	–	✓	✓	–	–	✓	✓	✓	–	–
Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	–	✓	✓	✓	✓	–	✓	✓	–	–	✓	✓	✓	–	–
Delos Capital Fund, LP. Representative: Chen, Lin Cheng	–	–	✓	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	–	–
Allen Chao and Lee Hwa Chao Family Trust Representative: Allen Chao	–	–	✓	✓	–	–	–	–	–	–	✓	–	✓	–	–
Hsia Family Trust Representative: David Hsia	–	–	✓	✓	–	–	–	–	–	–	✓	–	✓	–	–
Yen, Yun	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Tsia, Jin-Pau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chang, Lee-Chiou	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shih, Chuan	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–

Note: Please check the box with a "✓" under each condition number if a director or a supervisor satisfies the relevant condition two years prior to election and during employment:

- (1) Not an employee of the company or an affiliate of the company.
- (2) Not a director or supervisor of the company or an affiliate of the company, unless the member is an independent director of the company, its parent company, or a subsidiary of the company in which the company holds directly or indirectly a majority of the shares with voting rights.
- (3) Not a natural-person shareholder that holds 1% or more of the company's total issued shares or holds company shares as one of its top ten shareholders, in the member's own name or in the name of his spouse, minor or others.
- (4) Not a spouse, or one-, two- or three-degree relation, of any person listed in the preceding three subparagraphs.
- (5) Not a director, supervisor or employee of a corporate shareholder that holds directly 5% or more of the company's total issued shares, or a director, supervisor or employee of one of the top five corporate shareholders.
- (6) Not a director, supervisor, officer or shareholder with 5% of more shares, of a special company or institution with financial or business transactions with the company.
- (7) Not a professional, or an owner, partner, director, supervisor or officer of a proprietorship, partnership, company or institution, that offers business, legal, financial, accounting services or consultancy to the company or an affiliate of the company, or a spouse
- (8) Not a spouse or within a second-degree relationship of consanguinity to another member
- (9) None of the circumstances in the subparagraphs of Article 30 of the Company Act applies
- (10) Never be elected as government, corporate or representative under Article 27 of the Company Act

## 2.4.5 Remuneration Paid to Board Directors in 2015

### 2015 Remuneration Paid to Directors (including independent directors)

12/31/2015; Unit: NT\$ in thousands

Title	Name	Remuneration to directors								Sum of A, B, C and D over profit after tax (%)		Remuneration to directors as concurrent employees												Sum of A, B, C, D, E, F and G over profit after tax (%)		Remuneration from invested enterprises other than a subsidiary	
		Remuneration (A) (Note 1)		Retirement pension (B)		Remuneration (C) (Note 3)		Business execution (D) (Note 3)				Salary, bonus & allowances (E)		Retirement pension (F)		Remuneration(G)				Employee stock option (H)		New employee restricted stock					
		Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports	Tanvex BioPharma	All companies listed in financial reports				
Director	Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	-	-	-	-	-	-	15	15	(0.002)	(0.002)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.002)	(0.002)	-
Director	Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	-	-	-	-	-	-	15	15	(0.002)	(0.002)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.002)	(0.002)	-
Director	Delos Capital Fund, LP Representative: Chen, Lin Cheng	-	-	-	-	-	-	15	15	(0.002)	(0.002)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.002)	(0.002)	-
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Dr. Allen Chao	-	-	-	-	-	-	15	15	(0.002)	(0.002)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.002)	(0.002)	-
Director	Hsia Family Trust Representative: David Hsia	-	-	-	-	-	-	10	10	(0.001)	(0.001)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.001)	(0.001)	-
Director	Yen, Yun	-	-	-	-	-	-	10	10	(0.001)	(0.001)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.001)	(0.001)	-
Independent Director	Tsai, Jin-Pau	-	-	-	-	-	-	242	242	(0.03)	(0.03)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.03)	(0.03)	-
Independent Director	Chang, Lee-Chiou	-	-	-	-	-	-	242	242	(0.03)	(0.03)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.03)	(0.03)	-
Independent Director	Shih, Chuan	-	-	-	-	-	-	227	227	(0.03)	(0.03)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.03)	(0.03)	-

The current (2015) supervisor remuneration does not apply as Tanvex BioPharma has no supervisor

## 2.5 Management Team

### 2.5.1 Management Team Information

Title	Name	Nationality	Start Date	Shareholding		Spouse and Minors Shareholding		Shareholding Another's Name		Major Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Officer who is the spouse or within second-degree relationship of consanguinity to the member			Officer's procurement of employee stock options
				No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relationship	
CEO	Allen Chao	U.S.	12/17/2014	0	0	0	0	21,878,647	11.36%	Ph.D, Purdue University, College of Pharmacy Founder and CEO, Watson Pharmaceuticals, Inc. (Now Allergan)	Director and Chairman, Tanvex Biologics, Inc. Director, Tanvex Biologics Corporation General Manager, La Jolla Biologics, Inc. Director, Mithra Biotechnology Inc. Director and Chairman, Ansun Bio-Pharma Director, Impax Laboratories, Inc. Director, Arbor Pharmaceuticals, LLC Chairman, Newport Healthcare, LLC Director, Taipei Medical University Trust	Chief Scientific Officer	David Hsia	Brother-in-law	Notes
Chief Scientific Officer	David Hsia	U.S.	12/17/2014	0	0	0	0	3,242,405	1.68%	Ph.D, Purdue University, College of Pharmacy Senior Vice President, R&D, Watson Pharmaceuticals, Inc. (Now Allergan)	Director, Tanvex Biologics, Inc.	CEO	Dr. Allen Chao	Brother-in-law	Notes
Corporate Controller and Chief Accountant	Wu, Yiching	Taiwan, ROC	10/01/2014	0	0	0	0	0	0	Master in Finance, City University of New York - Baruch College Chief of Finance, Tanvex Biologics, Inc. Chief of Finance, DesignRx Pharmaceutical, Inc.	—	—	—	—	Notes
Vice President, Business Development & Investor Relations	Chu, Pei-Lan	Taiwan, ROC	01/15/2015	582,191	0.30	0	0	0	0	Master in Business Management, National Sun Yat-sen University Senior Manager, Investment Management Department, and Director, Biotech Section, President International Development Corp. Finance Specialist, Uni-President Enterprises Corp.	—	—	—	—	Notes
General Manager, Tanvex Biologics Corporation, Vice President, Manufacturing, LJB	Yang, Kaiwen	Taiwan, ROC	07/06/2015	0	0	0	0	0	0	Bachelor in Chemical and Materials Engineering National Central University General Manager, Jisheng Biologics Ltd. Senior Manager, Innovent Biologics Vice President, Crumbs Engineering Inc.	—	—	—	—	Notes
Vice President MSAT, LJB	Helena Makagiansar	U.S.	03/12/2014	250,000	0.13	0	0	0	0	Ph.D in Biochemistry, University of London Shire Pharmaceuticals, Inc. Director/ Commercial CMC Biogen IDEC, Inc. Associate Director/ Biopharmaceutical Development	—	—	—	—	Notes





## Payment Range

Compensation paid to each of the presidents and vice presidents of the company (NT\$)	Names of presidents and vice presidents	
	Tanvex BioPharma (Note 7)	All Consolidated Entities (Note 8)
Below \$2,000,000	Allen Chao, David Hsia	Allen Chao, David Hsia
\$2,000,000 ~ 5,000,000 (exclusive)	Chu, Pei-Lan	Chu, Pei-Lan
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	—	Helena Makagiansar; Wu, Yongjian Yang, Kaiwen
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)	—	—
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	—	—
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)	—	—
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)	—	—
Above \$100,000,000	—	—
Total	3	6

Note 1: Name of CEO and Vice Presidents shall be listed separately. If CEO or Vice President is a director, table 1-1 and 1-2 shall be completed.

Note 2: Includes most recent year salary, raise and resignation payment

Note 3: Includes most recent year all types of bonus, transportation allowance, special allowance, accommodation, and company provided car and other type of non-cash compensation. Nature of property and related costs, fair market value of rent, gas and other payment shall be disclosed. If driver is hired, compensation to the driver shall be disclosed but not added in this amount.

Note 4: Includes compensation amount paid to the CEO and Vice Presidents (stock and cash) based on the Retained Earnings distribution plan approved by Board meeting before the shareholder meeting in most recent year. If the amount cannot be projected, previous year's amount can be used as an estimate and Table 6 shall be filled in. Net income after tax is the most recent year's amount. If IFRS is adopted, net income after tax shall be the amount from individual financial statements.

Note 5: Includes exercisable employee stock options (excludes exercised portion) up to the date of the annual report

Note 6: Includes exercisable restricted employee stock options up to the date of the annual report. Table 32 shall be filled in if it applies.

Note 7: Includes compensation from the parent company. Name of the CEO and Vice Presidents shall be disclosed.

Note 8: Includes compensation from all consolidated entities. Name of the CEO and Vice Presidents shall be disclosed.

Note 9: Net income after tax is the most recent year's amount. If IFRS is adopted, net income after tax shall be the amount from individual financial statements.

Note 10:

a. Disclose compensation paid to CEO and Vice Presidents from any reinvested entity other than subsidiaries

b. if a applied, the compensation paid to CEO and Vice Presidents shall be listed in E and renamed as "All reinvested entities"

c. Includes compensation only when the CEO and Vice Presidents act as a director, supervisor or manager of the reinvested entity

Note 11: includes restricted employee stock options issued to directors who concurrently hold positions (CEO, Vice Presidents or other positions).

Table 15-1 shall be filled in if it applies.

\*Compensation disclosed in the table applies different concept from that of tax law, therefore, it is for disclosure only and shall not be used for tax purpose.

## 2.5.3 Compensation Paid to Board Director, Supervisor, CEO and Vice Presidents as a Percentage of Net Income After Tax of All Consolidated Entities in 2014 and 2015, and Compensation Policies, Standards and Composition, Procedures and Impact on Business Performance and Future Risks

Remuneration paid to directors, supervisors, CEO and vice presidents as a percentage of net profit after tax in 2015.

NT\$ in thousands

Item  Title	2015				2014			
	Compensation		% of Net Income		Compensation		% of Net Income	
	Tanvex BioPharma	All Consolidated Entities	Tanvex BioPharma	All Consolidated Entities	Tanvex BioPharma	All Consolidated Entities	Tanvex BioPharma	All Consolidated Entities
Board Director	791	791	(0.09)	(0.09)	—	—	—	—
CEO and Vice Presidents	3,000	19,506	(0.36)	(2.34)	—	14,943	—	(3.16)

Policies, standards and combination, procedures and impact on business performance and future risks

(1) Director: Retained Earnings distribution and compensation to directors and supervisors are based on Articles of Incorporation. Remuneration to directors who execute duties for the company is based on their contribution and benchmarks in the same industry.

(2) CEO and Vice Presidents: Compensations to CEO and Vice Presidents is based on their position and level of job responsibility. Bonus is based on evaluation of business performance and adjusted by projected future risks. The effects of future risk remain low.

### 3 Corporate Governance



A relentless focus on quality improves our ability to deliver product at scale. Through rigorous performance measurement, accountability and analytics, we maximize throughput in the transition from development to manufacturing.

## 3 Corporate Governance

### 3.1 Corporate Governance Implementation Status

#### 3.1.1 Board of Directors Meeting Status

Nine Board meetings were convened in 2015. The directors' attendance is listed below:

Title	Name	No. of meetings actually attended with or without voting rights	No. of meetings attended by proxy with voting rights	Rate of attendance with or without voting rights	Notes
Chairman	Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	9	0	100%	–
Director	Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	7	2	78%	–
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Dr. Allen Chao	9	0	100%	–
Director	Hsia Family Trust Representative: David Hsia	3	1	60%	Newly elected on 5/15/2015
Director	Delos Capital Fund, LP Representative: Chen, Lin Cheng	5	0	100%	Newly elected on 5/15/2015
Director	Yen, Yun	2	3	40%	Newly elected on 5/15/2015
Independent Director	Tsai, Jin-Pau	4	1	80%	Newly elected on 5/15/2015
Independent Director	Chang, Lee-Chiou	5	0	100%	Newly elected on 5/15/2015
Independent Director	Shih, Chuan	4	1	80%	Newly elected on 5/15/2015

Others:

- (1) Matters listed in Article 14-3 of the Securities and Exchange Act and other board resolutions on which independent directors have expressed dissenting or qualified opinion, with a record or written statement of such opinion made: NONE.
- (2) Recusal of a director from review of a proposal where stakes are involved: the director's name, content of the proposal, reasons for recusal, and voting status:

Name	Date	Content of Proposal	Reason for Recusal	Voting Status
Tsai, Jin-Pau Chang, Lee-Chiou Shih, Chuan	08/14/2015	Independent Directors' Remuneration	Conflict of interests	Recusal from discussion and voting; proposal approved by the rest of the directors

- (3) Goal of strengthening the Board of Directors' meetings' governance and evaluation of implementation status (i.e. establish Audit Committee, increase information transparency): The company has established an Audit Committee and Compensation Committee to strengthen Board of Directors' meetings' governance. Details are listed in following sections.

### 3.1.2 Audit Committee Meeting Status

The company's Audit Committee was established on May 15, 2015, consisting of three members. Four audit committee meetings were convened in 2015, with Independent Directors' attendance shown below:

Title	Name	No. of meetings actually attended with or without voting rights	No. of meetings attended by proxy with or without voting rights	Rate of attendance with or without voting rights	Notes
Convener	Chang, Lee-Chiou	4	0	100%	–
Member	Tsai, Jin-Pau	4	0	100%	–
Member	Shih, Chuan	3	1	75%	–
<p>Others:</p> <p>1. Matters listed in Article 14-5 of the Securities and Exchange Act and other matters subject to the consent of two-thirds of the directors but not the audit committee: NONE.</p> <p>2. Recusal of an independent director from review of a proposal where stakes are involved: NONE.</p> <p>3. Communication of independent directors with internal audit supervisors and accountants: The company's internal audit supervisors and accountants have maintained good communication with its independent directors. The internal audit supervisor has also attended meetings of the audit committee to report their audit operations and would promptly report any special circumstances to the audit committee.</p>					

### 3.1.3 Corporate Governance Implementation as Required by the Corporate Governance Code of Practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and Reasons for Non-Compliance

Item for Assessment	Implementation			Non-Compliance and Reasons
	Yes	No	Overview	
1. Does the company establish and disclose its corporate governance practices in accordance with the Corporate Governance Code of Practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies?		V	Although the company has not established its Corporate Governance Code of Practice yet based on current business scale and operation requirements, it has been operating in the spirit of such principles, aiming to protect shareholders' interests as its major goal. The company will stipulate related codes and rules according to the Corporate Governance Code of Practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies.	None
2. Shareholding structure and shareholders' rights:				
(1) Does the company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	V		(1) To protect shareholders' interest, the company assigns spokespersons and deputy spokespersons to handle shareholders' suggestions and disputes.	None
(2) Does the company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The company conducts regular reviews of the list of major shareholders and beneficial owners of these major shareholders based on updated records as of the book closure date.	None
(3) Has the company built and executed a risk management system and "firewall" between the company and its affiliates?	V		(3) The company has established an Operating Procedure for Transactions Among Interested Parties, Special Companies and Group Enterprises and strictly complies with it.	None
(4) Has the company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company has established Directions for Prevention of Insider Trading and strictly complies with and enforces them.	None



Item for Assessment	Implementation			Non-Compliance and Reasons
	Yes	No	Overview	
3. Composition and responsibilities of the board of directors:				
(1) Has the company established a diversification policy for the composition of its board of directors and has it been implemented accordingly?	V		(1) In regard to the composition of the board of directors, candidates nominated by the board of directors are presented to the shareholders' meeting for election. Diversity is emphasized in the nomination. Current board members have extensive experience either in the relevant industries or in operation and finance.	None
(2) Other than the compensation committee and the audit committee which are required by law, does the company plan to set up other board committees?		V	(2) The company has not set up functional committees other than the remuneration committee and the audit committee.	None
(3) Has the company established regulations for evaluating the performance of its board of directors, and conducted such evaluation on an annual basis?		V	(3) The company has not established regulations for evaluating the performance of its board of directors, but it regularly keeps track of and records directors' attendance rate, required hours of continuing training and education each year, recusal, communication with the company management, and reviews of the company's financial and audit reports etc.	None
(4) Does the company regularly evaluate its external auditors' independence?	V		(4) The board of directors evaluates the independence of CPAs annually.	None
4. Has the company established a means of communicating with its stakeholders or created a stakeholders section on its company website? Does the company address properly stakeholders' concerns about important corporate responsibilities issues?	V		Stakeholders may communicate with the management or directors by any means such as mail or telephone etc.	None
5. Has the company appointed a professional registrar for its shareholders' meetings?	V		The company has appointed CTBC Bank to handle its shareholders' meetings.	None
6. Information Disclosure				
(1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The company website is under construction and will incorporate financial and corporate governance data as major items when ready. The website is expected to be completed in 2016.	None
(2) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The company has assigned personnel to collect and disclose company information and has also appointed spokespersons and deputy spokespersons.	None
7. Has the company disclosed other information to facilitate a better understanding of its corporate employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education and training of directors and supervisor, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and liability insurances for directors and supervisors)?	V		1. Employee rights and employee wellness: The company has established various measures concerning employee benefits and systems concerning continuing education and training, retirement etc., to protect employee rights. 2. Investor relations: The company has appointed spokespersons and deputy spokespersons, to whom investors may express their views at any time. 3. Supplier relations and rights of stakeholders: the company maintains relations with both suppliers and stakeholders on a good and equal basis. 4. Continuing education and training of directors and supervisors: As in Note 1. 5. Implementation of risk management policies and risk evaluation measures: The company has established and complies with various bylaws to control risks. 6. Implementation of customer relations policies: Products are still in the R&D stage. Relevant customer policies will be established in future as needed. 7. Liability insurances for directors and supervisors: the company has taken out liability insurance for directors.	None None None None None None None
8. Does the company have any self-evaluation reports on its corporate governance practices or any corporate governance assessment report prepared by a professional institution commissioned by the company? (If yes, please describe the board of directors' views on the results of such evaluation or assessment, major deficiencies, recommendations, and improvements).		V	Based on current business scale and operational requirements, the company has not yet done a self-evaluation report on its corporate governance practices and does not have any corporate governance assessment reports prepared by a professional institution commissioned by the company.	None

Note 1: Directors and independent directors' attendance in continuing education and training required by laws and regulations in 2015.

Title	Name	Date	Unit	Course	Hours
Chairman	Chen, Chi-Chuan	4/21	Taiwan Corporate Governance Association	Disclosure of material corporate information and responsibilities of directors and supervisors	3
Director	Dr. Allen Chao	6/23	MasterLink Securities Corp	Securities laws and regulations	3
Director	Cho, Lung-Yeh	4/21	Taiwan Corporate Governance Association	Disclosure of material corporate information and responsibilities of directors and supervisors	3
Director	David Hsia	6/23	MasterLink Securities Corp	Securities laws and regulations	3
Director	Yen, Yun	6/23	MasterLink Securities Corp.	Securities laws and regulations	3
Director	Chen, Lin Cheng	6/22	Securities & Futures Institute	Practices of directors and supervisors (including independent ones) – forms and prevention of business bribery – corporate governance	3
Independent Director	Chang, Lee-Chiou	6/26	Taiwan Stock Exchange Ltd.	Corporate Governance, Financial Regulations and Laws	6
Independent Director	Tsai, Jin-Pau	7/8	Securities & Futures Institute	Public Company Insider Trading Regulations	3
		12/16, 12/23	Taiwan Corporate Financing Research Institute	Board Meeting Management Practices and Corporate Governance	6
Independent Director	Shih, Chuan	6/18	Accounting Research and Development Foundation	Impact of the amendments to the Regulations Governing Establishment of Internal Control Systems by Public Companies on corporate governance, and measures to respond to the amendments	3

### 3.1.4 Operation of Compensation Committee

#### (1) Compensation Committee Members

Title (Note 1, 3)	Name	Qualifications			Independence (note 2)								No. of other public companies of which the member acts as an independent director concurrently	Notes
		At least five years' work experience, and the following professional qualifications												
		Rank of lecturer or above in business, law, finance, accounting or other department related to company business, of a public or private college or university	Judge, prosecutor, lawyer, accountant, or other professional and technical personnel having passed a national examination with a certificate granted, as required by company business	Work experience in business, law, finance, accounting, or otherwise required by company business	1	2	3	4	5	6	7	8		
Independent Director	Tsai, Jin-Pau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Chang, Lee-Chiou	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Shih, Chuan	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	

Note 1: Please enter director, independent director or others as identity.

Note 2: Please check the box with a "✓" under each condition number if the member satisfies the relevant condition two years prior to election and during employment:

- (1) Not an employee of the company or an affiliate of the company.
- (2) Not a director or supervisor of the company or an affiliate of the company, unless the member is an independent director of the company, its parent company, or a subsidiary of the company in which the company holds directly or indirectly a majority of the shares with voting rights.
- (3) Not a natural-person shareholder that holds 1% or more of the company's total issued shares or holds company shares as one of its top ten shareholders, in the member's own name or in the name of his spouse, minor or others.
- (4) Not a spouse, or one-, two- or three-degree relation, of any person listed in the preceding three subparagraphs.
- (5) Not a director, supervisor or employee of a corporate shareholder that holds directly 5% or more of the company's total issued shares, or a director, supervisor or employee of one of the top five corporate shareholders.
- (6) Not a director, supervisor, officer or shareholder with 5% or more shares of a special company or institution with financial or business transactions with the company.
- (7) Not a professional, or an owner, partner, director, supervisor or officer of a proprietorship, partnership, company or institution, that offers business, legal, financial, accounting services or consultancy to the company or an affiliate of the company, or a spouse
- (8) None of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

Note 3: If the member's identity is director, please state whether Article 6, paragraph 5 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter is complied with.

**(2) Compensation Committee Status**

- The committee includes three members.
- Term: May 15th 2015 to May 14th, 2018. Three meetings (A) were convened in 2015.
- Eligibility and attendance of members:

Title	Name	No. of meetings actually attended (B)	No. of meetings attended by proxy	Actual attendance rate (B/A) (%)	Notes
Convener	Tsai, Jin-Pau	3	0	100%	–
Member	Chang, Lee-Chiou	3	0	100%	–
Member	Shih, Chuan	2	1	67%	–

**Others:**

1. If the board of directors does not adopt or revise the recommendations of the compensation committee, it shall state the date of the board meeting, term of the board, content of the proposal, results of the board resolutions, and actions taken by the company in response to comments made by the compensation committee (if the compensation passed by the board is better than as recommended by the compensations committee, the difference and reasons shall be provided): **None**.
2. If a member has expressed a dissenting or qualified opinion, with a record or written statement of such opinion made, on a resolution of the compensation committee, the date of the meeting of the compensation committee, term of the committee, content of the proposal, opinions of all the members, and actions taken to address the opinions shall be specified: **None**.

- Notes:
- (1) If a member of the compensation committee leaves office before the last day of a year, the date of departure shall be specified in the Notes column, and his actual attendance rate (%) shall be based on the number of meetings of the compensation committee that has been held and the number that he has actually attended, during his employment.
  - (2) Where an election of the compensation committee is held before the last day of a year, both the new and the old members of the compensation committee shall be listed, and whether he is old, new or re-elected, and the date of election, shall be stated in the Notes column. His actual attendance rate (%) shall be based on the number of meetings of the compensation committee that has been held and the number that he has actually attended, during his employment.

### 3.1.5 Social Responsibility Implementation Status

Item for Assessment	Implementation			Divergence from Corporate Social Responsibility (CSR) code of practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and reasons
	Yes	No	Overview	
<b>1. Implementation of corporate governance</b> (1) Does the company have a corporate social responsibility policy or system and evaluate its implementation?  (2) Does the company hold regular CSR training?  (3) Does the company have a dedicated (or ad-hoc) CSR organization with board of directors authorization for senior management, which reports to the board of directors?  (4) Does the company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?		V   V  V	(1) The company has not established a corporate social responsibility policy or system, but it will continue to carry out CSR and will establish relevant policies depending on the circumstances. (2) The company has no CSR training currently and will make plans for it in the future depending on the circumstances. (3) The company has no dedicated (or ad-hoc) CSR organization. CSR is performed by each department based on their duties, with their best efforts. (4) The company has not integrated employee appraisal with CSR policy yet. It will establish specific and effective award and punishment policies, and integrate employee appraisal with CSR policy.	No material divergence   No material divergence No material divergence No material divergence
<b>2. Environmentally sustainable development</b> (1) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?  (2) Has the company set an Environmental management system designed to industry characteristics?  (3) Does the company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategies?	V  V	V  V	(1) The company engages in pharmaceutical R&D with no production operations thus is not deemed highly polluting and does not use renewable materials with low environmental impact. (2) The company complies with all environmental safety and health laws and regulations of the countries in which its businesses are located. (3) The company manages and maintains the environment according to local regulations. We also encourage everyone to turn off lights when they leave, use networks and other shared communication platforms properly, reduce paper waste, and recycle various resources.	No material divergence  No material divergence No material divergence

Item for Assessment	Implementation			Divergence from Corporate Social Responsibility (CSR) code of practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and reasons
	Yes	No	Overview	
<p>3. Promotion of social welfare</p> <p>(1) Does the company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the company established appropriately managed employee complaint procedures and avenues?</p> <p>(3) Does the company provide employees with a safe and healthy working environment, with regular safety and health training?</p> <p>(4) Has the company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?</p> <p>(5) Has the company established effective career development training plans?</p> <p>(6) Has the company set policies and consumer complaint procedures in its R&amp;D, purchasing, production, operations, and service processes?</p> <p>(7) Does the company follow regulations and international standards in the marketing and labelling of its products and services?</p> <p>(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?</p> <p>(9) Do the company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p></p> <p>V</p> <p>V</p> <p>V</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p>V</p> <p>V</p> <p></p> <p>V</p>	<p>(1) The company has established Work Rules pursuant to Bureau of Labor Affairs requirements to protect employees' rights and interests according to law.</p> <p>(2) The company has established employee complaint procedures and avenues.</p> <p>(3) The company provides employees with a safe and healthy working environment and, through continuing education, training, and promotion of awareness, allows employees to develop the ability to respond to emergencies and understand safety.</p> <p>(4) The company communicates major operational policies and objectives to employees through regular and irregular strategic meetings and department meetings.</p> <p>(5) The company encourages continuing education and training subject to individual situations, and has effective career development training plans.</p> <p>(6) The company has not engaged in product sales yet, and will set consumer interest protection and consumer complaint processing procedures.</p> <p>(7) The company has not engaged in product sales yet, and will follow regulations and international standards in the marketing and labelling of its products and services.</p> <p>(8) The company conducts supplier evaluation before engaging with potential suppliers.</p> <p>(9) Although, the company has not yet added termination clauses in contracts with major suppliers if they violate CSR policy and cause significant environmental and social impact, it has always worked with suppliers dutifully without violating corporate social responsibility best practices.</p>	<p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p> <p>No material divergence</p>
<p>4. Enhanced information disclosure</p> <p>(1) Does the company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?</p>	V		(1) The company discloses relevant CSR information in the annual report as required.	No material divergence
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences: Not applicable, as the company has not established its CSR code of practice.				
6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: All employees are entitled to the same work rights and afforded opportunities for free expression and development, irrespective of race, sex and age.				
7. Other information regarding "Corporate Responsibility Report" which is verified by certification bodies: Not applicable.				

### 3.1.6 Implementation Status of Ethical Management

Item for Assessment	Implementation			Divergence from code of ethics of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and reasons
	Yes	No	Overview	
<b>1. Ethical management policies and plans</b> (1) Are the company's guidelines, practices, and board of directors' and management's commitments to implement the policies provided in its bylaws and disclosed publicly?  (2) Has the company established, and does it strictly enforce, relevant policies for preventing any unethical conduct, each incorporating operating procedures and guidelines, penal provisions for violations, and complaint mechanisms?  (3) Does the company adopt measures for preventing the business activities in Article 7, paragraph 2 of the Code of Ethics of Taiwan Stock Exchange and Taipei Exchange Listed Companies or business activities within other business scope with a higher risk of unethical conduct?	V		(1) The company firmly believes integrity is the foundation of all operational policies on which sound corporate governance and risk control mechanisms are established and an operational environment with sustainable development has been established.  (2) The company provides educational training and counseling to employees to enable them to fully understand its resolve for ethical management and the consequences of unethical conduct.  (3) The company informs all new recruits of its relevant rules and the relevant punishments for violation of law, up to termination of the employment agreement in severe cases, when they report for duty.	No material divergence  No material divergence  No material divergence
<b>2. Ethical management</b> (1) Does the company evaluate trading counterparts' ethical records and incorporate ethics related clauses in the contracts executed with them?  (2) Has the company set up a dedicated (ad hoc) unit under the board of directors in charge of promotion of the company's ethical management and reporting the enforcement to the board of directors on a regular basis?  (3) Has the company established policies to prevent conflicts of interest? Does it provide appropriate communication avenues? Does it strictly comply with such policies?  (4) Has the company established effective accounting and internal control systems for the implementation of ethical management? Does the internal audit unit conduct regular audits itself or through CPAs?  (5) Does the company provide internal and external educational training on ethical management on a regular basis?	V	V	(1) The company conducts business activities in a fair, transparent manner and evaluates potential trading counterparts before entering into transactions with them to ascertain whether they are legal and have a poor ethical record.  (2) Based on current business scale and operation requirements, the company has not yet established a dedicated unit. Currently the CEO is responsible for management and the board of directors for supervision.  (3) To avoid any conflicts of interest in the conduct of business, employees are to alert their supervisors and advise recusal. Directors with a conflict of interest against issues raised in a board meeting must all recuse.  (4) The company has established effective accounting and internal control systems in accordance with applicable laws and regulations. Its internal auditors review its compliance on a regular basis and report to the Board of Directors and Audit Committee.  (5) The company promotes awareness of ethical management in regular supervisors' meetings and departmental meetings.	No material divergence  No material divergence  No material divergence  No material divergence
<b>3. Report</b> (1) Has the company established specific report and incentive systems, set up convenient avenues for reports to be made, and assigned appropriate personnel to entertain reports against accused parties?  (2) Does the company have standard operating procedures for investigating reports entertained, and the relevant nondisclosure mechanism?  (3) Does the company adopt measures to protect informers from inappropriate actions taken against them?	V	V	Employees may report any ethics violation, internal fraud, or complaint to an operating or audit officer, in any manner.	No material divergence



Item for Assessment	Implementation			Divergence from code of ethics of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and reasons
	Yes	No	Overview	
4. Enhanced information disclosure (1) Does the company disclose the content and results of promotion of its code of ethics on its website and the Market Observation Post System?	V		(1) The company has disclosed its code of ethics practices in its annual report.	No material divergence
5. If the company has established a code of ethics based on the Code of Ethics of Taiwan Stock Exchange and Taipei Exchange Listed Companies, please describe the enforcement of its own code of ethics and any discrepancy between the two codes: Not applicable.				
6. Other important information to facilitate better understanding of the company's enforcement of ethical management (e.g., review and amendment of the company's code of ethics):  (1) The company complies with the Company Act, Securities and Exchange Act and other laws and regulations of competent authorities as the basis for its ethical management practices. (2) Pursuant to the company's Procedural Rules of Board Meetings, a director may comment or answer questions, without participating in discussions and voting, on issues raised in meetings in which he or the juristic person that he represents has a stake that is likely to be prejudicial to the company's interest. He shall also recuse himself from discussions and voting and may not exercise voting rights on behalf of other directors in respect of such issues. (3) Pursuant to the company's Directions for Prevention of Insider Trading Policy, no one may divulge to others any material inside information of the company that he knows that has not been made public, and insider trading shall be avoided.				

### 3.1.7 Description of How Company Discloses its Code of Corporate Governance and Relevant Re, if Applicable

Not applicable.

### 3.1.8 Other Important Information to Facilitate Shareholders' Understanding of Corporate Governance

None.

### 3.1.9 Internal Control System Execution Status

2015 Statement of Internal Control System

## Tanvex BioPharma, Inc. Statement of Internal Control System

Date: March 28, 2016

**Tanvex's self-assessment results for 2015 Internal Control System are presented below:**

1. Tanvex BioPharma's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Tanvex BioPharma takes immediate remedial actions in response to any identified deficiencies.
3. Tanvex BioPharma evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each of such components is further divided into several items, which can all be found in the Regulations.
4. Tanvex BioPharma has evaluated the design and operating effectiveness of its internal control system according to the Regulations.
5. Based on the findings of such evaluation, Tanvex BioPharma believes that as of December 31, 2015, it has maintained in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Tanvex BioPharma's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed by the board of directors in its meeting of March 28, 2016, with none of the nine attending directors expressing a dissenting opinion, and the remainder all affirming the content of this Statement.

**Tanvex BioPharma, Inc.**

Chairman: Chi-Chuan Chen

CEO: Dr. Allen Chao

#### **2015 Auditor's Report on the 2014 Statement of Internal Control System**

Please refer to section 3.1.9 of the Chinese version of the 2015 annual report for the auditor's report on the 2014 Statement of Internal Control System issued by PricewaterhouseCoopers Taiwan in 2015, as well as the 2014 Statement of Internal Control System.

### 3.1.10 Any Legal Sanctions Against Company or its Internal Personnel, Disciplinary Action Taken by the Company Against its own Personnel for Violation of Internal Controls, and Major in Company's Internal Control System as well as Improvements Made, in 2015 and up to the Date of the Annual Report

None.

### 3.1.11 Important Resolutions of Shareholders' Meetings and Board of Directors' Meetings in 2015 and up to the Date of the Annual Report

Time of meeting	Type	Important Resolutions
01/15/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved the company's 2015 group operating budget.</li> <li>2. Approved the issuance of new shares for cash capital increase.</li> </ol>
04/01/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved the appointment of Yongjiang Wu as the vice president of R&amp;D of the U.S. subsidiary La Jolla Biologics, Inc.</li> <li>2. Approved the election of directors.</li> <li>3. Approved the release of directors from noncompetition.</li> <li>4. Approved regulations governing independent directors' functions.</li> <li>5. Approved the establishment of an audit committee and its articles.</li> <li>6. Approved the Operating Procedure for Transactions Among Interested Parties, Special Companies and Group Enterprises</li> <li>7. Approved a revision of the accounting system.</li> <li>8. Designated a litigious and non-litigious agent.</li> <li>9. Approved proposal the 2015 general shareholders' meeting.</li> <li>10. Approved the cash capital increase of subsidiary.</li> </ol>
05/07/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal to acquire a technology license from Taipei Medical University.</li> <li>2. Approved the appointment of a stock agent and escrow bank.</li> </ol>
05/15/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved 2014 consolidated financial statements, budget and business report.</li> <li>2. Approved 2014 loss make-up plan</li> <li>3. Approved conversion of stock par value to NT\$10</li> <li>4. Amended Articles of Association</li> <li>5. Amended internal control policy and 2015 audit plan</li> <li>6. Designated a litigious and non-litigious agent.</li> <li>7. Approved proposal of establishing a Taipei branch office</li> <li>8. Approved 2015 first employee stock option plan</li> <li>9. Stipulated blackout period for issued or exercisable employee stock options</li> </ol>
05/15/2015	General shareholders meeting	<ol style="list-style-type: none"> <li>1. Acceptance of 2014 business report and financial statements</li> <li>2. Approved 2014 loss make-up plan</li> <li>3. Stipulated "Shareholders' meeting regulations", "Procedure of acquisition and disposal of assets", "Procedure of loan extension" and "Procedure of endorsement and guarantee"</li> <li>4. Approved conversion of stock par value to NT\$10</li> <li>5. Amended Articles of Association</li> <li>6. Re-elected directors</li> <li>7. Released new directors from non-competition agreement</li> </ol>
05/15/2015	Board of Directors' meeting	Election of the Chairman of the Board of Directors
05/25/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Establishment of the Remuneration Committee and approval of the "Remuneration Committee Charters"</li> <li>2. Appointment of first term members of the Remuneration Committee</li> <li>3. Conversion and Reissuance of all the Outstanding Shares issued by Company to Book-Entry Form.</li> <li>4. Appointment of the Company's Spokesman and the Deputy Spokesman in R.O.C.</li> <li>5. Initiate Undertakings by the Company and all Directors except for the Independent Directors to Publicly Buy Back all the Outstanding Stock</li> <li>6. Approval of the Sound Business Plan</li> <li>7. Approval of the Statement of Internal Control System for 2014</li> <li>8. Approval of the Procedures for Handling Material Inside Information</li> <li>9. Appointment of officer of the subsidiary, La Jolla Biologics, Inc.</li> </ol>
08/14/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved Q2 2015 consolidated financial statements</li> <li>2. Approved transportation allowance of NT\$5,000 for each directors' attendance of a Board of Directors' meeting, Compensation Committee meeting and Audit Committee meeting</li> <li>3. Approved monthly remuneration of NT\$50,000 to independent directors and exclusion of independent directors from annual compensation</li> </ol>
09/25/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved 2015 second employee stock option plan</li> <li>2. Approved plant expansion plan in both U.S. and Taiwan</li> </ol>

Time of meeting	Type	Important Resolutions
12/14/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Approved new share issuance plan for cash capital increase</li> <li>2. Approved 2016 business plan and group budget plan</li> <li>3. Ratified the amendment of 2015 second employee stock option issuance plan</li> <li>4. Approved 2015 employee stock option allocation plan</li> <li>5. Approved improvement plan on self compiling consolidated financial statements</li> <li>6. Approved 2016 internal audit plan</li> <li>7. Approved 2015 auditor's fee plan</li> </ol>
03/28/2015	Board of Directors'meeting	<ol style="list-style-type: none"> <li>1. Amended Articles of Association</li> <li>2. Ratified 2015 liability insurance plan for directors and officers</li> <li>3. Approved 2015 consolidated financial statements, budget and business report</li> <li>4. Approved 2015 loss make-up plan</li> <li>5. Signed evaluation report on auditor's independence</li> <li>6. Approved assignment of auditor for 2016</li> <li>7. Approved a cash capital increase plan for subsidiary</li> <li>8. Approved 2016 first employee stock option plan</li> <li>9. Approved of the Statement of Internal Control System for 2015</li> <li>10. Amended internal control policy on property, plant and equipment</li> <li>11. Approved proposal of 2016 Shareholders' General Meeting</li> </ol>

**3.1.12 Major Content of any Dissenting Opinion of any Director or Supervisor Regarding any Important Resolution Approved by the Board of Directors, where there is a Record or Written Statement of Such Opinion, in 2015 and up to the Date of the Annual Report**

None.

**3.1.13 Resignation and Dismissal of Relevant Personnel in 2015 and up to the Date of the Annual Report**

No resignation or dismissal of relevant personnel occurred in 2015 and up to the date of this annual report.

## 3.2 Audit Fees Information

**3.2.1 Audit Fees and Non-Audit Fees Paid to CPAs, CPA Firms, and Affiliates of Such Firms**

Unit: NT\$ in thousands

Accounting Firm	CPA's name	Audit Fees	Non-Audit Fees					Audit Period	Notes
			Management System Design	Company Registration	HR	Others	Subtotal		
PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin	2,001	0	868	0	0	868	2015	
	Teng, Sheng-Wei								

**3.2.2 Replacement of Accounting Firm when the Audit Fees Paid in the Year of Replacement are Less Than the Audit Fees of the Previous Year, in any:**

None.

**3.2.3 Audit Fees Less Than the Previous Year by 15% or More, if any:**

None.

## 3.3 Replacement of Auditors

None.

**3.4 The Company's Chairman, CEO, or Officers Responsible for Finance and Accounting Operations Have Held Positions at the CPA Firm or Its Affiliates within 2015, if any:**

None.

## 3.5 Equity Transfers and Changes in Pledges of Stock Rights by Board Directors, Supervisors, Officers and Shareholders Holding More Than 10% of Company's Shares, in 2015 and up to the Date of the Annual Report

### 3.5.1 Changes in Equity of Directors, Supervisors, Officers and Major Shareholders

Title (Note 1)	Name	2015		Jan. 1, 2016 to Apr. 18, 2016	
		Increase or Decrease in Shareholding	Increase or Decrease in Shares Pledged	Increase or Decrease in Shareholding	Increase or Decrease in Shares Pledged
Director and Major shareholder	Peng Lin Investment Co., Ltd.	4,740,668	—	—	—
	Representative: Chen, Chi-Chuan	43,000	—	6,046	—
Director and Major shareholder	Peng Lin Investment Co., Ltd.	4,740,668	—	—	—
	Representative: Cho, Lung-Yeh	—	—	—	—
Director	Allen Chao and Lee Hwa Chao Family Trust	2,908,602	—	569,990	—
	Representative: Allen Chao	—	—	—	—
Director	Hsia Family Trust	968,950	—	88,000	—
	Representative: David Hsia	—	—	—	—
Director	Delos Capital Fund, LP	13,000,000	—	1,400,000	—
	Representative: Chen, Lin Cheng	—	—	—	—
Director	Yen, Yun	240,000	—	33,748	—
Independent Director	Tsai, Jin-Pau	—	—	—	—
Independent Director	Chang, Lee-Chiou	—	—	—	—
Independent Director	Shih, Chuan	—	—	—	—
CEO	Allen Chao	—	—	—	—
Chief Technology Officer	David Hsia	—	—	—	—
Corporate Controller	Wu, Yiching	—	—	—	—
Vice President, Business Development Office & Investor Relations	Chu, Pei-Lan	104,168	—	71,773	—
Vice President, MSAT, (LJB)	Helena Makagiansar	—	—	—	—
Vice President, R&D, (LJB)	Wu, Yongjian	—	—	32,812	—
General Manager, Tanvex TW Vice President, Manufacturing (LJB)	Yang, Kaiwen	—	—	—	—
Manager, Internal Auditor	Chen, Wei	—	—	5,000	—
10% Major shareholder	Tanvex Biologics, Inc.	5,076,668	—	—	—

Note 1: Shareholders with shareholdings above 10% shall be stated as Major shareholders.

### 3.5.2 A counterparty to an Equity Transfer or Pledge of Stock Rights May Be an Interested Party: None





Name (Note 1)	Shareholding in Shareholder's Own Name		Spouse and Minor Shareholding		Shareholding in Another's Name		Name and Relationship of any of the Top 10 Shareholders being a related Party, Spouse, or within a second-degree relationship of consanguinity to the member (Note 3)		Notes
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Name	Relationship	
Richard Y. Chao Interests, Ltd.	2,253,330	1.17	–	–	–	–	Hsia Family Trust	The directors are within a second-degree relationship of consanguinity to one another.	
							Allen Chao and Lee Hwa Chao Family Trust		
							Allen Chao Interests, Ltd.		
Representative: Richard Y. Chao	–	–	–	–	–	–	–	–	
Cathay Life Insurance Co., Ltd.	5,250,000	2.73	–	–	–	–	–	–	

Note 1: Top 10 shareholders shall be all disclosed. If a shareholder is a corporate entity, both the corporate name and representative name shall be disclosed.

### 3.7 Shareholding in the Reinvested Entity by the Company; Directors, Supervisors or Officers of the Company; and Entity Directly or Indirectly Controlled by the Company; and their Consolidated Shareholdings

Unit: 1,000 shares; %

Reinvestment entity	Tanvex BioPharma Shareholding		Shareholding of Directors, Supervisors, Officers, and Directly or Indirectly Controlled Enterprises		Consolidated Shareholding	
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding
Tanvex Biologics Corporation	93,000	100%	0	0%	93,000	100%
La Jolla Biologics, Inc.	1,000	100%	0	0%	1,000	100%

## 4 Financing



Strong capitalization undergirds future growth and profitability. Combining state-of-the-art fermentation equipment and bioreactors with green technologies, our team creates innovations to increase our flexibility and reduce time to market.

## 4 Financing

### 4.1 Capital and Shares

#### 4.1.1 Capitalization

(1) Changes in capital in 2015 and up to the date of the annual report:

As of April 18, 2016; unit: \$

Month/Year	Issue Price (\$)	Authorized Share Capital		Paid-in Capital		Notes		
		Shares (in 1,000 shares)	Amount	Shares (in 1,000 shares)	Amount	Sources of Capital	Stock Payment Paid with Assets Other than Cash	Others
05/2013	US\$0.0001	500,000	US\$50,000	0.001	US\$0.0001	Seed capital	None	
09/2013	—	—	—	—	—	Buy-back and deregistration	None	
09/2013	US\$0.2	500,000	US\$50,000	80,000	US\$8,000	Cash capital increase US\$8,000	None	
10/2014	US\$0.4	500,000	US\$50,000	130,000	US\$13,000	Cash capital increase US\$5,000	None	
03/2015	US\$1.5	500,000	US\$50,000	163,333	US\$16,333	Cash capital increase US\$3,333	None	
03/2015	US\$1.5	500,000	US\$50,000	164,418	US\$16,642	Face value of conversion of stock options US\$109	None	
04/2015	US\$1.5	500,000	US\$50,000	165,665	US\$16,567	Face value of conversion of stock options US\$125	None	
05/2015	NT\$10	500,000	5,000,000,000	165,665	\$1,656,651,000	Capital conversion \$518,540	None	Note 2
						Conversion of capital surplus to capital stock \$1,656,131,960		Note 3
06/2015	US\$0.2~0.4	500,000	5,000,000,000	166,408	\$1,664,084,000	Conversion of stock options \$7,433,530	None	
02/2016	NT\$128	500,000	5,000,000,000	192,408	\$1,924,084,000	Cash capital increase NT\$3,328,000	None	Note 4
02/2016	US\$0.2~0.4	500,000	5,000,000,000	192,445	\$1,924,445,000	Conversion of stock options \$361,250	None	
03/2016	US\$0.2~1.5	500,000	5,000,000,000	192,557	\$1,925,569,000	Conversion of stock options \$1,123,500	None	
04/2016	US\$0.2~0.4	500,000	5,000,000,000	192,630	\$1,926,299,000	Conversion of stock options \$730,000	None	

Note 1: With regard to the stock capital of the Company, no stock payment has been paid with assets other than cash up to the date of the annual report.

Note 2: For the purposes of applying for primary listing on the Taipei Stock Exchange or Taipei Exchange, Tanvex resolved in the shareholders' meeting of May 15, 2015 on the change of capital, where US\$0.0001 per share and the paid-in capital of US\$16,566.51 were to be converted as NT\$10 per share and a paid-in capital of NT\$518,540, at the average US\$:NT\$ spot rate of 1:31.30 of the Bank of Taiwan as at March 31, 2015.

Note 3: Tanvex resolved in the shareholders' meeting of May 15, 2015 on the conversion of capital surplus as common shares at \$1,656,131,960.

Note 4: Approval date on equity financing: January 7th, 2016. Approval certificate Ginguanchengfatzu no. 1040053944

## (2) Types of shares in 2015 and up to the date of the annual report:

As of April 18, 2016; unit: share

Type	Authorized number of shares			Notes
	Outstanding	Not Yet Issued	Total	
Common stock	192,629,878	307,370,122	500,000,000	Emerging stock

## 4.1.2 Composition of Shareholders

As of April 18, 2016

Composition Number of Shares	Government institutions	Financial institutions	Other juristic persons	Individuals	Foreign institutions and natural persons	Total
Number of shareholders	–	3	36	647	25	711
Shares	–	8,360,000	81,647,495	9,435,722	93,138,661	192,629,878
Shareholding	–	4.34	42.39%	4.90%	48.37%	100.00%

## 4.1.3 Distribution of Shareholdings

As of April 18, 2016; unit: share

Range of Shareholding	No. of Shareholders	Shares	Shareholding (%)
1 ~ 999	113	22,002	0.01%
1,000 ~ 5,000	385	725,984	0.38%
5,001 ~ 10,000	52	406,847	0.21%
10,00 ~ 15,000	19	232,980	0.12%
15,001 ~ 20,000	16	289,161	0.15%
20,001 ~ 30,000	15	380,445	0.20%
30,001 ~ 40,000	13	465,051	0.24%
40,001 ~ 50,000	15	714,046	0.37%
50,001 ~ 100,000	25	1,806,605	0.94%
100,001 ~ 200,000	13	1,896,568	0.98%
200,001 ~ 400,000	16	4,564,129	2.37%
400,001 ~ 600,000	6	2,959,747	1.54%
600,00 ~ 800,000	4	2,956,439	1.53%
800,001 ~ 1,000,000	0	0	0.00%
Over 1,000,001	19	175,209,874	90.96%
Total	711	192,629,878	100.00%

#### 4.1.4 Major Shareholders (names, and shareholdings of shareholders either with up to 5% of equity or among the top ten shareholders)

As of April 18, 2016

Major shareholders	Shares	Shareholding %
Peng Lin Investment Co., Ltd.	70,816,999	36.76%
Tanvex Biologics, Inc.	37,576,668	19.51%
Allen Chao and Lee Hwa Chao Family Trust	17,013,022	8.83%
Delos Capital Fund, LP	14,400,000	7.48%

#### 4.1.5 Market Value, Net Worth, Earnings and Dividends per Share, and Other Related Information in 2014 and 2015

Unit: NT\$

Item		Year	2014 (Note 1)	2015 (Note 2)
Market Price per share	Highest		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange
	Lowest		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange
	Average		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange
Net Worth per share	Before distribution		4.54	8.70
	After distribution		4.54	8.70
Earnings per share	Weighted average (1,000 shares)		92,500,000 shares	140,279,000 shares
	Earnings (losses) per share		(5.11)	(5.95)
Dividends per share	Cash dividends		–	–
	Stock dividends	Stock dividend from retained earnings	–	–
		Additional Paid-in Capital	–	–
	Accumulated undistributed dividends		–	–
Returns on investment	Price/earnings ratio		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange
	Price/dividend ratio		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange
	Cash dividend yield		Not listed on Taiwan Stock Exchange or Taipei Exchange	Not listed on Taiwan Stock Exchange or Taipei Exchange

Note 1: The financial data of 2014 are from pro forma consolidated financial reports duly audited and certified by CPAs.

Note 2: The financial data of 2015 are from consolidated financial reports duly audited and certified by CPAs

#### 4.1.6 Dividend Policy and Enforcement Status

Dividend policy set out in the Articles of Association:

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate

- (1) at least one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remunerations"); and (2) at most three percent (3%) of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to Cayman Islands law and notwithstanding Article 139, the Employees' Remunerations may be distributed in the form of cash and/or bonus shares, and the Directors' Remunerations may be distributed in the form of cash, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are approved.

Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off cumulative losses of previous years (if any);
- (c) to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
- (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

#### 4.1.7 Impact of Stock Dividend Distributions Proposed in the Current Shareholders' Meeting on the Company's Business Performance and Earnings per Share

#### 4.1.8 Employee Profit Sharing, Directors' Remuneration

- (1) Distribution amount and range based on Articles of Association:

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate (1) at least one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remunerations"); and (2) at most three percent (3%) of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to Cayman Islands law and notwithstanding Article 139, the Employees' Remunerations may be distributed in the form of cash and/or bonus shares, and the Directors' Remunerations may be distributed in the form of cash, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are approved.

Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
  - (b) to set off cumulative losses of previous years (if any);
  - (c) to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
  - (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
  - (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%), and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.
- (2) Accounting treatment on difference between estimate base and actual payment:  
The company had a net loss in 2015, therefore no estimate and actual payment.
  - (3) Distribution approved by Board of Directors' meeting:  
Not applicable.
  - (4) Distribution (including number of shares, amount and share price) in previous year, difference, reason and treatment:  
Not applicable.

#### 4.1.9 Buyback of Common Stock

None.

## 4.2 Issuance of Corporate Bonds

The company has not issued such bonds, therefore this item is not applicable.

## 4.3 Preferred Shares

The company has not issued such shares, therefore this item is not applicable.

## 4.4 Overseas Depositary Receipts

The company has not issued such receipts, therefore this item is not applicable.



## 4.5 Employee Stock Options

### 4.5.1 Non-Expired Employee Stock Options and impact on Shareholders' Equity up to the date of the Annual Report

As of April 18, 2016

Type of employee stock option	2013 employee stock options	2014 employee stock options	2015 First issuance employee stock options	2015 Second issuance of employee stock options
Effective date of registration	Not applicable (Note 1)	Not applicable (Note 1)	Not applicable (Note 1)	10/8/2015
Issue date	12/17/2013 (Note 2)	9/11/2014 (Note 2)	5/15/2015 (Note 2)	12/14/2015
No. of options granted	802,000 shares (of which 155,000 shares are forfeited)	11,260,384 shares (of which 1,405,813 shares are forfeited)	1,000,000 shares	596,000 shares (596 units)
Percentage of shares exercisable to outstanding common shares	0.34%	5.12%	0.52%	0.31%
Vesting period	Within 10 years from the time of grant	Within 10 years from the time of grant	Within 10 years from the time of grant	Within 10 years from the time of grant
Performance	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Vesting schedule and ratio(%)	(1) 1st year: up to 25% (2) 2nd year: up to 50% (3) 3rd year: up to 75% (4) 4th year: up to 100%	(1) 1st year: up to 25% (2) 2nd year: up to 50% (3) 3rd year: up to 75% (4) 4th year: up to 100%	(1) 1st year: up to 25% (2) 2nd year: up to 50% (3) 3rd year: up to 75% (4) 4th year: up to 100%	(1) 2nd year: up to 50% (2) 3rd year: up to 75% (3) 4th year: up to 100%
Shares exercised	471,500	2,825,046	0	0
Value of shares exercised	US\$94,300	US\$1,154,768	US\$0	US\$0
Shares unexercised	175,500	7,029,525	1,000,000	596,000
Exercise price per share on unexercised shares	US\$0.20	US\$0.40~1.50	US\$1.50	US\$4.54
Percentage of shares unexercised to outstanding common shares (%)	0.10%	3.65%	0.52%	0.31%
Impact on shareholders' equity	No material impact	No material impact	No material impact	No material impact

Note 1: The issuance of employee stock options is subject to adoption of a board resolution when the company is a non-public company at the time of the issuance.

Note 2: The board of directors will authorize the management to grant the employee stock options in the amount approved by the board of directors. The management will report the issuance in Board of Directors' meetings on a regular basis.

#### 4.5.2 Employee Stock Options Acquired by Officers and Top 10 Employee Shareholders, up to the Date of the Annual Report

As of April 18, 2016

	Title (Note 1)	Name	Shares acquired	Ratio of shares acquired to total issued shares	Exercised (Note 2)				Unexercised (Note 2, Note 5)			
					Shares subscribed	Price/ Share (US\$)	Sub- scrip- tion amount (US\$)	Ratio of shares subscribed to total issued shares (%)	Shares subscribed	Price/ Share (US\$)	Subscrip- tion amount (US\$)	Ratio of shares sub- scribed to total issued shares (%)
Officers	CEO	Allen Chao	4,795,000	2.49%	1,062,500	0.4	427,750	0.55%	3,732,500	0.82	3,052,250	1.94%
	Chief Scientific Officer (Corporate)	David Hsia										
	Vice President, Business Development & Investor Relations (Corporate)	Chu, Pei-Lan										
	Vice President, R&D, LJB	Yongjian Wu										
	Vice President MSAT, LJB	Helena Makagiansar										
	Corporate Controller	Wu, Yiching										
	Manager, Internal Auditor (Corporate)	Chen, Wei										
Top 10 Employees (Note)	Director of IT Department (Corporate)	Frank Chen	2,660,504	1.38%	249,689	0.38	94,875.60	0.13%	2,410,815	0.70	1,688,676	1.25%
	Director of R&D (Cell Culture) LJB	Tao, Yiwen										
	Director of R&D (Purification) LJB	Hopp, Jennifer										
	Director of Project Management, LJB	Liu, Qi										
	Site Controller, LJB	Yuan, Li										
	Director of Drug Product and Facility, LJB	Wong, Jeannine										
	Director of Project Management (Corporate)	Reed, Simona										
	Group Leader Formulation, R&D, LJB	Gwee, Shiang (Note 4)										
	Director of QA/QC, LJB	Ravanbakhsh, Roya										
	Site Controller (Tanvex TW)	Chang, I-Ming										

Note 1: Including officers and employees (deceased ones shall be so specified), individual names and titles shall be disclosed, but the situation concerning their share acquisition and subscription may be described in the aggregate.

Note 2: The number of columns may be adjusted depending on the number of actual issuances.

Note 3: The top 10 employees with most shares acquired refer to employees other than officers.

Note 4: Resigned on 11/13/2015.

Note 5: Includes cancelled 129,000 shares of resigned employees.

## 4.6 Employee Restricted Stock

The company has not issued such stock, therefore this item is not applicable.

## 4.7 Issuance of New Shares In Connection with Mergers and Acquisitions

The company has no such event, therefore this item is not applicable.

## 4.8 Financing Plans and Implementation

The company has no such plan, therefore this item is not applicable.

## 5 Operational Highlights



**Excellence results from attention to every detail. Our end-to-end in-house vertical integration, from research to development to packaging and commercialization, gives us unprecedented self-reliance, flexibility, control, and competitive advantage.**

## 5 Operational Highlights

### 5.1 Business Overview

#### 5.1.1 Scope of Operations

The Company is primarily engaged in the following business activities:

Tanvex BioPharma is a biopharmaceutical company with vertical integration of all functions from R&D, manufacturing, and sales. Our Taiwan subsidiary is mainly responsible for cell line development and owns intellectual property (IP) rights. Our U.S. subsidiary is responsible for process development, scale-up production, product analysis, and manufacturing. We expect to become a biopharmaceutical company rooted in Taiwan with a prominent presence in the global market.

The core competency of Tanvex BioPharma is its two major technologies, mammalian cell line development and microbial fermentation. The company is able to control quality and costs through its vertical integration model. In view of the high prices of biopharmaceuticals, the fact that many patients cannot afford these drugs, and the ever-growing burden on governments in many countries for medical spending, our near-term objective is to develop top-quality, affordable biosimilar products. Our mid- and long-term strategies are to develop new drugs to benefit more people. Our current target market is in the United States, the single largest biopharmaceutical market in the world.

#### 5.1.2 Industry Overview

As indicated in annual statistics data from IMS Health and IT IS-2015, global market value for biopharmaceuticals was estimated as US\$180 billion in 2014, an increase of 11.6% from 2013. Share of market for biopharmaceuticals within all pharmaceutical products has been growing amazingly fast over the past 10 years, from only 10.7% in 2004 to 17.1% in 2014. It is anticipated that it will surpass 20% in 2017. Among all markets, U.S. is the single largest biopharmaceutical market in the world.

High pricing makes biopharmaceutical products unaffordable to many patients, and places a heavy burden of medical expense on governments. According to a biosimilar market potential report published in March 2016 by IMS, with the rising acceptance of their affordable price and demonstration of equivalent medical effects to branded products, biosimilar products will save US\$110 billion medical costs in the European Union and US from 2016 to 2020.

The molecule characteristics of biosimilar medicines is different from those of small-molecule medicines; therefore, current regulations for small-molecule medicines can't be applied to biosimilars. New regulations have to be established by governments in different countries. On the other hand, competition remains low due to the high entry barrier caused by the significant difficulties and higher development and production costs compared to those of small-molecule medicines. As a result, profit generated will be attractive and rewarding. Although the "Biologics Price Competition and Innovation Act" (BPCIA) was approved in 2010 by the U.S. government, its rigorous approval process by the U.S. FDA prolonged the release of the first biosimilar on the market until March 6, 2015. This established another major milestone following small-molecule generic medicine's launch into the market.

#### 5.1.3 Capacity Overview

Tanvex BioPharma possesses capabilities in, and platforms for, both stem strain development of mammalian-based drugs and product development of microbial-based formulations. Thus, our operations will be able to cover the entire protein drug market effectively. The initial commercial manufacturing facility is located in San Diego, CA in the U.S. We implemented a plant expansion plan in 2015 and 2016, investing in a 150 liter microbial fermenter with space and capital capacity to expand to two 150 liter microbial fermenters in the future. Employing an internationally accepted disposable technology platform, we completed the installation of two 1,000 liter mammalian cell bio drug line bioreactors in 2015, added two more in 2016, and have reserved space for future expansion of capacity depending on product development progress. On the fill/finish side, we have completed a fully automated Pre-filled Syringe and Vial production line to prepare for our product distribution to the market.

### 5.1.4 Technology and R&D Overview

Development progress on product line as of December 2015:

Items	Indication	Development Progress
TX01	Neutropenia, caused by chemotherapy for cancer	Completed Phase 1 clinical trial
TX05	Breast cancer	Completed Phase 1 clinical trial
TX16	Metastatic colorectal cancer	Pre-clinical study
TX17	Rheumatoid arthritis	Cell line development

### R&D investment in 2015 and as of April 18, 2016:

NT\$ in thousands

Item \ Year	2015	Q1 2016
R&D expenses	662,197	217,558
Paid in Capital	2,178,853	5,510,764
R&D as % of Paid in Capital	30.39	3.95

### 5.1.5 Long-Term, Mid-Term and Near-Term Business Strategies

#### (1) Near-Term Development Strategies:

Tanvex BioPharma is committed to developing high quality and affordable biosimilar products. Up to the date of this annual report, we have completed the first phase expansion of our production facility in the U.S. We have also reserved space for further capacity expansion, in preparation for mass production in the future.

#### (2) Mid- And Long-Term Development Strategies:

Looking forward, in addition to assembling a team with experience and expertise in biosimilars, we expect to further increase R&D capability, be more innovative and move toward development of new drugs in hope of generating more interest for our shareholders and improving the conditions and quality of life for patients in the future.

## 5.2 Market, Production and Sales

### 5.2.1 Market Analysis

(1) Major market

We have two products that have completed Phase I human clinical trial required by the U.S. FDA. Since the U.S. is the single largest pharmaceutical market in the world, it is the primary market we are targeting in our initial plan. We are optimistic about the potential of the U.S. market, and plan to seize the opportunity to become a world-class biopharmaceutical company.

(2) Market share

There is no market share analysis available for our products as they are not yet available in the market. We use our internal market analysis to develop our product plans.

(3) Market supply, demand and growth in the future

Although the U.S. government passed the biosimilar law in 2010, the first licensed biosimilar product—Zarxio (filgrastim-sndz), manufactured by Sandoz, was just approved by U.S. FDA in 2015. Its reference brand name drug is Neupogen (filgrastim) from Amgen. Therefore, 2015 marks the year that the U.S. biosimilar market began to grow in a meaningful way.

(4) Core competency

The in-house vertical integration of all functions from R&D to manufacturing to sales reduces costs while maintaining product quality. Entirely controlling each part of the supply chain enables us to sustain flexibility and rapidly respond to competition in the market.

(5) Advantages and Disadvantages

**Advantages:**

- a) The approval of the first biosimilar medicine in 2015 opened the door and paved the way for other manufacturers.
- b) An extensively experienced R&D team, capability of cell line development, and IP are housed in Taiwan.

**Disadvantages:**

- a) Tanvex's resources are limited at this stage compared to those of larger pharmaceutical companies.
- b) Competitive information is not sufficiently available due to the emerging market in the U.S.

**Our strategies:**

Our U.S. team consists of professionals who have substantial experience with large international companies, specializing in product research and development, as well as manufacturing process development. We have a very experienced R&D team in Taiwan with the capability of cell line development. Intellectual property rights remain in Taiwan. With all these advantages, and with the support and trust of our shareholders, we have fully utilized current resources, synergized the advantages from both the U.S. and Taiwan, focused on systems management, strengthened communications with the U.S. FDA, sustained our flexibility, and controlled costs and cash flow, in order to enhance our competitiveness, and shorten the time to the market for our products.

### 5.2.2 Product Indication and Manufacturing Process

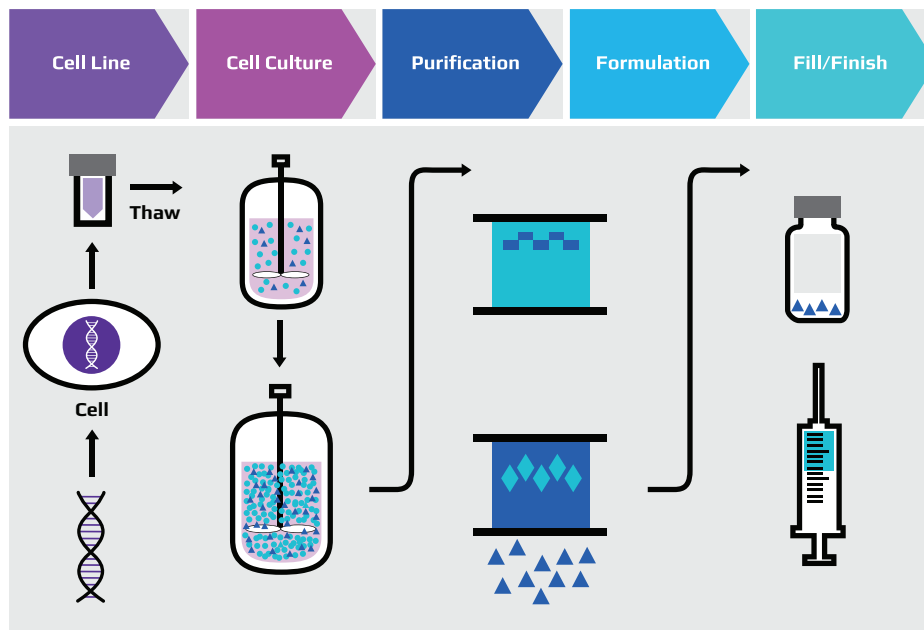
#### (1) Primary Product Indication

Tanvex's major products are biosimilar medicines used to treat neutropenia, caused by chemotherapy for cancer, breast cancer, metastatic colorectal cancer (mCRC), rheumatoid arthritis and other diseases.

#### (2) Product Manufacturing Process

At Tanvex BioPharma, the core value of our product manufacturing process is the vertical integration of the upstream, midstream, and downstream activities of the industrial value chain. From development of cell line, cell culture, purification, scale-up manufacturing process, to formulation development, to downstream fill and finish, Tanvex BioPharma controls the whole value chain, allowing us to successfully manage both technology and costs.

#### Product manufacturing process:





### 5.2.3 Supply of Raw Materials

As our products are in the R&D stage, there are no purchases or transactions related to raw materials. At this time, we only purchase materials needed for R&D activities. We have a stable supply of these materials and purchase our materials from various sources. Thus, there has been no supply concentration.

### 5.2.4 Top 10% Vendors and Customers in 2014 and 2015

We do not have any business income, customers, nor manufacturing or raw materials vendors in 2014 and 2015, as our products are in the R&D stage.

### 5.2.5 Production in 2014 and 2015

We do not have any commercial production in 2014 and 2015, as our products are in the R&D stage.

### 5.2.6 Sales in 2014 and 2015

We do not have any sales in 2014 and 2015, as our products are in the R&D stage.

### 5.3 Credentials, Average Service Years, Average Age and Educational Background of Employees from 2014 to March 31, 2016

Year		2014	2015	March 31, 2016
No. of employees	R&D staff	43	56	59
	Other employees	30	50	52
	Total	73	106	111
Managerial position and above		25	34	38
Average age		39.34	39.63	40.12
Average service years		3.49	1.86	1.90
Educational background	Ph.D.	17%	15%	15%
	Master Degree	30%	28%	28%
	College/University Degree	41%	45%	45%
	High school Diploma	12%	12%	12%

### 5.4 Environmental Costs

- Total amount of losses and penalties from environmental pollution in the most recent year and as of the date of the annual report: None.
- We did not have any environmental pollution incidents in the most recent two years as of the date of this annual report. We will continue to follow a no pollution policy and maintain a commendable record in environmental protection.
- Future action plan and possible expenditures: None.

## 5.5 Employees

### 5.5.1 Employee Benefits Programs, Advanced Education, Training, Retirement System and Implementation of the above, and Negotiation between Employees and Management, as well as Measures to Protect the above Employees' Rights and Benefits

For our Taiwan-based operation:

(1) Employee Benefits Program for Taiwan subsidiary:

- (a) Paid leave entitlement: We provide more favorable benefits to our employees by granting more days of paid personal leave, sick leave and annual leave than the requirements under the Taiwan Labor Standards Act.
- (b) Team building activities: We organize company outings for all employees every year for socialization and relaxation.
- (c) Labor insurance: We comply with the provisions of Taiwan labor insurance legislations.
- (d) National Health Insurance: We comply with the Taiwan National Health Insurance Act.
- (e) Group insurance: We provide insurance benefits to all our employees, including health and medical coverage, accident injury coverage, cancer treatment coverage and occupational injury coverage.
- (f) Employee health examinations: We provide one free health examination for all our employees every year.
- (g) Employee bonus: As stated in the Articles of Incorporation in Taiwan, if the company earns profits according to its annual financial account, the Company shall, after paying all taxes, and making up for all past losses, set aside 10% of the profits as legal reserve. If there are still profits, the board of directors is authorized to propose a profit allocation plan to be submitted to the shareholders' meeting for resolution, provided that at least 0.01% of these profits shall be allocated as employee bonus. According to the Articles of Association of the Company, employees of subsidiaries maybe entitled to receive profit-sharing bonuses from the parent company, if any.
- (h) Employee stock options: To attract and retain talented employees, we provide an employee stock option plan as incentive to employees so that they can link their performance and effectiveness to the overall success of the company. Upon the approval of the board of directors of the parent company, employees may be entitled to receive stock options issued by the parent company.

(2) Employee Development for Taiwan Subsidiary:

- (a) Training for new hires: After a new hire reports to work, he or she will receive orientation from a Human Resources (HR) representative and get acquainted with the company's HR policy, benefit programs, corporate overview, and co-workers in different departments.
- (b) On-the-job training in Taiwan: To practice professional knowledge and improve work skills, we will provide internal training courses when necessary or send employees to attend training courses outside the company.
- (c) On-the-job training in a foreign country: In order to integrate the technologies within the value chain across the group and implement transfer of technologies developed in other countries, we will send staff to the parent company or affiliates in foreign countries or overseas institutions to attend educational courses and training to acquire new knowledge and skills.
- (d) Advanced training opportunity: To help employees continue their academic study and acquire more professional knowledge, employees with two or more years of service may be eligible, subject to approval, to enroll in a formal degree program at an educational institution during regular working hours, in the evening or during non-working hours.

(3) Employee Retirement Programs:

As required by the Labor Pension Act, the Company allocates an amount equivalent to 6% of an employee's monthly salary to the employee's pension account with the Bureau of Labor Insurance on a monthly basis. Employees may elect to allocate a certain percentage of their salary to their pension account.

(4) Employee Rights Protection:

The company sponsors various activities and events which provide opportunities for employees to socialize with each other, and for the company to better understand employees' needs and voluntarily identify and resolve issues. We are committed to building an amicable employee-employer relationship and to enhancing employee loyalty and satisfaction with the company. We have included provisions in the company rules that protect female employees' rights and benefits at work. The company also provides channels to file a complaint against sexual harassment at work.

**For our U.S.-based operation:**

We comply with the Social Security Act, a federal law of the United States, and U.S. Labor Law to provide employees with health insurance, workers' compensation, and individual retirement 401(k) accounts.

**(1) U.S. Employee benefits program:**

- (a) Paid-leave entitlement: Our employees are granted more days of paid personal leave, sick leave and annual leave than the standard under U.S. Labor Law.
- (b) Team building activities: We organize company outings in order to provide employees the opportunity to socialize and enjoy interacting with the community.
- (c) Workers' compensation: Employees are covered by Workers compensation insurance and protected from work-related injury.
- (d) Medical insurance: According U.S. Health insurance law and related regulations, we provide employees medical insurance plans including medical, dental and vision coverage, flexible spending accounts, long and short term disability insurance and acupuncture insurance coverage.
- (e) Group life insurance: We provide life insurance for employees and their family members.
- (f) Annual health examination: within the medical insurance plan, employees and their family members are entitled to a free physical exam once a year.
- (g) Employee bonus: As stated in Articles of Association of the Company, employees may be entitled to receive profit-sharing bonuses from the parent company.
- (h) Employee stock options: To attract and retain talented employees, we provide an employee stock option plan as incentive to employees so that they can link their performance and effectiveness to the overall success of the company. Upon the approval of the board of directors of the parent company, employees may be entitled to stock options issued by the parent company.

**(2) U.S. Employee Development:**

- (a) Training for new hires: After a new hire reports to work, he or she will receive orientation from a Human Resources (HR) representative and get acquainted with the company's HR policy, benefit programs, corporate overview, and co-workers in different departments.
- (b) Domestic and foreign site training: Our R&D employees all complete related professional training and are certified or licensed as required by GMP and FDA regulations. To improve working skills, we also provide internal training courses when necessary or send employees to attend training courses outside company.

**(3) 401(k) retirement plan:**

All eligible employees may enroll in the company sponsored 401(k) retirement plan. It not only provides tax saving benefits, but also helps employees set aside a portion of their income for retirement to secure their financial futures. As an additional benefit, the company matches a certain percentage of the employees' contribution.

**(4) Employee-Employer Relationship:**

- (a) We hold all-employee meetings throughout the year to communicate business updates and to collect feedback, suggestions, and concerns from employees. It provides a channel of interaction between the company and employees in order to increase employee's loyalty and keep their morale high.
- (b) All employees have equal rights and equal opportunity to be promoted without discrimination based on race or gender.
- (c) We provide a private lactation room to support breastfeeding employees.
- (d) The Human Resource (HR) department provides an inbox for employees' feedback and suggestions. Employees also may communicate with their supervisors and HR on any issue or concerns. This enables an effective communication channel between employees and the company.
- (e) We provide a cafeteria area for employee to take breaks and have lunches.

### 5.5.2 Disclosure of Losses on Employee Disputes in 2015 and up to the Date of the Annual Report, and Disclosure of Estimated Amount Of Existing and Possible Future Disputes and Responsive Measures. If a Reasonable Evaluation is not Possible, Describe the Fact that Makes the Reasonable Evaluation Impossible if any.

At Tanvex BioPharma, we have a people-oriented corporate philosophy and we are rooted in professionalism. We are committed to providing a healthy work environment and professional development for our employees. We have therefore been able to maintain an amicable employee-employer relationship. There hasn't been any employee dispute or related loss.

## 5.6 Important Contracts

Important Contracts including the Company and its subsidiaries up to date of annual report as listed below:

Nature of Contract (note)	Parties	From ~ to	Key contents	Restrictive clause
Lease agreement	Kilroy Realty, L.P.	2010.7.30~2020.7.30	Agreement for lease of factory (1) for LJB, a U.S. subsidiary in San Diego, and the supplemental agreement	None
Lease agreement	Kilroy Realty, L.P.	2016.1.20~2026.1.20	Agreement for lease of factory (2) for LJB, a U.S. subsidiary in San Diego, and the supplemental agreement	None
Factory expansion agreement	CRB BUILDERS, LLC.	2014.11.17	Agreement for expansion of factory for LJB, a U.S. subsidiary in San Diego	None
Mandate agreement	Vince & Associates Clinical Research, Inc.	2014.11.11	Appointed to perform Phase I clinical trial on humans	None
Lease agreement	Shieh Cheng-hui, Shieh Cheng-Long, Shieh Cheng-hua, Shieh Cheng-huang	2012.5.1~2016.4.30	Agreement for lease of laboratory for Tanvex Biologics Corporation	None
License and transfer agreement	Scinopharm Taiwan, Ltd.	2010.10.15	License of transfer of technologies relating to protein drugs and Monoclonal antibody cell line and related patents from Scinopharm Taiwan	None
Disposal of industrial waste agreement	Super Max Engineering Enterprise Co., Ltd.	2015.8.1~2016.7.31	Appointed to dispose of industrial wastes	None
Service agreement	LJB, a US subsidiary, and Tanvex Biologics Corporation	2013.1.1	LJB, a U.S. subsidiary, provides R&D services to Tanvex Biologics Corporation.	None
Lease of premises agreement	Best Suit Limited, Taiwan Branch	2015.12.15~2021.4.14	Lease of factory and office for Tanvex Biologics in Taiwan	None
Industry-university collaboration project agreement	Taipei Medical University	2015.6.1~2016.5.31	Pre-clinical new drug development for ITCH E3 ubiquitin ligase, an anti-cancer drug	None

Note: Includes subsidiaries' contracts with LJB and Tanvex Biologics Corporation.

## 6 Financial Highlights



High achieving individuals thrive in a culture of creative synergy. Our work environment prizes innovation and collaboration across disciplines in pursuit of continuous improvement and excellence.

## 6 Financial Highlights

### 6.1 Condensed Financial Statements from 2011-2015– IFRS

#### 6.1.1 Condensed Consolidated Balance Sheet –IFRS

Unit: NTD\$ in thousands

Item		2011	2012	2013	2014	2015
Current Assets		–	49,609	182,766	218,425	780,472
Property, Plant and Equip.		–	214,457	246,849	385,741	704,701
Intangible Assets		–	45,947	42,501	46,476	59,749
Other Assets		–	7,881	15,156	4,097	24,492
Total Assets		–	317,894	487,272	654,739	1,569,414
Current Liabilities	Before Distribution	–	536,146	62,587	44,875	102,402
	After Distribution	–	536,146	62,587	44,875	102,402
Non-Current Liabilities		–	21,437	21,041	20,220	19,012
Total Liabilities	Before Distribution	–	557,583	83,628	65,095	121,414
	After Distribution	–	557,583	83,628	65,095	121,414
Equity attributable to owners of the parent		–	–	151,044	589,644	1,448,000
Capital Stock		–	–	240	392	1,664,084
Capital Surplus		–	–	227,921	912,610	563,412
Retained Earnings	Before Distribution	–	–	(72,150)	(336,708)	(835,255)
	After Distribution	–	–	(72,150)	(336,708)	(835,255)
Other Equity		–	–	(4,967)	13,350	55,759
Equity under former common control		–	(239,689)	252,600	–	–
Total Equity	Before Distribution	–	(239,689)	403,644	589,644	1,448,000
	After Distribution	–	(239,689)	403,644	589,644	1,448,000

Note 1: The company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014. To ensure consistency in reporting, the financial information above is based on proforma data.

Note 2: Information source: Independent Auditor's Report

#### 6.1.2 Condensed Consolidated Statement of Comprehensive Income – IFRS

Unit: NTD\$ in thousands

Item	2011	2012	2013	2014	2015
Net Revenue	–	–	–	–	–
Gross Profit	–	–	–	–	–
Income (Loss) from Operations	–	(300,265)	(433,597)	(464,897)	(831,952)
Non-Operating Income(Expenses)	–	2,353	2,041	(7,564)	(3,278)
Net Loss before Tax	–	(297,912)	(431,556)	(472,461)	(835,230)
Continued Operation -Net Loss	–	(297,912)	(431,580)	(472,485)	(835,255)
Discontinued Operation- Net Loss	–	–	–	–	–
Net Loss	–	(297,912)	(431,580)	(472,485)	(835,255)
Other Comprehensive Income net of tax	–	8,589	(11,444)	22,807	42,423
Total Comprehensive Income (Loss)	–	(289,323)	(443,024)	(449,678)	(792,832)
Basic Earnings per Share	–	(3.72)	(5.39)	(5.11)	(5.95)

Note 1: The company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014. To ensure consistency in reporting, the financial information above is based on proforma data.

Note 2: Information source: Independent Auditor's Report

## 6.2 Condensed Financial Statements from 2011 to 2015 – R.O.C. GAAP

### 6.2.1 Condensed Consolidated Balance Sheet –R.O.C. GAAP:

Not Applicable.

### 6.2.2 Condensed Consolidated Income Statement – R.O.C. GAAP:

Not Applicable.

### 6.2.3 Significant Events Such as Accounting Policy Changes, Mergers & Acquisitions, Discontinued Operations, and their Effects on Financial Reporting

None.

### 6.2.4 Auditors' Opinions from 2011 to 2015

(1) Auditors name and opinions from 2011-2015

The company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014. To ensure consistency in reporting, the financial information above is based on proforma data.

Year	CPA Firm Name	Auditors	Audit Opinion
2011	–	–	–
2012	PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin Teng, Sheng-Wei	An non-qualified opinion
2013	PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin Teng, Sheng-Wei	An non-qualified opinion
2014	PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin Teng, Sheng-Wei	An non-qualified opinion
2015	PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin Teng, Sheng-Wei	An non-qualified opinion

(2) If there is any change of auditors from 2011-2015, predecessors, successors and reasons shall be listed: None.



## 6.3 Financial Analysis from 2011 to 2015 (Consolidated) –IFRS

Item		2011 Note 1	2012 Note 1	2013 Note 1	2014 Note 1	2015 Note 1
Capitla Structure	Debt Ratio (%)	–	175.4	17.16	9.94	7.74
	Long-term Fund to Property, plant and equipment Ratio (%)	–	(101.77)	172.04	158.1	208.18
Liquidity Analysis)	Current Ratio (%)	–	9.25	292.02	486.74	762.16
	Quick Ratio (%)	–	7.08	270.4	453.44	740.88
	Times Interest Earned (Times)	–	Note 5	Note 5	Note5	Note 5
Operating Perform- ance Analysis	Average Collection Turnover (Times)	–	–	–	–	–
	Days Sales Outstanding	–	–	–	–	–
	Average Inventory Turnover (Times)	–	–	–	–	–
	Average Inventory Turnover Days	–	–	–	–	–
	Average Payment Turnover (Times)	–	–	–	–	–
	Fixed Assets Turnover (Times)	–	–	–	–	–
	Total Assets Turnover (Times)	–	–	–	–	–
Profit- ability Analysis	Return on Total Assets (%)	–	(122.32)	(107.20)	(82.75)	(75.11)
	Return on Equity (%)	–	(214.62)	(134.17)	(95.14)	(81.98)
	Income before tax to Paid-in Capital Ratio (%) (Note 4)	–	(197.24)	(285.72)	(80.13)	(50.19)
	Net Margin (%)	–	–	–	–	–
	Basic Earnings Per Share (NT\$)	–	(3.72)	(5.39)	(5.11)	(5.95)
Cash flow	Cash Flow Ratio (%)	–	Note 2	Note 2	Note 2	Note 2
	Cash Flow Adequacy Ratio (%)	–	Note 2	Note 2	Note 2	Note 2
	Cash Flow Reinvestment Ra- tio (%)	–	Note 2	Note 2	Note 2	Note 2
Leverage	Operating Leverage	–	Note 3	Note 3	Note 3	Note 3
	Financial Leverage	–	Note 3	Note 3	Note 3	Note 3

Analysis on any change above 20% in most recent two years:

1. Capital Structure: Equity and cash increase was due to cash funding in 2015; part of the cash was used for capacity expansion.
2. Liquidity Analysis: Both current and quick ratio increased due to cash funding in 2015 which increased cash balance.
3. Profitability Analysis: Increased loss due to continued spending in research and development.

Note 1: The company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014. To ensure consistency in reporting, the financial information above is based on Proforma data.

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-Term Capital to Property, Plant and Equipment Ratio = (Total Equity + Non-Current Liabilities) / Property, Plant and Equipment

2. Solvency Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Income Before Interest Expenses and Income Taxes / Current Interest Expenses

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = Net Sales / Average Receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average Collection Days for Receivables = 365 / Receivables Turnover Rate

(3) Inventory Turnover Rate = Cost Of Sales / Average Inventory

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = Cost Of Sales / Average Payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average Days Of Sale = 365 / Inventory Turnover Rate

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Worth of Property, Plant and Equipment

(7) Total Assets Turnover Rate = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Assets = [Net Income + Interest Expense \* (1 - Tax Rate)] / Average Total Assets

(2) Return On Equity = Net Income / Average Total Equity

(3) Profit Margin Before Tax = Net Income / Net Sales

(4) Earnings Per Share = (Profit and Loss attributable to owners of the parent – Dividends on Preferred Shares) / Weighted Average Number of Issued Shares

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the most recent five years / (Capital Expenditures + Inventory Increase + Cash Dividend)

(3) Cash Flow Reinvestment Ratio = (Net Cash flow from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment value + Long-Term Investments + Other Non-Current Assets + Working Capital)

6. Leveraging

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income / Interest Expenses)

Note 2: Not calculated since operating cash has outflow only

Note 3: Not calculated as operations have resulted in a net loss

Note 4: Calculated using a constant value for paid-in capital in 2012 and 2013

Note 5: Not calculated as operations have resulted in a net loss

## 6.4 Audit Committee's Review Report

### Audit Committee's Review Report

March 28, 2016

The Board of Directors has prepared the Company's 2015 business report, Financial Statements and proposal for loss make-up. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit Tanvex BioPharma, Inc.'s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Reports, Financial Statements, and proposal for Loss make-up have been reviewed and determined to be correct and accurate by the Audit Committee members of Tanvex BioPharma, Inc. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this Report.

Annual General Meeting of Tanvex BioPharma, Inc.

Chairman of the Audit Committee  
Lee-Chiou Chang

## 6.5 Consolidated Financial Statements and Independent Auditor's Report

Please refer to the Independent Auditor's Report following Section 9 of this report.

## 6.6 Independent Auditor's Report on Parent Company's Financial Statements

Not Applicable.

## 6.7 Financial Difficulties of the Company and Its Subsidiaries from 2015 and to Date of the Annual Report

Not Applicable.

## **7 Review and Analysis of Financial Position, Operating Results and Related Risks**

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Foresight enables us to seize unprecedented opportunities within an emerging market. Our visionary leaders employ thoughtful analysis as we navigate the uncharted regulatory environment for biosimilar products. Adaptable and resourceful, our team is ready to adjust course as necessary and turn change into advantage.

## 7 Review and Analysis of Financial Position, Operating Results and Related Risks

### 7.1 Financial Position

Discussion of the main reasons for significant changes in assets, liabilities and equities and their impact in 2014 and 2015, if applicable. In the case of significant impact, describe the company's future action plan.

Unit: NT\$ in thousands; %

Items \ Year	2015	2014	Difference	
			Amount	%
Current Assets	780,472	218,425	562,047	257.32
Property, Plant And Equipment	704,701	385,741	318,960	82.69
Intangible Assets	59,749	46,476	13,273	28.56
Other Assets	24,492	4,097	20,395	497.80
Total Assets	1,569,414	654,739	914,675	139.70
Current Liabilities	102,402	44,875	57,527	128.19
Non-Current Liabilities	19,012	20,220	(1,208)	(5.97)
Total Liabilities	121,414	65,095	56,319	86.52
Share Capital	1,664,084	392	1,663,692	424,411
Capital Surplus	563,412	912,610	(349,198)	(38.26)
Retained Earnings	(835,255)	(336,708)	(498,547)	148.07
Other Equities	55,759	13,350	42,409	317.67
Equity attributable to owners of the parent company	1,448,000	589,644	858,356	145.57
Total Shareholders' Equity	1,448,000	589,644	858,356	145.57

Description of analysis of the main reason for changes of more than 20% and amounts differing by more than NT\$10 million from the previous term:

- (1) Increase In Current Assets: mainly from increase of cash capital in the amount of US\$50 million in March 2015
- (2) Increase Property, Plant And Equipment: a series of activities in facility expansion and equipment procurement
- (3) Increase of Intangible Assets: mainly from an increase of computer software and lease deposits
- (4) Increase of Current Liabilities: from increased payment for procurement of appliances and equipment, increased payment for R&D supplies, and increased payment of salaries and bonuses due to increased number of staff
- (5) Increase of Share Capital: mainly from the capital increase in March 2015 and par value of shares having changed to NT\$10.
- (6) Decrease in Capital Surplus: due to the write-off of accumulated deficit by capital surplus
- (7) Decrease in Retained Earnings: mainly due to the fact that the company is at an R&D stage and R&D expenses continue to grow, resulting in larger losses to be compensated.
- (8) Increase in Other Equities: More significant fluctuations in the USD exchange rate in 2015 resulted in an increased difference in the amounts in the financial statements of foreign operation entities after currency conversion.

Note: The 2014 financial information is from the pro forma consolidated financial statements audited and certified by CPA.

## 7.2 Results of Operations

### 7.2.1 Analysis of Significant Changes in Revenue, Net Profits and Net Profits before Tax in 2014 and 2015

Unit: NT\$ in thousands

Item \ Year	2015	2014	Amount of Increase/Decrease	Change in percentage (%)
Revenue	–	–	–	–
Cost of Goods Sold	–	–	–	–
Gross Profits	–	–	–	–
Operating Expenses	(831,952)	(464,897)	(367,055)	78.95
Net Operating Losses	(831,952)	(464,897)	(367,055)	78.95
Non-Operating Incomes And Expenses	(3,278)	(7,564)	4,286	(56.66)
Net Losses before Tax	(835,230)	(472,461)	(362,769)	76.78
Income Tax Expenses	(25)	(24)	(1)	4.17
Net Losses	(835,255)	(472,485)	(362,770)	76.78
Other Comprehensive Income (loss after tax)	42,423	22,807	19,616	86.01
Total Comprehensive Income (loss)	(792,832)	(449,678)	(343,154)	76.31
Description and analysis of main reason for changes of more than 20% and difference of over NT\$10 million from previous year: Increase in Total Comprehensive Income (Loss): mainly from increase of R&D expenses and increase of number of R&D staff as necessary for R&D plans				

Note: The 2014 financial information is from the pro forma consolidated financial statements audited and certified by CPA.

#### 7.2.2 Projected Sales

As our products are in the R&D stage, we do not expect any significant sales volume during 2016.

#### 7.2.3 Potential Impact on the Company's Financial Results

As our products are in the R&D stage, we do not expect any material impact during the next year.

## 7.3 Cash Flow

### 7.3.1 Cash Flow Analysis in 2014 And 2015

Unit: NT\$ in thousands

Item \ Year	2014	2015	Increase/decrease in percentage (%)	
	Amount	Amount	Amount	Percentage
Net Cash Flow from Operating Activities (Outflow)	(434,173)	(684,195)	(250,022)	57.59
Net Cash Flow from Investing Activities (Outflow)	(153,039)	(394,244)	(241,205)	157.61
Net Cash Flow from financing Activities (Outflow)	616,964	1,608,937	991,973	160.78
Description of analysis of increase/decrease in percentage: (1) Operating Activities: We are still in the R&D stage and have no income. For operating activities, we have net cash outflow. (2) Investing Activities: mainly from research, facility expansion and equipment procurement. (3) Financing Activities: mainly from completion of cash capital increase of US\$50 million in 2015 to be used for future operating and R&D activities.				

#### 7.3.2 Improvement Plan in Response to Lack of Liquidity

None.

### 7.3.3 Projected Cash Flow in 2016

Unit: NT\$ in thousands

Beginning Balance (A)	Net cash flow from Operating Activities (B)	Expected cash out-flow Cash Outflow in the Year (C) (note)	Expected cash balance Ending Balance A+B-C	Measures to make up for shortfall in cash flow	
				Financing plan	Investing plan
758,225	0	(1,830,392)	(1,522,522)	3,328,000	–
Analysis of changes in cash flow					
1. Cash outflow: mainly from expenditures spent on supplies, labor and equipment according to R&D schedule					
2. Financing plan: Cash capital increase of NT\$3,328,000,000 in the first quarter of 2016.					

## 7.4 Major Capital Expenditures Which Significantly Impacted Financials in 2015

The company's capital expenditures in 2015 were mainly for capacity expansion and equipment purchases to accommodate the product R&D and to speed up the development progress. All expenditures are within budget. Therefore, there is no major impact to our financials in 2015.

## 7.5 Reinvestment Policies in 2015, Main Reason for Profits or Losses, Improvement and Investment Plan in 2016

- Reinvestment policies:

Tanvex BioPharma's current reinvestment policies focus on investments relating to development of its core business. The company does not plan to make investments in other lines of business. All investment activities will be performed by the applicable execution department in compliance with "investment cycle" under the internal control system and the Procedures for Acquisition and Disposal of Assets, which have been discussed and approved at the board of directors' meeting or shareholders' meeting.

- Main reason for profits or losses from reinvestment in 2015 and improvement plan:

December 31, 2015

(Unit: NT\$ in thousands)

Reinvested Company	Business Activities	Investment gains/ losses in 2015	Reason of Losses and Improvement Plan
La Jolla Biologics, Inc.	Process development and manufacturing of bio-similars and new drugs	(548,091)	The product development is still at the early R&D stage, thus losses incurred. The company expects to start to earn profits after commercialization in the market.
Tanvex Biologics Corporation	Research and development of biosimilars and new drugs	(207,627)	The business activities are focused on early R&D, thus losses incurred.

- Investment plan for next year:

Tanvex has established the Procedures for Acquisition and Disposal of Assets (the "Procedures") in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the competent authorities and follow the Procedures in performing reinvestment activities and to keep informed of related business and financial status. In addition, in order to have an enhanced level of supervision and management for our reinvested company, we have included regulations for supervision and management of subsidiaries in our internal control system, which provides for the management of a subsidiary's disclosure of information, finance, business, inventory and finance, so as to maximize the benefits of our reinvestments.



## 7.6 Risk Assessment for 2015 and up to the Date of the Annual Report

### 7.6.1 Impact of Interest Rate, Foreign Exchange and Inflation on the Company's Earnings and Countermeasures

- **Interest Rate Fluctuation**  
Tanvex's funding source is solely from cash investment. In addition, interest rates have remained low due to the slow moving world-wide economy. Therefore, our exposure to interest rate risk is minimum. On the cash side, the company controls spending tightly within budget, places its cash in short-term saving and checking accounts, and maintains healthy relationships with multiple major banks in order to preserve liquidity and security of our funds.
- **Foreign Exchange Volatility**  
Our functional currency is USD. The majority of research and development costs including clinical trial, consulting, lab material, and lab equipment purchase are in USD. Therefore, foreign exchange volatility has not significantly impacted our business. Operation costs for the subsidiary in Taiwan is in NTD. The accumulated exchange variance generated due to the exchange rate fluctuation is immaterial on the consolidated balance sheet. Overall, there is no significant risk associated with foreign exchange rate volatility. We will always monitor exchange rate fluctuations closely, adjust our practices based on the changes in order to minimize the impact from foreign exchange rate volatility.
- **Inflation Fluctuation**  
Based on statistic data, the inflation rate has remained low. Therefore, its impact to our business is minimal.

### 7.6.2 High-risk/High-Leverage Investments; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions and Countermeasures

We did not make high-risk or highly-leveraged financial investments, lending, endorsements, guarantees for other parties, or financial derivative transactions during 2015 and up to the date of this report. We have established internal policies and procedures including "Procedures for Lending Funds to Other Parties," "Procedures for Acquisition or Disposal of Assets," and "Procedures for Endorsement and Guarantee." All the procedures have been approved at Board meeting and shareholders' meeting. We will follow the related policy and procedures in the occurrence of such situations. We will always monitor exchange rate fluctuations closely, adjust our practices based on the changes in order to minimize the impact from foreign exchange rate volatility.

### 7.6.3 R&D Plans and Projected Spending

We have completed facility expansion in 2015, which provides capacity for preliminary commercialized production, and readiness for development and production of TX01, TX05, TX16 and TX17. Our development plan and investment in these four major projects is listed as follows:

TX01

We have completed Phase I clinical trial, and have been utilizing 150L fermenters for scale-up process development. On the fill/finish side, we completed the production line for fully automated Pre-filled Syringe and Vials, and we are well prepared for product commercialization. We expect to obtain FDA approval for Phase III clinical trial in the fourth quarter of 2016.

TX05

We completed Phase I clinical trial, and are in the process of trial data analysis. We expect to complete the scale-up process development using a 1000L bioreactor, and prepare to manufacture the product for clinical trial in 2106.

TX16

We have completed a pre-clinical trial, and expect to finish trial data analysis and start to develop the 1000L microbial fermenter scale-up production process in 2016.

TX17

We have finished cell-line development, and expect to implement trial data analysis scale-up process development in 2016.

Based on above development plan, our budgeted Research and Development costs are approximately US\$42 million in 2016. The plan is subject to adjustment upon any significant changes that may occur during the year.

### 7.6.4 Impact on the Changes in International and Domestic Government Policies and Regulatory Environment and Countermeasures

We are an international company with subsidiaries in the U.S. and Taiwan. Our management closely monitors all domestic and foreign governmental policies and regulations that might impact our business and financial operations. From 2015 until the date of the report, our business operation has not been impacted significantly by any change in policies and regulations.

### 7.6.5 Impact of Changes in Technology and Industry on the Financial Position and Operation of the Company, and Countermeasures

We are a company specializing in the development, manufacturing and sale of biosimilars. The biosimilar market is an emerging global industry. Therefore, the regulatory environment for biosimilars is rigorous, dynamic, and evolving. In addition to the research and development team which focuses on product and process development, we have also established a dedicated team which closely monitors and evaluates changes in current technology, and implements on-site training in order to keep our staff at the leading edge of technological development. Our leadership is updated on any new regulations and remains agile in order to adapt to change. As a result, there has not been any significant impact to our business due to the change in technology.



### 7.6.6 Changes in Corporate Image and the Impact on Company's Crisis Management, and Countermeasures

Since the establishment of the company, we have built an excellent corporate image based on our core values of quality and efficiency, culture of stability, integrity, and principle of sustainable business. We are committed to acting ethically in all aspects of our business, constantly and rigorously following rules and regulations. As a result, we are able to quickly respond to regulatory changes and opportunities. Therefore, there has not been any negative impact to our business due to a change in our corporate image from 2015 to the date of the annual report.

### 7.6.7 Expected Benefits and Potential Risks from Mergers and Acquisitions and Countermeasures

There has not been such risk up to the date of the annual report.

### 7.6.8 Expected Benefits and Potential Risks from Capacity Expansion and Countermeasures

Since several of our products are expected to enter into Phase III clinical trial soon, we have completed a plant expansion to fulfill the capability of preliminary commercialized production. The expansion includes the following:

- One 150L microbial fermentor production line, with potential to expand to two more 150L to meet the production requirement of the TX01 product in the future.
- Four 1000L bioreactor production lines, with potential to expand to ten more 1000L bioreactor production lines to meet the production requirement of TX05/TX16/TX17.

The plant expansion uses a pre-piped and wired design. This enables us to expand the production lines step by step based on our product development progress, which reduces cash outflow and capital expenditure requirements.

We have a vertically integrated manufacturing platform, which enables us to fully control the entire process from R&D to the distribution of our final product to the market, optimize our funds distribution, maximize the efficiency of our capital, and in return, reduce risks.

### 7.6.9 Risk From Sales and Purchase Concentration and Countermeasures

There has not been such risk as of the date of the annual report since we are still at Research and Development stage.

### 7.6.10 Impact, Risk and Countermeasures of Sales of Significant Numbers of Shares by Directors, and/or Major Shareholders Who Own 10% or More of Total Outstanding Shares

There have not been sales of significant numbers of shares by directors, and/or major shareholders who own 10% or more of the total outstanding shares as of the date of the annual report.

### 7.6.11 Impact, Risk and Countermeasures of Changes in Management

There has not been any change in management which affects business operation as of the date of the annual report. We have established complete and effective internal control procedures and policies, which reduce the risks associated with any change in management.

### 7.6.12 Litigation

- Any pending or settled lawsuit which has significant effects on shareholder's interest and share price in 2014, 2015 and as of the date of this annual report:  
None.
- Any pending or settled lawsuit against director, supervisor, general manager, person in charge in substance and major shareholders who own 10% or more of total outstanding shares in 2014, 2015 and as of the date of the annual report:  
None.
- For director, supervisor, general manager, person in charge in substance, any events as stated in article 157 of Securities and Exchange Law of Taiwan occurred in 2014, 2015 and as of the date of this annual report:  
None.

### 7.6.13 Other Important Risks and Countermeasures

None.

## 7.7 Other Important Issues

None.

## 8 Other Special Notes

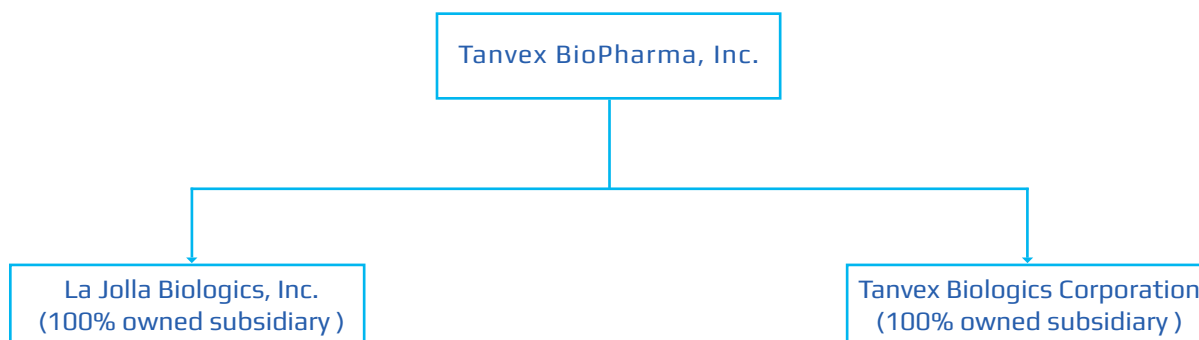


Success breeds success. Our seasoned team, proven expertise, strong relationships with the regulatory community, and unwavering commitment to our goals ensure a bright future for our company and the patients we serve.

## 8 Special Disclosure

### 8.1 Information on Subsidiaries

#### 8.1.1 Relationship Chart



#### 8.1.2 Basic Information of Related Parties

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Major Business
La Jolla Biologics, Inc.	01/01/2011	10421 Pacific Center Court, Suite 100, San Diego, CA 92121, U.S.A.	US\$ 65,601,000	Process development and production of Biosimilar drugs and new drugs
Tanvex Biologics Corporation	04/07/2009	33F, No.99, Sec.1, Xintai No.5 Road, Xizhi District, New Taipei City, Taiwan R.O.C	NT\$ 930,000,000	Research and development of Biosimilar drugs and new drugs

#### 8.1.3 Shareholders in Common of Tanvex and Its Subsidiaries with Deemed Control and Subordination:

None.

#### 8.1.4 Rosters of Chairman and Presidents of Tanvex's Subsidiaries

Company	Title	Name or the Representative	Shareholding	
			Share(s)	%
La Jolla Biologics, Inc.	Chairman and CEO	Allen Chao	1,000,000	100%
Tanvex Biologics Corporation	Chairman	Allen Chao	93,000,000	100%
	General Manager	Kaiwen Yang		

#### 8.1.5 Operational Highlights of Subsidiaries

As of December 31, 2015; in thousands

Company	Paid-in Capital	Assets	Liabilities	Net Worth	Revenue	Operating expense	Net Loss after Taxes
La Jolla Biologics, Inc. (Note)	US 65,601	US 23,409	US 3,792	US 19,617	US 1,900	US (18,077)	US (16,303)
Tanvex Biologics Corporation	NT 930,000	NT 207,649	NT 42,319	NT 165,329	–	NT (208,825)	NT (207,627)

Note: This is different from the investment gains and losses recognized by the parent company due to the adjustment of the realized/unrealized gains and losses from the sidestream transactions between the subsidiaries.

#### 8.1.6 Consolidated Financial Statements Covering the Subsidiaries:

None, since they are the same as the consolidated financial statements.

#### 8.1.7 Consolidated Business Reports:

Not applicable.

## 8.2 Private Placement of Securities in 2015 and up to the Date of this Annual Report

None.

## 8.3 Status of Tanvex Common Stock Acquired, Disposed of, and Held by Subsidiaries

None.

## 8.4 Other Necessary Supplemental Explanations

The Memorandum and Articles of Association of the Company differ from the rules of the ROC in relation to the protection of shareholder equity as follows:

Difference	Cayman laws and the Explanation	Articles of Incorporation and the Explanation
A company which buys back its shares and assigns or transfers those shares to its employees may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	Treasury Shares may be disposed of by the Company on relevant terms and conditions as determined by the directors; There is no relevant provisions regarding employee incentive program under the Cayman Companies Law.	According to the Article 1 of Articles of Incorporation of the Company ("AOI"), Treasury Shares refers to shares that were previously issued but were purchased, redeemed or otherwise acquired by the Company and have not been cancelled; as such, this provision is stipulated in Article 40D of the AOI. However, as indicated by the Cayman lawyer, such restrictions agreed between the transferor and transferee is a contractual matter between themselves.
<p>5. The following items shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions:</p> <ul style="list-style-type: none"> <li>(1) Election or discharge of directors and supervisors;</li> <li>(2) Alteration of the Articles of Incorporation;</li> <li>(3) Dissolution, merger, spin-off;</li> <li>(4) Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others;</li> <li>(5) Transfer the whole or any essential part of its business or assets; or</li> <li>(6) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company;</li> <li>(7) Offering, private placement of any equity-type securities;</li> <li>(8) Release the prohibition on directors from participation in competitive business;</li> <li>(9) Pay all or partial dividends and bonuses by way of issuing new shares;</li> <li>(10) Distribute the legal reserve and the capital reserve that derived from the income from the issuance of new shares at a premium or the income from endowments received by the company.</li> </ul>	<p>There is no special provision regarding extemporary motions under Cayman Companies Law; According to the Cayman lawyer, with respect to extemporary motions, the notice of shareholders meeting shall specify content of discussion and provide relevant information to shareholders. However, the notice of shareholders' meeting usually includes an item of "other issues;" such issues are usually informal or not material, and the chairman of the meeting shall not include any material issue in this item. All material issues shall be discussed and resolved in another meeting convened in accordance with the procedure, provided that if any urgent issue requires resolution in the meeting, it shall be raised and ratified in the next shareholders' meeting.</p> <p>Although Cayman law does not expressly prohibit extemporary motions, the Cayman lawyer advises that it is inappropriate to exercise extemporary motions at the shareholders meeting.</p>	<p>The Cayman Companies Law has no special provisions regarding extemporary motion; as such, the Paragraph 5 is stipulated in Article 50 of AOI. According to the Cayman lawyer, with respect to the extemporary motions, the notice of shareholders meeting shall specify content of discussion and provide relevant information to shareholders. However, the notice of shareholders' meeting usually includes an item of "other issues;" such issues are usually informal or not material, and the chairman of the meeting shall not include any material issue in this item. All material issue shall be discussed and resolved in another meeting convened in accordance with the procedure, provided that if any urgent issue requires resolution in the meeting, it shall be raised and ratified in the next shareholders' meeting.</p>

Difference	Cayman laws and the Explanation	Articles of Incorporation and the Explanation
<p>2. If the voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission, the method for exercising the voting power shall be described in the shareholders' meeting notice. A shareholder who exercises the voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived the voting power in respective of any extemporary motion and/or the amendment to the contents of the original proposal.</p>	<p>There is no special provision regarding Paragraph 2 under Cayman Companies Law.</p>	<p>There is no special provision regarding the first paragraph of this Paragraph 2 under Cayman Companies Law; thus the first paragraph of this Paragraph 2 is stipulated in Article 68 of the AOl. According to the Cayman lawyer, if the shareholder exercises the voting right in writing, it shall be deemed to authorize the chairman of the meeting to exercise the voting power (i.e. shareholders who exercise the voting power in writing or by way of electronic transmission shall be deemed to have authorized the chairman of the meeting to exercise its voting power in the meeting according to the instruction in writing or by way of electronic transmission, but shall be deemed to have waived the voting power in respective of any extemporary motion and/or the amendment to the contents of the original proposal. However, foregoing authorization shall be deemed not to constitute a provision regarding proxies under the laws and regulations in relation to TWSE/TPEX listed companies).</p>
<p>4. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, at least 2 days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p>	<p>There is no special provision regarding this Paragraph 4 under Cayman Companies Law.</p>	<p>There is no special provision regarding Paragraph 4 under Cayman Companies Law; as such, the first paragraph of this Paragraph 4 is stipulated in Article 70 of the AOl. According to the comment of Cayman lawyer, under common law, a person may revoke its proxy by attending the meeting in person. Since shareholders who exercise the voting power in writing or by way of electronic transmission shall be deemed to have authorized the chairman of the meeting to exercise its voting power in the meeting according to the instruction in writing or by way of electronic transmission, Paragraph 4 may be not enforceable.</p>
<p>4. After the service of the power of attorney of a proxy to the company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person, a proxy rescission notice shall be filed with the company at least 2 day prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.</p>	<p>There is no special provision regarding the power of attorney of soliciting of the power of attorney under the Cayman Companies Law.</p>	<p>Since there is no special provisions regarding the power of attorney of soliciting of the power of attorney under the Cayman Companies Law, set out the content of paragraph 4 in the Article 62B of the AOl of the Company. According to the comment of Cayman lawyer, under the common law, a person may revoke its proxy by attending the meeting in person, so the content of paragraph 4 may be not enforceable.</p>



Difference	Cayman laws and the Explanation	Articles of Incorporation and the Explanation
<p>The following proposals involving significant interests of shareholders shall be adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, it may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> <li>1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others, accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company.</li> <li>2. Amend the Articles of Incorporation</li> <li>3. Any amendment to the Articles of Incorporation prejudicial to the rights of special shareholders shall be adopted by special resolution.</li> <li>4. The whole or a part of the distributable dividends and bonuses may be paid in the form of shares newly issued</li> <li>5. The proposal of dissolution, consolidation or merger and split-up</li> <li>6. Issuance of the new employee restricted stocks.</li> </ol>	<p>With regard to 1, 4, 5(the split part) and 6, there is no special provision of requirement or prohibition under the Cayman Companies Law.</p> <p>With regard to 2 and 3, Article 24 of the Cayman Companies Law provides that any amendment to the AOI shall be adopted by the special resolution.</p> <p>With regard to 5 (the dissolution part), the Company shall be voluntarily dissolved by the special resolution pursuant to Article 116 the Companies Law of the Cayman Islands, in the case that the company is voluntarily dissolved due to inability to pay off all claims, it may be adopted by the shareholders' meeting by way of an ordinary resolution. Where there is any higher threshold provided in the Articles of Incorporation, such higher threshold shall prevail.</p> <p>In addition, with regard to 5 (the consolidation or merger part), according to Cayman legal consultant's suggestion, the Article 233(6) of the Companies Law of the Cayman Islands provides that it shall be adopted by special resolution. However, it should be pursuant to the AOI in the case that there are other provisions regarding the resolutions provided in the AOI of the Company.</p>	<p>There is no special or prohibition provisions regarding subparagraph 1, 4, the split-up part of subparagraph 5 and subparagraph 6 under the Cayman Companies Law; as such subparagraph 1, 4, the split-up part of subparagraph 5 and subparagraph 6 are separately provided in Article 32(a)(b)(c)(d)(f)(g) of the AOI that it shall be adopted by the shareholders meeting by way of special resolution (Supermajority Resolution Type A))(refers to a resolution adopted at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares and exercise the voting rights in person or by a proxy (if the shareholders' meeting allows the proxy) or Super majority Resolution Type B which means that the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required by the Super majority Resolution Type A, which means that there is no resolution adopted at a shareholders' meeting by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares and exercise the voting rights in person or by proxy(if such shareholders' meeting allows the use of proxy ). According to Article 24 of the Cayman Companies Law, any amendments to the AOI shall be adopted by tSpecial Resolution at a shareholders' meeting; as such, subparagraph 2 is provided in Article 157 of AOI, which means that the Company may at any time amend the memorandum and / or AOI. The threshold of the number of the shareholders present is in accordance with Article 51 of Article of Incorporation (which means that the total number of shares represented by the shareholders present in person or by proxy at a shareholders' meeting is more than a majority of outstanding shares) According to Article 24 of the Cayman Companies Law, any amendments to the AOI shall be adopted by the Special Resolution at a shareholders' meeting; as such, subparagraph 3 is provided in Article 18 of AOI, which means that any amendment to the AOI prejudicial to the rights of special shareholders shall be adopted by special resolution at a special shareholders' meeting in addition to the Special Resolution at a shareholders' meeting.</p>

Difference	Cayman laws and the Explanation	Articles of Incorporation and the Explanation
		<p>With regard to subparagraph 5 (the consolidation or merger part), according to Cayman legal consultant's suggestion, the Article 233(6) of the Companies Law of the Cayman Islands provides that it shall be adopted by special resolution. However, it should be pursuant to the AOI in the case that there are other provisions regarding the resolutions provided in the AOI of the Company; as such, the consolidation or merger part of subparagraph 5 is provided in the Article 31(c) of the AOI of the Company. The threshold of the number of the shareholders present is in accordance with Article 51 of Article of Incorporation (which means that the total number of shares represented by the shareholders present in person or by proxy at a shareholders' meeting is more than a majority of outstanding shares )</p> <p>With regard to subparagraph 5(the dissolution part), the Company shall be voluntarily dissolved by the special resolution pursuant to Article 116 the Companies Law of the Cayman Islands, in the case that the company is voluntarily dissolved due to inability to pay off all claims, it may be adopted by an ordinary resolution at shareholders' meeting. Where there is any higher threshold provided in the AOI, such higher threshold shall prevail; as such, the dissolution part of subparagraph 5 is provided in Article 33 of the AOI, if the company is voluntarily dissolved due to inability to pay off all claims on schedule, it shall be adopted by a special resolution at a shareholders' meeting (Supermajority Resolution Type A) or Supermajority Resolution Type B (Article 33(a)); if the company is voluntarily dissolved due to other causes, the Company shall be dissolved voluntarily by way of a special resolution(Article 33(b)).The threshold of the number of the shareholders present is in accordance with Article 51 of Article of Incorporation (which means that the total number of shares represented by the shareholders present in person or by proxy at a shareholders' meeting is more than a majority of outstanding shares )</p>
Provisions regarding the supervisors	There is no special provision regarding the supervisors under the Cayman Companies Law.	Since the Company does not set up supervisors, no amendments to the AOI are made.

Difference	Cayman laws and the Explanation	Articles of Incorporation and the Explanation
<ol style="list-style-type: none"> <li>1. Shareholder(s) who has/have been continuously holding 3% or more of the total number of the outstanding shares of the company over one year may request in writing the supervisors of the company to institute, for the company, an action against a director of the company, and the Taipei District Court in Taiwan shall be the competent court of the first instance.</li> <li>2. In case the supervisors fails to institute an action within 30 days after having received the request made under the preceding Paragraph, then the shareholders filing such request under the preceding Paragraph may institute the action for the company; and the Taipei District Court in Taiwan shall be the competent court of the first instance.</li> </ol>	<p>There is no special provision of requirements or prohibitions under the Cayman Companies Law.</p> <p>According to the Law of the Cayman Islands, the circumstances in which the shareholder may institute an action for the company: (A) the act is in violation of the laws or beyond the purview of the Company and cannot be ratified by the shareholders; or (B) the act constitutes fraud to the minority shareholders (that is, the instituted action requesting relief is against the major shareholders, such major shareholders may not allow the Company to let the plaintiff institute the action. It is required to prove the fact of fraud and that the actor engaged in wrongdoing has the controlling power over the company.) As for the act within the purview of the Company or beyond the purview of the Company but can be ratified by the shareholders and is in line with the will of the majority of shareholders, the court of Cayman Island are inclined not to interfere in the internal act of the Company.</p>	<p>There is no special provision of requirements or prohibitions under the Cayman Companies Law, and the Company sets up the audit committee rather than supervisors; referring to the provisions regarding the responsibility to replace the supervisors by independent directors of the audit committee in 27 July 2012 Letter No. Taiwan-Securities-listed 1011702189 of Taiwan Stock Exchange Corporation, thus replacing the supervisors part of the paragraph 1 and 2 by the independent directors of the audit committee provided in the Article 123 of the AOI of the Company and may take the courts of competent jurisdiction (Including Taipei District Court in Taiwan, if applicable) as the court of the jurisdiction. The Cayman lawyer further indicates that the Article 123 of the AOI shall comply with the Cayman laws. According to the Cayman laws, the directors are not responsible to institute the action against the other directors by the request of the shareholders with 3% or more holding of the Company in the case that the director considers it is not beneficial to Company to institute the action.</p>
<ol style="list-style-type: none"> <li>1. The Directors shall exercise the fiduciary duties in performing their duties and exercise the duty of care as a good faith manager, and shall be held liable for damages resulting from violation of the above. In the event the Director has the above behavior for him/herself or another person, it may be resolved at the shareholders' meeting to deem any income from such behavior as part of the Company's income.</li> <li>2. If the Director is in violation of the law in performing business for the Company, therefore causing damage to another person, he/she shall be held jointly and severally liable for damage to such person with the Company.</li> <li>3. When performing their duties, the Company's officers and supervisors shall have the same damage liability as the Directors.</li> </ol>	<p>According to the Companies Law of the Cayman Islands, the Directors have the fiduciary duties to the Company and may be held liable for damages resulting from violation of the above by court decisions; in the event the Director violates the fiduciary duties and has the interest for him/herself or another person, the court may order the Director to return such interest by a court decision.</p> <p>According to the laws of Cayman Islands, if the Director causes damage to the third party due to performing business for the Company and the third party may thus claim for the damages against the Company, then the Company may claim for damages resulting from the third party's claim against such Director; even though the AOI of the Company provides that the directors shall be held jointly and severally liable for damage to such person with the Company, form Cayman laws point of view, the third party still can not directly claim against the Director.</p>	<p>In light of the comments by the Cayman lawyer (please refer to the left column), set forth the content of Paragraph 1, 2 and 3 in the Article 97B of the AOI of the Company; provided the Cayman lawyer indicates that even though the AOI of the Company provides that the directors shall be held jointly and severally liable for damage to such person with the Company, form Cayman laws point of view, the third party still can not directly claim against the Director.</p>

## 9 Disclosure of Any Events in 2015 and up to the Date of this Annual Report that Had Significant Impact on Shareholder Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act

None.



**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND**

**REPORT OF INDEPENDENT ACCOUNTANTS**

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For the convenience of readers and for information purpose only, the report of independent accountants and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language report of independent accountants and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Tanvex Biopharma, Inc.

We have audited the accompanying consolidated balance sheets of Tanvex Biopharma, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tanvex Biopharma, Inc. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan  
March 28, 2016

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**YEARS ENDED DECEMBER 31,**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	2015 AMOUNT	2014 AMOUNT
<b>Current assets</b>				
1100	Cash and cash equivalents	6(1)	\$ 758,225	\$ 203,205
1200	Other receivables		400	162
1210	Other receivables - related parties	7	56	112
1410	Prepayments		21,791	14,946
11XX	<b>Current Assets</b>		<u>780,472</u>	<u>218,425</u>
<b>Non-current assets</b>				
1600	Property, plant and equipment	6(2)	704,701	385,741
1780	Intangible assets	6(3)	59,749	46,476
1920	Refundable deposits		21,774	698
1990	Other non-current assets, others		2,718	3,399
15XX	<b>Non-current assets</b>		<u>788,942</u>	<u>436,314</u>
1XXX	<b>Total assets</b>		<u>\$ 1,569,414</u>	<u>\$ 654,739</u>
<b>Current liabilities</b>				
2150	Notes payable		\$ -	\$ 538
2200	Other payables	6(4)	99,650	40,744
2220	Other payables - related parties	7	-	1,411
2300	Other current liabilities	6(5)	2,752	2,182
21XX	<b>Current Liabilities</b>		<u>102,402</u>	<u>44,875</u>
2670	<b>Other non-current liabilities, others</b>	6(5)	<u>19,012</u>	<u>20,220</u>
2XXX	<b>Total Liabilities</b>		<u>121,414</u>	<u>65,095</u>
<b>Share capital</b>				
3110	Common stock	6(8)	1,664,084	392
<b>Capital surplus</b>				
3200	Capital surplus	6(9)	563,412	912,610
<b>Retained earnings</b>				
3350	Accumulated deficit	6(10)	( 835,255)	( 336,708)
<b>Other equity interest</b>				
3400	Other equity interest	6(11)	55,759	13,350
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,448,000</u>	<u>589,644</u>
3XXX	<b>Total equity</b>		<u>1,448,000</u>	<u>589,644</u>
<b>Commitments and contingencies</b>				
<b>Subsequent events</b>				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,569,414</u>	<u>\$ 654,739</u>

The accompanying notes are an integral part of these consolidated financial statements.

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31,  
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items		Notes	2015 AMOUNT	2014 AMOUNT
<b>Operating expenses</b>				
6200	General and administrative expenses	6(14)(15)	(\$ 169,755)	(\$ 124,340)
6300	Research and development expenses	6(14)(15)	( 662,197)	( 340,557)
6000	<b>Total operating expenses</b>		( 831,952)	( 464,897)
6900	<b>Operating loss</b>		( 831,952)	( 464,897)
<b>Non-operating income and expenses</b>				
7010	Other income	6(12)	903	634
7020	Other gains and losses	6(13)	( 4,181)	( 1,951)
7050	Finance costs	7	-	( 6,247)
7000	<b>Total non-operating income and expenses</b>		( 3,278)	( 7,564)
7900	<b>Loss before income tax</b>		( 835,230)	( 472,461)
7950	Income tax expenses	6(16)	( 25)	( 24)
8200	<b>Net loss for the year</b>		(\$ 835,255)	(\$ 472,485)
<b>Other comprehensive income</b>				
<b>Components of other comprehensive income that will not be reclassified subsequently, to profit or loss</b>				
8361	Financial statements translation differences of foreign operations	6(11)	\$ 42,423	\$ 22,807
8500	<b>Total comprehensive loss for the year</b>		(\$ 792,832)	(\$ 449,678)
<b>Loss attributable to:</b>				
8610	Owners of the parent		(\$ 835,255)	(\$ 264,558)
8615	Predecessor interests under common control		-	( 207,927)
			(\$ 835,255)	(\$ 472,485)
<b>Comprehensive loss attributable to:</b>				
8710	Owners of the parent		(\$ 792,832)	(\$ 246,241)
8715	Predecessor interests under common control		-	( 203,437)
			(\$ 792,832)	(\$ 449,678)
<b>Loss per share</b>				
9750	<b>Basic loss per share (In dollars)</b>	6(17)	(\$ 5.95)	(\$ 5.11)
9850	<b>Diluted earnings loss per share (In dollars)</b>	6(17)	(\$ 5.95)	(\$ 5.11)

The accompanying notes are an integral part of these consolidated financial statements.

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent									
Capital Reserves									
Notes	Share capital - common stock	Capital surplus	Employee stock option	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Total	Predecessor interests under common control	Total equity
<u>Year 2014</u>									
Balance at January 1, 2014	\$ 240	\$ 227,798	\$ 123	\$ -	(\$ 72,150)	(\$ 4,967)	\$ 151,044	\$ 252,600	\$ 403,644
Issuance of common stock	152	608,248	-	-	-	-	608,400	251,926	860,326
Group reorganization	4(2)	-	56,049	3,711	-	-	59,760	( 303,122 )	( 243,362 )
Compensation cost of employee stock option	6(7)	-	-	16,681	-	-	16,681	2,033	18,714
Loss for the year	-	-	-	-	( 264,558 )	-	( 264,558 )	( 207,927 )	( 472,485 )
Other comprehensive income for the year	-	-	-	-	-	18,317	18,317	4,490	22,807
Balance at December 31, 2014	<u>\$ 392</u>	<u>\$ 892,095</u>	<u>\$ 20,515</u>	<u>\$ -</u>	<u>(\$ 336,708)</u>	<u>\$ 13,350</u>	<u>\$ 589,644</u>	<u>\$ -</u>	<u>\$ 589,644</u>
<u>Year 2015</u>									
Balance at January 1, 2015	\$ 392	\$ 892,095	\$ 20,515	\$ -	(\$ 336,708)	\$ 13,350	\$ 589,644	\$ -	\$ 589,644
Issuance of common stock	6(8)	105	1,573,395	-	-	-	1,573,500	-	1,573,500
Capital surplus used to offset accumulated deficit	6(10)	-	( 336,708 )	-	336,708	-	-	-	-
Issuance of common stock from capital surplus	6(8)	1,656,132	( 1,656,132 )	-	-	-	-	-	-
Effect of change in par value	6(8)	14	-	-	-	( 14 )	-	-	-
Compensation cost of employee stock option	6(7)	-	-	42,251	-	-	42,251	-	42,251
Employee stock options forfeited	6(7)	-	-	( 596 )	596	-	-	-	-
Employee stock options exercised	6(7)	7,441	42,119	( 14,123 )	-	-	35,437	-	35,437
Loss for the year	-	-	-	-	( 835,255 )	-	( 835,255 )	-	( 835,255 )
Other comprehensive income for the year	-	-	-	-	-	42,423	42,423	-	42,423
Balance at December 31, 2015	<u>\$ 1,664,084</u>	<u>\$ 514,769</u>	<u>\$ 48,047</u>	<u>\$ 596</u>	<u>(\$ 835,255)</u>	<u>\$ 55,759</u>	<u>\$ 1,448,000</u>	<u>\$ -</u>	<u>\$ 1,448,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 835,230 )	(\$ 472,461 )
Adjustments to profit and loss			
Depreciation	6(14)	59,250	34,035
Amortization	6(14)	8,132	6,141
Compensation cost of employee stock option	6(7)	42,251	18,714
Interest expense		-	6,247
Interest income	6(12)	( 444 )	172
Loss on disposal of property, plant and equipment	6(13)	4,334	1,372
Transfer of prepayment of equipment to operational expenses		2,826	1,647
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		( 238 )	162
Other receivables - related parties		56	609
Prepayments		( 6,845 )	1,418
Changes in operating liabilities			
Notes Payable		( 538 )	154
Other payables		43,882	5,801
Other payables - related parties		( 1,411 )	28,227
Other current liabilities, others		570	467
Other non-current liabilities, others		( 1,208 )	821
Cash outflow generated from operations		( 684,613 )	( 428,074 )
Interest received		444	172
Interest paid		-	( 6,247 )
Income tax paid		( 26 )	24
Net cash used in operating activities		( 684,195 )	( 434,173 )
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(18)	( 359,154 )	154,938
Proceeds from disposal of property, plant and equipment		302	77
Acquisition of intangible assets	6(3)	( 14,316 )	1,124
Increase in refundable deposits		( 21,076 )	259
Decrease in other non-current financial assets		-	2,500
Decrease in other non-current assets		-	705
Net cash used in investing activities		( 394,244 )	153,039
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in other payables - related parties		-	242,560
Decrease in other payables - related parties		-	( 242,560 )
Predecessors interest's issuance of common stock		-	251,926
Proceeds of acquiring subsidiaries for reorganization		-	243,362
Issuance of common stock	6(8)	1,573,500	608,400
Exercise of employee stock options granted		35,437	-
Net cash generated from financing activities		1,608,937	616,964
Effect of change on exchange rate		24,522	4,936
Net increase in cash and cash equivalents		555,020	34,688
Cash and cash equivalents at beginning of year		203,205	168,517
Cash and cash equivalents at end of year		\$ 758,225	\$ 203,205

The accompanying notes are an integral part of these consolidated financial statements.

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN thousands of New Taiwan dollars, except as otherwise indicate)

1. HISTORY AND ORGANIZATION

Tanvex Biopharma, Inc. (the “Company”), formerly Ruenvex Biotech, Inc., was incorporated as company limited by shares in May 2013 under the provisions of the Company Act of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P. O. Box 2804, Grand Cayman KY1-112, Cayman Islands. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research, development, manufacture and sale of biosimilar drugs and new drugs. The Group is currently in conducting research and development of biosimilar drugs and has not yet generated revenues.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in Other Comprehensive Income (OCI) classified by nature into two groups on the basis of whether they are potentially declassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group has adjusted its presentation of the statement of comprehensive income.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None



(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	To be determined by International Accounting Standards Board
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless



otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. The accounting for acquisition of subsidiaries’ share interest or net assets is as follows if the acquisition is reorganisation:
  - (a) The share interest or net assets acquired should be recorded at the carrying amount of the share or assets held by the selling company. The Group credits capital surplus if the total amount exceeds the amount paid and debits capital surplus if the amount paid exceeds the total amount. The Group shall adjust retained earnings if the credit balance of capital surplus is insufficient.
  - (b) Due to reorganisation, the subsidiaries are considered as required at the beginning of the Company’s incorporation. The Company’s financial statements prior to acquisition are retrospectively restated, and the share interest on net assets held by the selling company prior to acquisition is classified to “Predecessor interests under common control”.
- D. If acquisition of subsidiaries’ share interest or net assets is not reorganisation, the Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the Group’s share of fair value of net identifiable assets is recorded as goodwill at the acquisition date. If the total of consideration transferred is less than the Group’s share of fair value of net identifiable assets (a bargain purchase), the difference is recognised directly in profit or loss on the acquisition date.

(3) Basis of consolidation

## A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

## B. Subsidiaries included in the consolidated financial statements:

Name of investment company	Name of subsidiaries	Main activities	Ownership (%)		Discription
			December 31, 2015	December 31, 2014	
Tanvex Biopharma, Inc.	Tanvex Biologics, Corp.	Research and development of biosimilar drugs and new drugs.	100%	100%	
Tanvex Biopharma, Inc.	La Jolla Biologics, Inc.	Formulation and manufacturing of biosimilar drugs and new drugs.	100%	100%	Note

Note: The Company has held 100% shares since September, 2014.

## C. Subsidiaries not included in the consolidated financial statements: None.

## D. Adjustments for subsidiaries with different balance sheet dates: None.

## E. Significant restrictions: None.

## E. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are recorded in United States dollars (USD), which is the Company's functional and the Group's presentation currency. However, as the Group is listed in the Emerging Stock Board in Taiwan, these consolidated financial statements are presented in New Taiwan dollars (NTD).

## A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange

rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains or losses.”

B. Translation of foreign operations

The operating results and financial position of the foreign subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the

entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
  - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred. For the financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed

through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(8) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(9) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Testing equipment	3~10 years
Office equipment	3~10 years
Leasehold improvements	2~10 years

(10) Intangible assets

A. Patent and expertise

Patent and expertise are stated at cost and amortized on a straight-line basis over its estimated useful life of 16 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 7 years.



**(11) Impairment of non-financial assets**

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

**(12) Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

**(13) Offsetting financial instruments**

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**(14) Employee benefits****A. Short-term employee benefits**

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

**B. Pensions****Defined contribution plans**

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

**C. Employees' and directors' remuneration**

Employees' and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

**(15) Employee share-based payment**

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments

that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(16) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. For Taiwan subsidiary, an additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(17) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(18) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### Critical accounting estimates and assumptions

#### Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and petty cash	\$ 72	\$ 71
Checking accounts and demand deposits	<u>758,153</u>	<u>203,134</u>
	<u>\$ 758,225</u>	<u>\$ 203,205</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.



(2) Property, plant and equipment

	Office equipment	Leasehold improvements	Testing equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2015</u>						
Cost	\$ 5,834	\$ 32,738	\$ 311,452	\$ -	\$ 119,095	\$ 469,119
Accumulated Depreciation and impairment	( 2,097)	( 10,048)	( 71,233)	-	-	( 83,378)
	<u>\$ 3,737</u>	<u>\$ 22,690</u>	<u>\$ 240,219</u>	<u>\$ -</u>	<u>\$ 119,095</u>	<u>\$ 385,741</u>
<u>2015</u>						
Opening net book amount	\$ 3,737	\$ 22,690	\$ 240,219	\$ -	\$ 119,095	\$ 385,741
Additions	6,975	136,412	165,626	506	64,660	374,179
Disposals	( 264)	( 249)	( 3,605)	-	( 518)	( 4,636)
Transfer	15,107	17,947	73,794	-	( 115,592)	( 8,744)
Depreciation charge	( 3,327)	( 13,062)	( 42,810)	( 51)	-	( 59,250)
Net exchange differences	561	4,374	10,400	12	2,064	17,411
Closing net book amount	<u>\$ 22,789</u>	<u>\$ 168,112</u>	<u>\$ 443,624</u>	<u>\$ 467</u>	<u>\$ 69,709</u>	<u>\$ 704,701</u>
<u>At December 31, 2015</u>						
Cost	\$ 28,147	\$ 191,550	\$ 557,706	\$ 519	\$ 69,709	\$ 847,631
Accumulated Depreciation and impairment	( 5,358)	( 23,438)	( 114,082)	( 52)	-	( 142,930)
	<u>\$ 22,789</u>	<u>\$ 168,112</u>	<u>\$ 443,624</u>	<u>\$ 467</u>	<u>\$ 69,709</u>	<u>\$ 704,701</u>
	Office equipment	Leasehold improvements	Testing equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2014</u>						
Cost	\$ 7,502	\$ 26,755	\$ 245,735	\$ -	\$ 15,515	\$ 295,507
Accumulated Depreciation and impairment	( 2,464)	( 4,673)	( 41,521)	-	-	( 48,658)
	<u>\$ 5,038</u>	<u>\$ 22,082</u>	<u>\$ 204,214</u>	<u>\$ -</u>	<u>\$ 15,515</u>	<u>\$ 246,849</u>
<u>2014</u>						
Opening net book amount	\$ 5,038	\$ 22,082	\$ 204,214	\$ -	\$ 15,515	\$ 246,849
Additions	284	4,160	40,420	-	114,167	159,031
Disposals	( 12)	-	( 1,438)	-	-	( 1,450)
Transfer	( 856)	526	13,609	-	( 15,776)	( 2,497)
Depreciation charge	( 922)	( 5,057)	( 28,056)	-	-	( 34,035)
Net exchange differences	205	979	11,470	-	5,189	17,843
Closing net book amount	<u>\$ 3,737</u>	<u>\$ 22,690</u>	<u>\$ 240,219</u>	<u>\$ -</u>	<u>\$ 119,095</u>	<u>\$ 385,741</u>
<u>At December 31, 2014</u>						
Cost	\$ 5,834	\$ 32,738	\$ 311,452	\$ -	\$ 119,095	\$ 469,119
Accumulated Depreciation and impairment	( 2,097)	( 10,048)	( 71,233)	-	-	( 83,378)
	<u>\$ 3,737</u>	<u>\$ 22,690</u>	<u>\$ 240,219</u>	<u>\$ -</u>	<u>\$ 119,095</u>	<u>\$ 385,741</u>

The Group did not pledge property, plant and equipment as collateral.

(3) Intangible assets

	<u>Patent and expertise</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 51,650	\$ 10,885	\$ 62,535
Accumulated amortization	( 12,595)	( 3,464)	( 16,059)
	<u>\$ 39,055</u>	<u>\$ 7,421</u>	<u>\$ 46,476</u>

2015

Opening net book amount	\$ 39,055	\$ 7,421	\$ 46,476
Additions	–	14,316	14,316
Transfer	–	5,918	5,918
Amortization charge	( 3,446)	( 4,006)	( 7,452)
Net exchange differences	–	491	491
Closing net book amount	<u>\$ 35,609</u>	<u>\$ 24,140</u>	<u>\$ 59,749</u>

At December 31, 2015

Cost	\$ 51,650	\$ 31,760	\$ 83,410
Accumulated amortization	( 16,041)	( 7,620)	( 23,661)
	<u>\$ 35,609</u>	<u>\$ 24,140</u>	<u>\$ 59,749</u>

	<u>Patent and expertise</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 51,650	\$ –	\$ 51,650
Accumulated amortization	( 9,149)	–	( 9,149)
	<u>\$ 42,501</u>	<u>\$ –</u>	<u>\$ 42,501</u>

2014

Opening net book amount	\$ 42,501	\$ –	\$ 42,501
Additions	–	1,124	1,124
Transfer	–	8,283	8,283
Amortization charge	( 3,446)	( 2,015)	( 5,461)
Net exchange differences	–	29	29
Closing net book amount	<u>\$ 39,055</u>	<u>\$ 7,421</u>	<u>\$ 46,476</u>

At December 31, 2014

Cost	\$ 51,650	\$ 10,885	\$ 62,535
Accumulated amortization	( 12,595)	( 3,464)	( 16,059)
	<u>\$ 39,055</u>	<u>\$ 7,421</u>	<u>\$ 46,476</u>

Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2015	2014
General and administrative expenses	\$ -	\$ -
Research and development expenses	7,452	5,461
	<u>\$ 7,452</u>	<u>\$ 5,461</u>

Patent and expertise are essential for biologicals research and development of biopharmaceuticals.

(4) Other payable

	December 31, 2015	December 31, 2014
Accrued payroll	\$ 33,343	\$ 20,744
Accrued research material	32,146	4,649
Accrued research fee	3,295	1,562
Payable on equipment	19,118	4,093
Accrued professional fee	3,548	1,447
Accrued tax	3,199	1,622
Others	5,001	6,627
	<u>\$ 99,650</u>	<u>\$ 40,744</u>

(5) Accrued rent

The rent expenses for offices and plants leased by the Group are recognized on a straight-line basis during the lease term. The accrued rent recognized as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Current (shown as other current liabilities)	\$ 2,752	\$ 2,182
Non-current (shown as other non-current liabilities)	19,012	20,220
	<u>\$ 21,764</u>	<u>\$ 22,402</u>

(6) Pensions

A. Effective July 1, 2005, Tanvex Biologics, Corp., the subsidiary, has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with the R.O.C. nationality. Under the New Plan, Tanvex Biologics, Corp. contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The subsidiary, La Jolla Biologics, Inc., provides 401(K) retirement plan, which is a defined contribution plan. Under the plan, the employee contribute an amount based on a certain percentage of the employees' salaries and wages or a certain amount to the employees' individual pension accounts. La Jolla Biologics, Inc. also contributes certain percentage of wages and salaries of the employees to the employees' individual person accounts.

B. The pension costs under the above pension plans of the Group for the years ended December 31, 2015 and 2014 were \$3,837 and \$1,582, respectively.

(7) Share-based payment

A. As at December 31, 2015 and 2014, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (number of shares)	Contract period	Vesting conditions
Employee stock options A	2013.10	322,000	10years	1~4 years of service
Employee stock options B	2013.10	20,000	10years	Immediately vested and 1~2 years of service
Employee stock options C	2014.4~7	100,000	10years	1~4 years of service
Employee stock options D	2014.10~12	3,680,000	10years	1~4 years of service
Employee stock options F	2015.1~6	2,272,500	10years	1~4 years of service
Consultant warrants A	2014.6~7	360,000	10years	1~4 years of service
Consultant warrants C	2014.12	225,000	10years	1~4 years of service
Employee stock options G	2015.7	620,000	10years	1~4 years of service
Employee stock options H	2015.12	596,000	10years	2~4 years of service

Type of arrangement	Description	Grant date	Quantity granted		Contract period	Vesting conditions
			Before conversion	After conversion		
Employee stock options E	Note	2014.10	4,453,500	4,987,884	10years	Immediately vested and 1~4 years of service
Consultant warrants B	Note	2014.10	700,000	475,000	10years	Immediately vested and 1~2 years of service

Note : The original parent company of La Jolla Biologics, Inc. granted employee stock options and warrants to the employees and consultants of La Jolla Biologics, Inc. during 2010 to 2014. As the Group determined to use Tanvex BioPharma, Inc. as a listing company to apply for initial public offering, the Company issued employee stock options and warrants to La Jolla Biologics, Inc.'s, employees and consultants to replace their original stock options and warrants. The fair value of incremental cost arising from the replacement was \$9,891.

B. Details of the share-based payment arrangements are as follows:

(a) Employee stock options

	2015		2014	
	No. of shares	Weighted-average exercise price (in US dollars)	No. of shares	Weighted-average exercise price (in US dollars)
Options outstanding at beginning of the year	8,989,884	\$ 0.39	3,223,000	\$ 0.27
Options granted	3,488,500	2.06	5,182,500	0.29
Conversion	-	-	979,884	0.40
Options forfeited	( 1,258,094)	0.44	( 395,500)	0.36
Options exercised	( 2,015,071)	0.38	-	-
Options outstanding at end of the year	<u>9,205,219</u>	<u>0.98</u>	<u>8,989,884</u>	<u>0.39</u>
Options exercisable at end of the year	<u>1,579,594</u>	<u>0.39</u>	<u>1,935,788</u>	<u>0.39</u>

(b) Consultant warrants

	2015		2014	
	No. of shares	Weighted-average exercise price (in US dollars)	No. of shares	Weighted-average exercise price (in US dollars)
Warrants outstanding at beginning of the year	1,060,000	\$ 0.33	700,000	\$ 0.27
Warrants granted	-	-	585,500	0.28
Conversion	-	-	( 225,500)	0.40
Warrants exercised	( 1,060,000)	0.33	-	-
Warrants outstanding at end of the year	<u>-</u>	<u>-</u>	<u>1,060,000</u>	<u>0.33</u>
Warrants exercisable at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2015		December 31, 2014	
Issuance date	Expiration date	No. of shares	Price (US\$)	No. of shares	Price (US\$)
Employees:					
2013.10	2023.10	111,500	\$ 0.2	262,000	\$ 0.2
2014.4~7	2024.4~7	87,500	0.2	100,000	0.2
2010.6~2013.12/ 2014.10	2024.10	2,456,219	0.4	4,987,884	0.4
2014.10~12	2024.10~12	3,125,500	0.4	3,640,000	0.4
2015.1~6	2025.1~6	2,208,500	1.5	-	-
2015.7	2025.7	620,000	1.5	-	-
2015.12	2025.12	596,000	4.8	-	-
Consultants:					
2014.6~7	2024.6~7	-	-	360,000	0.2
2010.10/2014.10~12	2024.10~12	-	-	700,000	0.4

D. The fair value of stock options is measured using the Black-Scholes option-pricing model.

Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options A	2013.10	US\$0.2	US\$0.2	41.52%~42.09%	5.5~7	0%	1.42%~1.64%	US\$0.08~0.09
Employee stock options B	2013.10	US\$0.2	US\$0.2	40.84%~41.65%	4~5	0%	1.13%~1.33%	US\$0.07~0.08
Employee stock options C	2014.4~7	US\$0.2	US\$0.2	47.26%~50.98%	5.5~7	0%	1.82%~2.27%	US\$0.09~0.11
Employee stock options D	2014.10~12	US\$0.4	US\$0.4	44.94%~50.16%	5.5~7	0%	1.68%~2.1%	US\$0.17~0.21
Employee stock options F	2015.1~6	US\$1.5	US\$1.5	47.78%~49.59%	6.25	0%	1.36%~1.95%	US\$0.64~0.81
Consultant warrants A	2014.6~7	US\$0.2	US\$0.2	47.62%~50.78%	5.5~7	0%	1.67%~2.06%	US\$0.09~0.11
Consultant warrants C	2014.12	US\$0.4	US\$0.4	44.94%~49.98%	5.5~7	0%	1.68%~1.90%	US\$0.17~0.21
Employee stock options G	2015.7	US\$1.5	US\$1.5	44.22%~51.03%	5.5~7	0%	1.74%~2.06%	US\$0.64~0.80
Employee stock options H	2015.12	US\$8.7	US\$4.8	48.60%~52.88%	6~7	0%	1.83%~2.01%	US\$5.5~5.91

Information regarding Employee stock options E and Consultant warrants B before and after conversion is as follow:

Before conversion:

Type of arrangement	Original grant date	Exercise price	Expected price volatility	option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2010.6~ 2014.9	US\$0.2~ 0.4	41.37% ~42.14%	6.25	0%	1.00%~ 2.46%	US\$0.025 ~0.166
Consultant warrants B	2010.10	US\$0.25~ 0.4	42.14%	6.25	0%	2.46%	US\$0.11

Type of arrangement	Revised date	Exercise price	Expected price volatility	option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2014.10	US\$0.2~ 0.4	37.87% ~50.16%	3.10~ 6.67	0%	1.06%~ 2.00%	US\$0.01 ~0.04
Consultant warrants B	2014.10	US\$0.25~ 0.4	37.87% ~41.75%	2.84~ 4.47	0%	1.06%~ 1.57%	US\$0.01 ~0.15

After conversion:

Type of arrangement	Grant date	Exercise price	Expected price volatility	option life (Years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit
Employee stock options E	2014.10	US\$0.4	37.87% ~50.16%	3.10~ 6.67	0%	1.06%~ 2.00%	US\$0.11 ~0.20
Consultant warrants B	2014.10	US\$0.4	37.87% ~41.75%	2.84~ 4.47	0%	1.06%~ 1.57%	US\$0.10 ~0.15

E. The compensation costs recognised for the above share-based payments for the years ended December 31, 2015 and 2014 were \$42,253 and \$18,714, respectively.

#### (8) Common stock

- A. As of December 31, 2014, the Company's authorized capital was US\$50,000, consisting of 500,000,000 shares of common stock, and the paid-in capital was \$392 (US\$13,000) with a par value of US\$0.0001 per share.
- B. In July 2014, the Board of Directors resolved to increase capital by US\$20,000,000 through issuing 50,000,000 new shares with issuance price of US\$0.4 (in dollars) per share. The capital increase has been completed in October 2014.
- C. The Company increased its capital of US\$49,999,998 by issuing 33,333,332 new shares with issuance price of US\$1.5 (in dollars) per share in March 2015.
- D. In May 2015, the Company's shareholders resolved to convert the par value of the common stock from US\$0.0001 to NT\$10 per shares at exchange rate of USD to NTD = 1:31.3. In



addition, the shareholders resolved to issue new common stock using capital surplus in the amount of \$1,656,132. The conversion rate of common stock for the above par value conversion and issuance of common stocks from capital surplus was 1:1. After the conversion, the Company's issued common stock was \$1,656,651, consisting of 165,665,050 shares.

- E. On December 14, 2015, the Board of Directors adopted a resolution to increase capital by issuing 26,000 thousand new shares with a par value of NT\$10 (in dollars) per share at a premium issuance price of NT\$128 (in dollars) per share. The capital increase has been completed in February 2016.
- F. As of December 31, 2015, the Company's authorized capital was \$5,000,000, and the paid-in capital was \$1,664,084 with a par value of \$10 (in dollars) per share, consisting of 166,408,403 shares.
- G. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2015	2014
At January 1	130,000,000	80,000,000
Employee stock options exercised	3,075,071	-
Issuance of common stocks by cash	33,333,332	50,000,000
Conversion of par value	( 165,613,196)	-
Issuance of common stocks by capital surplus	165,613,196	-
At December 31	<u>166,408,403</u>	<u>130,000,000</u>

(9) Capital reserve

Capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(10) Retained earnings (Accumulated deficit)

- A. Under the Company's Articles of Incorporation, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:
- to make provision of the applicable amount of income tax pursuant to applicable tax laws regulations;
  - to set off cumulative losses of previous years (if any);
  - to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;.
  - to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and

requirements of the Commission;

- (e) a maximum of three percent (3%) of the annual net profits after the deduction of sub-paragraphs (a) to (d) above shall be reserved for the purpose of Directors bonuses;
- (f) a minimum of one percent (1%) of the annual net profits after the deduction of sub-paragraphs (a) to (d) above shall be reserved for the purpose of employees' bonuses (including employees of the Company and/or any Affiliated Company); and
- (g) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (f) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares and subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (f) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

B. The Company generated operating losses for the years ended December 31, 2015 and 2014, and thus had no earnings for distribution.

C. The shareholders resolved on May 15, 2015 to use capital surplus of \$336,708 to offset deficit.

D. For information on employees' bonus and directors' remuneration, please see Note 6(15).

(11) Other equity items

	2015	2014
	Currency Translation	
At January 1	\$ 13,350	(\$ 4,967)
Effect of conversion of par value	( 14)	-
Currency translation differences - Group	42,423	18,317
At December 31	<u>\$ 55,759</u>	<u>\$ 13,350</u>

(12) Other income

	Years ended December 31,	
	2015	2014
Interest income	\$ 444	\$ 172
Rental income	-	40
Others	459	422
	<u>\$ 903</u>	<u>\$ 634</u>

(13) Other gains and losses

	Years ended December 31,	
	2015	2014
Net currency exchange gains (losses)	\$ 156	(\$ 576)
Loss on disposal of property, plant and equipment	( 4,334)	( 1,372)
Others	( 3)	( 3)
	<u>(\$ 4,181)</u>	<u>(\$ 1,951)</u>

(14) Additional information for expenses by nature

	Years ended December 31,	
	2015	2014
Employee benefit expense	\$ 321,803	\$ 183,525
Depreciation on property, plant and equipment	59,250	34,035
Amortization expense (Note)	8,132	6,141
	<u>\$ 389,185</u>	<u>\$ 223,701</u>

Note: Amortization expense includes amortization charges on intangible asset and long-term prepayments (shown as other non-current assets)

(15) Employee benefit expense

	Years ended December 31,	
	2015	2014
Wages and salaries	\$ 294,111	\$ 168,651
Labor and health insurance fees	22,454	12,690
Pension costs	3,837	1,582
Other personnel expenses	1,401	602
	<u>\$ 321,803</u>	<u>\$ 183,525</u>

- A. The Board of directors of the Company has approved the amended Articles of Incorporation of the Company on March 21, 2015. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. The Company had accumulated deficit as of December 31, 2015 and 2014, thus, the Company did not accrue employees' bonus and directors' remuneration.

(16) Income tax

## A. Income tax expense

	Years ended December 31,	
	2015	2014
Current tax:		
Current tax for the period	\$ 25	\$ 24

## B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2015	2014
Income tax calculated based on loss before tax and statutory tax rate	(\$ 257,030)	(\$ 102,395)
Taxable loss not recognized as deferred tax assets	257,030	102,395
Effect from alternative minimum tax	25	24
Income tax expense	\$ 25	\$ 24

## C. Investment tax credits and unrecognized deferred tax assets of La Jolla Biologics, Inc., the subsidiary, are as follows:

## Year ended December 31, 2015

Year incurred	Unused tax credit	Unrecognized deferred tax assets	Tax credit of investment usable until expiration
2011	\$ 3,491	\$ 3,491	2031
2012	6,484	6,484	2032
2013	8,644	8,644	2033
2014	6,522	6,522	2034
2015	10,556	10,556	2035

## Year ended December 31, 2014

Year incurred	Unused amount	Unrecognized deferred tax assets	Tax credit of investment usable until expiration
2011	\$ 3,388	\$ 3,388	2031
2012	6,293	6,293	2032
2013	8,389	8,389	2033
2014	6,330	6,330	2034

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets for Tanvex Biologics, Corp., the subsidiary, are as follows:

Year ended December 31, 2015				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2009	\$ 39,478	\$ 39,478	\$ 39,478	2019
2010	57,497	57,497	57,497	2020
2011	44,385	44,385	44,385	2021
2012	60,554	60,554	60,554	2022
2013	211,795	211,795	211,795	2023
2014	146,854	146,854	146,854	2024
2015	204,069	204,069	204,069	2025
	<u>\$ 764,632</u>	<u>\$ 764,632</u>	<u>\$ 764,632</u>	

Year ended December 31, 2014				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2009	\$ 39,478	\$ 39,478	\$ 39,478	2019
2010	57,497	57,497	57,497	2020
2011	44,385	44,385	44,385	2021
2012	60,554	60,554	60,554	2022
2013	211,760	211,760	211,760	2023
2014	147,570	147,570	147,570	2024
	<u>\$ 561,244</u>	<u>\$ 561,244</u>	<u>\$ 561,244</u>	

E. Tanvex Biologics, Corp.'s income tax returns through 2013 have been assessed and approved by the Tax Authority.

F. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets for La Jolla Biologics, Inc. are as follows:

Year ended December 31, 2015				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2011	\$ 160,861	\$ 160,861	\$ 160,861	2031
2012	254,330	254,330	254,330	2032
2013	318,573	318,573	318,573	2033
2014	376,093	376,093	376,093	2034
2015	531,605	531,605	531,605	2035
	<u>\$ 1,641,462</u>	<u>\$ 1,641,462</u>	<u>\$ 1,641,462</u>	

Year ended December 31, 2014				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiration
2011	\$ 156,126	\$ 156,126	\$ 156,126	2031
2012	246,843	246,843	246,843	2032
2013	309,194	309,194	309,194	2033
2014	325,854	325,854	325,854	2034
	<u>\$ 1,038,017</u>	<u>\$ 1,038,017</u>	<u>\$ 1,038,017</u>	

(17) Loss per share

Year ended December 31, 2015			
	Amount after tax	Weighted average number of common stock outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share (Note)</u>			
Loss attributable to the parent	(\$ 835,255)	140,279	(\$ 5.95)

Year ended December 31, 2014			
	Amount after tax	Weighted average number of common stock outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share (Note)</u>			
Loss attributable to the parent	(\$ 472,485)	92,500	(\$ 5.11)

Note: Options issued to employees do not have dilutive effects.

(18) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2015	2014
Acquisition of property, plant and equipment	\$ 374,179	\$ 159,031
Add: Opening balance of equipment payable	4,093	-
Less: Ending balance of equipment payable	( 19,118)	( 4,093)
Cash paid during the year	<u>\$ 359,154</u>	<u>\$ 154,938</u>

7. RELATED PARTY TRANSACTIONS(1) Parent and ultimate controlling party

The former Parent Company, Peng-Ling Investment Limited lost its control to the Company because it did not subscribe the Company's new issued shares in proportion of its original share holding in the Company's cash capital increase in March 2015. The Company's shares are currently held by the public with no parent company which owns control over the Company.

(2) Significant related party transactions

## A. Other income

	Years ended December 31,	
	2015	2014
Entities with significant influence over the Group	\$ 56	\$ 138

The above income is for the use of computer software, which is charged based on the number of user accounts and actual cost occurred. The payment term was based on the negotiation between the two parties.

## B. Other receivables

	Years ended December 31,	
	2015	2014
Entities with significant influence over the Group	\$ 56	\$ 112

## C. Other payables

	Years ended December 31,	
	2015	2014
Entities with significant influence over the Group	\$ -	\$ 1,411

Other payable represents accrued research fee collected by the Group on the behalf of the related party.

## D. Loans to /from related parties (shown as "Other payables"):

Loans from related parties

Interest expense

	Years ended December 31,	
	2015	2014
Entities with significant influence over the Group	\$ -	\$ 3,090
An entity controlled by key management personnel	-	3,157
	\$ -	\$ 6,247

The loans from related parties are repayable within 6 months and carrying interest at 5% per annum. For the year ended December 31, 2014, the maximum outstanding balance is \$242,560.

As of December 31, 2014, both the principal and interest have been repaid.

(3) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	\$ 21,240	\$ 38,406
Share-based payments	13,157	13,338
	\$ 34,397	\$ 51,744

8. PLEDGED ASSETS

None.



## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The Group leases offices and warehouse with leasing terms of 1 to 10 years. The majority of leasing agreements are renewable at the end of the leasing periods at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
No later than one year	\$ 40,306	\$ 23,721
Later than one year but not later than five years	167,058	92,825
Over five years	4,262	22,229
	<u>\$ 211,626</u>	<u>\$ 138,775</u>

(2) Due to expansion of facilities by the Group's subsidiary, as of December 31, 2015, the contracts entered into by the Group for the acquisition of property, plant and equipment amounted to \$58,612.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 6(8)E, for capital increase completed in February 2016.

## 12. OTHERS

### (1) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure to reduce the cost of capital, and to provide steady returns for shareholders after the Group turns profit in the future. In order to achieve the above objective, the Group will maintain or adjust the capital structure using the following methods, including but not limited to: raising additional capital, borrowing from the bank, issuing company bond, disposing assets in order to repay debt or replenish operational capital, issuing dividends, and reducing capital, etc. The Group uses the gearing ratio to monitor and manage capital. The gearing ratio is calculated by dividing "Net liabilities" by "Total equity". "Net liabilities" is calculated by subtracting total liabilities by cash and cash equivalents. "Total equity" is the same amount as indicated in the consolidated balance sheets.

The Group maintains the same strategy in 2015 as its strategy in 2014 to maintain the gearing ratio under 50%. As of December 31, 2015 and 2014, the Group's total liabilities were lower than its cash and cash equivalents, thus the gearing ratio was 0%.

### (2) Financial instruments

#### A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, other receivables, guarantee deposits paid, notes payable and other payables) are approximate to their fair values.

## B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, as well as recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company and La Jolla Biologics, Inc.'s functional currency: USD; Tanvex Biologics, Corp.'s functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

Year ended December 31, 2015			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 198	32.61	\$ 6,540

Year ended December 31, 2014			
	Foreign currency amount	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 95	31.65	\$ 3,012
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 277	31.65	\$ 8,767

- iii. Total exchange income (loss), including realized and unrealized, arising from significant foreign exchange variation on monetary items held by the Group for the years ended December 31, 2015 and 2014 amounted to \$156 and (\$576), respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2015					
Sensitivity analysis					
	Degree of variation	Effect on	comprehensive		
		profit or loss	income		
<b>(Foreign currency: functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	65	\$	-
Year ended December 31, 2014					
Sensitivity analysis					
	Degree of variation	Effect on	comprehensive		
		profit or loss	income		
<b>(Foreign currency: functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	31	\$	-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	88	\$	-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, of the customer with same scale past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to clients. For banks and financial institutions, only independently rated parties with high grading are accepted.
- ii. No credit limits were exceeded during 2015 and 2014, and management does not expect any significant losses from non-performance by these counterparties.

## (c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Between 1 and 2 years	Over 2 years
Other payables	\$ 99,650	\$ -	\$ -

Non-derivative financial liabilities:

December 31, 2014	Less than 1 year	Between 1 and 2 years	Over 2 years
Notes payable	\$ 538	\$ -	\$ -
Other payables	40,744	-	-
Other payables - relatives	1,411	-	-
	\$ 42,693	\$ -	\$ -

## 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 1.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods (disclosures for transactions over \$20 million).

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION(1) General information

The Group operates business in a single industry. The Board of Directors allocates resources and assesses performance of the Group as a whole, and has identified the Group to be a single reportable operating segment.

(2) Measurement of segment information

The accounting policies of the operating segment are in agreement with the significant accounting policies summarised in Note 4. The Group's chief operating decision-maker uses the after-tax net income (loss) as the basis for assessing the performance of the Group's operating segments.

(3) Information about segment profit or loss, assets and liabilities

The financial information presented to the chief operating decision-maker is in accordance with the information contained in statements of comprehensive income and both adopt the same valuation method.

(4) Geographical information

Geographical information of the Group for the years ended December 31, 2015 and 2014 is as follows (Financial assets are not included in non-current assets):

	As of and for the year ended December 31, 2015		As of and for the year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 129,112	\$ -	\$ 95,468
United States	-	638,056	-	340,148
Cayman Islands	-	-	-	-
	<u>\$ -</u>	<u>\$ 767,168</u>	<u>\$ -</u>	<u>\$ 435,616</u>

(5) Major customer information

Details of sales to individual customers reaching 10% of the Group's revenue for the years ended December 31, 2015 and 2014: None

## Tanvex BioPharma, Inc.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2015

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Investor	Marketable Securities	General Ledger	Counterparty	Relationship With	Balance as at January 1, 2015		Addition		Disposal		Gain (loss) on disposal	Balance as at December 31, 2015	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Book value		Number of shares	Amount
Tanvex BioPharma, Inc.	( Note 1 )	account	( Note 2 )	( Note 2 ) Investor	-	-	-	-	-	-	-	-	-
	La Jolla Biologics, Inc.	Investments accounted for under equity method		Subsidiary									

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns under the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.



Tanvex BioPharma, Inc.  
Information on investees

For the year ended December 31, 2015

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net losses of the investee for the year ended December 31, 2015	Investment losses recognized by the Company for the year ended December 31, 2015	Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
Tanvex BioPharma, Inc.	Tanvex Biologics, Corp.	Taiwan	Research and development of biosimilar drugs and new drugs.	\$ 838,375	\$ 590,125	93,000,000	100	\$ 165,329	\$ 207,627	( \$ 207,627)	Subsidiary
Tanvex BioPharma, Inc.	La Jolla Biologics, Inc.	US	Formulation and manufacturing of biosimilar drugs and new drugs.	1,220,088	369,962	1,000,000	100	668,084	( 517,611)	( 548,091)	Subsidiary

NOTE: Due to the adjustment of unrealized profit of inter-company transaction between the subsidiaries, the net loss of La Jolla Biologics, Inc. was different from the investment loss recognized by the company.



Tanvex BioPharma, Inc.



Chairman: Chi-Chuan, Chen



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