



**NOW IS THE  
TIME FOR  
BIOSIMILARS**

PUBLISHED ON APRIL 17TH, 2017  
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**RESHAPING THE  
BIOPHARMACEUTICAL  
INDUSTRY**

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5. Listing Foreign Stock Exchange and Query Method: Not Applicable

6. Board of Directors

TITLE	NAME	NATIONALITY	WORK EXPERIENCE
Chairman	Peng Lin Investment Co., Ltd., Representative: Chen, Chi-Chuan	Taiwan, ROC	Please refer to the Section 3.2 Board Members Information of this Annual Report for more details.
Director	Peng Lin Investment Co., Ltd., Representative: Cho, Lung-Yeh	Taiwan, ROC	
Director & CEO	Allen Chao and Lee Hwa Chao Family Trust, Representative: Allen Chao	U. S. A.	
Director & CSO	Hsia Family Trust, Representative: Hsia, David	U. S. A.	
Director	Delos Capital Fund, LP, Representative: Chen, Lin Cheng	Taiwan, ROC	
Director	Yen, Yun	Taiwan, ROC	
Independent Director	Tsai, Jin-Pau	Taiwan, ROC	
Independent Director	Chang, Lee-Chiou	Taiwan, ROC	
Independent Director	Shih, Chuan	Taiwan, ROC	

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8. Company Website: www.tanvex.com

**Notice to Reader:**  
1. For the convenience of readers and for informational purposes only, the 2016 Annual Report for the 2017 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 annual report should prevail.  
2. Tanvex is a high-tech company aims to develop biosimilar and new drug products. Due to the lengthy R&D process, extensive spending, failure to obtain the regulatory approval of government authorities which may result non-productive R&D activities, investors should assess carefully the risks of investment. Please refer to the risk assessment section **7.6** of this annual report for more details.



Table of Contents

<b>1</b>	<b>Letter to Shareholders</b>	<b>7</b>
1.1	Letter from CEO	7
1.2	2016 Business Report	9
1.3	Potential Challenges from External Competition Environment, Regulations and Overall Business Environment	12
<b>2</b>	<b>Company Profile</b>	<b>14</b>
2.1	Company Overview	16
2.2	Market Overview	17
2.3	Group Structure	18
2.4	Company History	19
2.5	Risk Factors	19
<b>3</b>	<b>Corporate Governance</b>	<b>20</b>
3.1	Organization	22
3.2	Board Members	24
3.3	Management Team	36
3.4	Corporate Governance Implementation Status	40
3.5	Independent Auditor Information	49
3.6	Replacement of Independent Auditors	49
3.7	Information on the Company's Chairman, CEO, or Officers Responsible for Finance and Accounting Operations Have Held Positions at the CPA Firm or Its Affiliates within 2016	49
3.8	Information on the Equity Transfers and Changes in Pledges of Stock Rights by Directors, Supervisors, Officers and Major Shareholders Holding More than 10% of Company's Shares, in 2016 and up to the Date of this Annual Report	49
3.9	Information on Top 10 Shareholders Who Are Related Party, Spouse, or within a Second-Degree Relationship of Consanguinity to Each Other	50
3.10	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	51
<b>4</b>	<b>Financing</b>	<b>52</b>
4.1	Capital and Shares	54
4.2	Issuance of Corporate Bonds	58
4.3	Preferred Stocks	58
4.4	Overseas Depository Receipts	58
4.5	Status of Employee Stock Options Plan	59
4.6	Employee Restricted Stock	61
4.7	Issuance of New Shares in Connection with Mergers and Acquisitions	61
4.8	Financial Plans and Implementation Status	61

<b>5</b>	<b>Operational Highlights</b>	<b>62</b>
5.1	Business Activities	64
5.2	Market, Production and Sales	65
5.3	Credentials, Average Service Years, Average Age and Educational Background of Employees in Most Recent Two Years and up to Date of This Report	66
5.4	Environmental Costs	67
5.5	Employees Relations	67
5.6	Material Contracts	69
<b>6</b>	<b>Financial Highlights</b>	<b>70</b>
6.1	Condensed Financial Statements from 2012 to Q1 2017—IFRS	72
6.2	Condensed Financial Statements from 2012–2016—R.O.C. GAAP	73
6.3	Financial Analysis from 2012 to Q1 2017 (Consolidated)—IFRS	74
6.4	Audit Committee's Review Report	75
6.5	Consolidated Financial Statements and Independent Auditors' Report	75
6.6	Parent Company Only Statements and Independent Auditors' Report	75
6.7	Financial Difficulties of the Company and Its Subsidiaries in 2016 and as of The Date of This Annual Report, and impacts on the Company's Financial	75
<b>7</b>	<b>Review and Analysis of Financial Position, Operating Results and Risk Assessment</b>	<b>76</b>
7.1	Financial Status	78
7.2	Financial Performance	78
7.3	Cash Flow	79
7.4	Major Capital Expenditures Which Significantly Impacted Financials of the Company in 2016	79
7.5	Reinvestment Policies in 2016, Main Reasons for Profits or Losses, Improvement and Investment Plan in 2017	80
7.6	Risk Assessment for 2016 and as of This Date of the Annual Report	80
7.7	Other Important Matters	85
<b>8</b>	<b>Other Special Notes</b>	<b>86</b>
8.1	Information on Subsidiaries	88
8.2	Private Placement of Securities in Most Recent Year and up to the Date of This Annual Report	89
8.3	Status of Common Stock Acquired, Disposed, and Held by Subsidiaries in Most Recent Year and up to the Date of This Annual Report	89
8.4	Other Necessary Supplemental Explanations (Major Differences Between the Company's Articles and in Relation to The Protection of Shareholders' Equity)	89
<b>9</b>	<b>Any Events in 2016 and up to the Date of This Annual Report That Had Significant Impact on Shareholders' Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan</b>	<b>92</b>



# 1 Letter to Shareholders

## 1.1 Letter from CEO

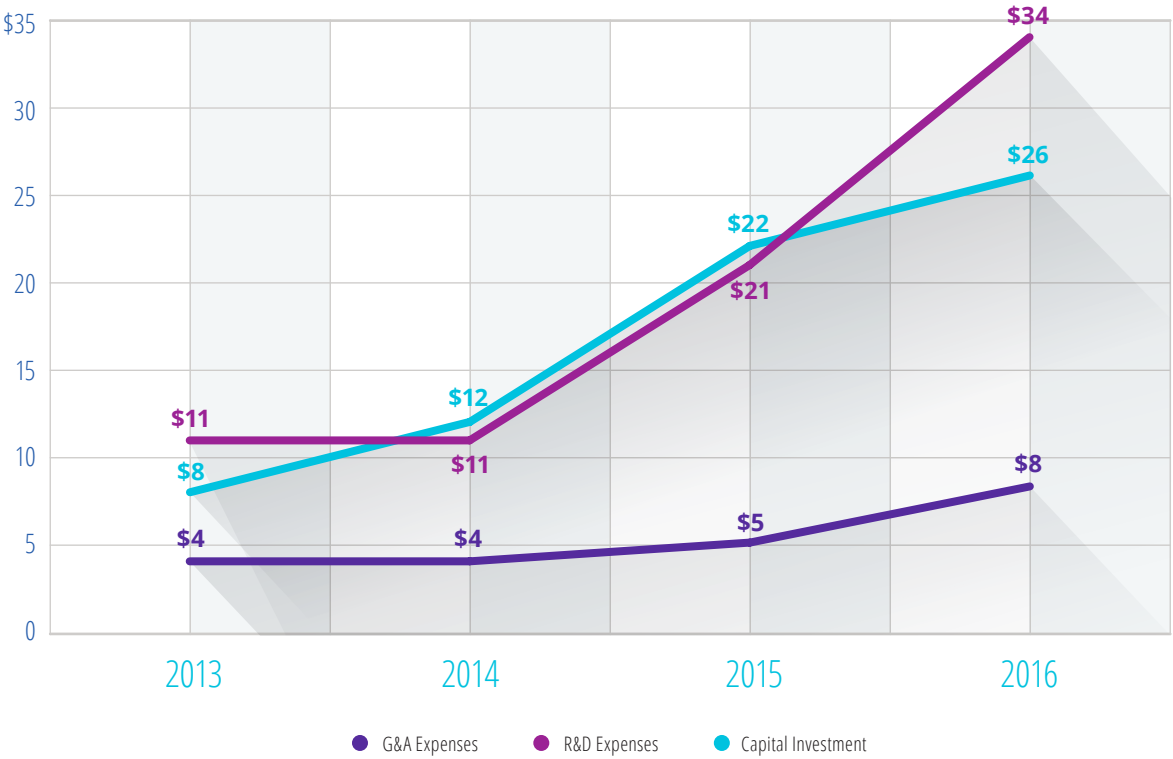
2016 was an exciting year for Tanvex as we took significant strides towards our mission to bring safe, effective, affordable biosimilar drugs to patients and create profit for our shareholders, staff, partner and payer communities throughout our value chain by delivering end-to-end advantage. We advanced the development of our four lead product candidates, expanded our research and manufacturing capabilities, and increased our global workforce to support future commercialization.

In 1984, the U.S. federal government established the Hatch-Waxman Act. This law was created to spur the development and utilization of generic pharmaceutical products and ultimately revolutionized the generic drug industry. In 2015, annual sales of generics in the U.S. are approximately \$75 billion, roughly 89% of prescriptions in the U.S. are filled with generics. It has resulted in trillion dollars of savings for the U.S. healthcare system in the last ten years (2006–2015).

Like it did with generics in the early 80's, the United States recognized the need to create a clear and efficient pathway for biosimilar regulation and market access. In 2010, the U.S. established the Biologics Price Competition and Innovation Act ("BPCIA"). The BPCIA should provide for the next wave of tremendous cost savings for the U.S. healthcare system, while creating a boon for the biosimilar industry. Biosimilars are expected to exceed \$26 billion worldwide by 2020 according to the report of Biosimilars Market Overview of Allied Market Research.

Tanvex's vision is to be a leading biotech company, with a broad portfolio of biosimilars and novel biologic products. We are developing biosimilar drugs to treat neutropenia, breast cancer, metastatic colon cancer, lung cancer, rheumatoid arthritis and other conditions—conditions that affect millions of people. Our investments in the past few years have resulted in the significant progress of products development. 2016 represented a milestone year as we commenced Phase III clinical trials to support our planned BLA filing for TX01 (the filgrastim (Neupogen®) biosimilar candidate) in the fourth quarter in the U.S. We also successfully completed our Phase I trials for TX05 (the trastuzumab (Herceptin®) biosimilar candidate) and documentation for Phase III clinical trials submission. In addition, we took a step closer to commencing our Phase I trials for TX16 (the bevacizumab (Avastin®) biosimilar candidate) with the filing of an IND in the fourth quarter as planned in 2016. We also moved an additional novel biologics product into our early-stage pipeline during the year.

Trend of Products Investment  
USD IN MILLIONS



Anticipating higher demand of accessible biologic products, in 2016, Tanvex has achieved to:

- Build a robust infrastructure to support research, development and commercial activities.
- Invest in vertical integration, which gives the Company complete control over costs, quality, timing and other important considerations and represents one of our key competitive advantages.
- Improve significantly the cell line and early stage bioprocess development capacity in Taiwan’s R&D center by moving into a much larger facility, doubling our space from 12,000 to 24,000 square feet with 17 scientists to support our cell line development and screening efforts.
- Deploy a second facility with 60,000 square feet devoted to research and development, administration and warehousing in San Diego, California. This new facility allows us to dedicate our 50,000 square foot facility for manufacturing and testing, where we have installed a 150 liter microbial fermenter and four 1,000 liter single-use bioreactors and have the ability to add additional capacity as necessary. In San Diego, we have a team of 72, led by industry veterans, working on process development and formulation development.
- Close approximately US\$100M equity financing in Q1, 2016 for the product development and operation needs.
- We strongly believe that our Employees are one of the most important assets of Tanvex. During 2016, we increased our global workforce almost 20% to 125 from 108 in 2015.

With an incredible team that has the technical expertise to take a biosimilar from concept to commercialization, state-of-the-art facilities, and a strong pipeline that is steadily advancing, Tanvex is well positioned to capitalize on the emerging biosimilars market. We plan to first enter the U.S. market, the single largest biologics market in the world, where demand should be particularly strong. From there, we will take a selective approach to strategically expand into other regions.

Years of hard work, diligent research and strategic planning have given Tanvex a distinctive competitive advantage. Our biosimilar development, regulatory approval, manufacturing and commercialization will translate into rapid expansion and strong long-term growth which will ultimately drive value for our shareholders and achieve our overarching mission to help patients in meaningful ways. Over the next few years, the products Tanvex brings to market will increase patients’ access to important medication. We are extremely excited to be in a position to serve the greater good by improving patient care while reducing healthcare costs.

We are looking forward to a thriving 2017 and appreciate the confidence you have placed in our Company. Thank you for your continued attention and support.



Allen Chao, CEO  
Tanvex BioPharma, Inc.

## 1.2 2016 Business Report

The exorbitant price of biologics drugs has been a significant financial burden on the healthcare system globally. As the largest single market of biologics drugs, United States is the country facing the highest medical expenditures in the world. Consequently, quality, effective and affordable biosimilar product has emerged as one of the best solutions to reduce medical costs all over the world. In 2015, the first biosimilar product (Zarzio, by Sandoz) was approved by U.S. Food and Drug Administration (U.S. FDA). Three more biosimilars products received U.S. FDA approval in 2016. This trend indicates the access to the biosimilar industry has begun to open widely in the United States.

Tanvex BioPharma, Inc. (Tanvex) is targeting the U.S. biosimilar market, by equipping with vertical integration of in-house process from research and development, manufacturing, commercialization to sales and marketing. In 2016, we have achieved a growth sprint in order to seize the booming of the biosimilar industry. Highlights of our accomplishments are summarized as below:

### 1. Products and Corporate Development

To fulfill our commitment to shareholders and employees, we have been diligently working on the layout for commercialization. The Products development progress of 2016 is highlighted as below:

- **Product Developments**
  - **TX01**  
It was approved by the U.S. FDA on phase III clinical study in September 2016. Scale-up process has been completed and ready for commercialized production.
  - **TX05**  
Scale-up process has been completed and ready for commercialized production. Phase III clinical study application has been completed. Further discussion with U.S. FDA has been scheduled.
  - **TX16**  
Scale-up process has been completed and ready for commercialized production. Investigational New Drug (IND) application was submitted to the U.S. FDA in December 2016 and was approved by the U.S. FDA to proceed with phase I clinical study in January 2017.
  - **Antibody new drug candidate TX88**  
Signed technology licensing agreement with Taipei Medical University on antibody candidate drug GPC-3 which enabled us to enter new drug development field, increase research and development capacity and enhance our product pipelines.
  - As of the end of 2016, the products development status is as below:

Our Pipeline

STREAMLINE IN R&D AND MANUFACTURING CAPABILITIES RESULTING :

1

PRODUCT IN PHASE III TO BE COMPLETED IN 2017


1

PRODUCT COMPLETED PHASE I & EXPECTED PHASE III IN 2017

1

PRODUCT IN PHASE I TO BE COMPLETED IN 2017

TX01



MAJOR INDICATION	PRODUCT CATEGORY	MOLECULE	INNOVATOR AND REFERENCE PRODUCT	DEVELOPMENT STATUS
Neutropenia	Biosimilar	Filgrastim	Amgen, Neupogen	Phase III clinical trials in process


PRE-CLINICAL

IND


PHASE I

PHASE III

BLA AND APPROVAL



TX05



MAJOR INDICATION	PRODUCT CATEGORY	MOLECULE	INNOVATOR AND REFERENCE PRODUCT	DEVELOPMENT STATUS
Breast cancer	Biosimilar	Trastuzumab	Roche (Genentech), Herceptin	Successfully completed Phase I trials; Plan to commence Phase III clinical trials in 2017


PRE-CLINICAL

IND


PHASE I

PHASE III

BLA AND APPROVAL



TX16



MAJOR INDICATION	PRODUCT CATEGORY	MOLECULE	INNOVATOR AND REFERENCE PRODUCT	DEVELOPMENT STATUS
Metastatic Colorectal cancer, Lung cancer	Biosimilar	Bevacizumab	Roche (Genentech), Avastin	Phase I trials in process


PRE-CLINICAL

IND


PHASE I

PHASE III

BLA AND APPROVAL



TX17



MAJOR INDICATION	PRODUCT CATEGORY	MOLECULE	INNOVATOR AND REFERENCE PRODUCT	DEVELOPMENT STATUS
Rheumatoid arthritis	Biosimilar	Adalimumab	AbbVie, Humira	Process development in progress


PRE-CLINICAL

IND


PHASE I

PHASE III

BLA AND APPROVAL



TX88



MAJOR INDICATION	PRODUCT CATEGORY	MOLECULE	INNOVATOR AND REFERENCE PRODUCT	DEVELOPMENT STATUS
Cancer	New drug	Non-disclosed	NA	Discovery and Research in process


PRE-CLINICAL

IND

PHASE I

PHASE III

BLA AND APPROVAL





• **Business Developments**

As our products are entering pivot stages of clinical studies, and soon will be introduced to the market, Tanvex has proactively prepared for the commercialized production, packaging, warehouse, transportation and other logistic requirements. In 2016, we have completed the following constructions:

- U.S. subsidiary, La Jolla Biologics, Inc. (“LJB”) has completed one 150 Liter Microbial fermenter production line, with space reserved for one more production line to adapt to future capacity expansion.
- LJB also has completed four 1,000 Liter Mammalian bioreactor production lines, with space reserved for a 6,000 Liter production line to adapt future capacity expansion.
- LJB has completed a fully automated fill finish line and packaging line.
- LJB has leased a new building devoted to administration, research and development labs and warehouse in order to meet the future needs of business operation.
- Taiwan subsidiary (Tanvex Biologics Corporation) has completed expansion on labs and equipment.

**2. 2016 Financial Performance and Budget Execution Status**

Since our products are still at research and development stage in 2016, no revenue has been generated in the year. 2016 financial performance is analyzed as following:

<i>Unit: NT\$ in thousands, NT\$ for loss per share</i>				
DESCRIPTION	2016	2015	VARIANCE	% OF VARIANCE
Sales and Revenue	0	0	0	0%
Cost of Goods Sold	0	0	0	0%
Operating Expenses	(1,351,518)	(831,952)	(519,566)	62%
Non-operating Income and Expenses	107,098	(3,278)	110,376	(3,367)%
Income Tax Expense	(26)	(25)	(1)	4%
Net Loss after Tax	(1,244,446)	(835,255)	(409,191)	49%
Net Loss Per Share (NT\$)	(6.61)	(5.95)	(0.66)	11%

We have continuously invested in research and development activities and manufacturing capacities in 2016 in order to synchronize with the product development progress. As a result, the net loss of 2016 was NT\$1.2 billion which is NT\$409 million more than 2015. Among the losses, research and development costs counted for NT\$1.1 billion, a 67% increase over last year. All products developments have been implemented as planned and budgeted NT\$1.6 billion in 2016. In the meantime, we closed NT\$3.3 billion equity financing in March 2016. Resulted net value per share increased from NT\$8.7 in 2015 to NT\$18.51 in 2016.

Tanvex is not only devoted to improve patients’ care, but also committed to increase the Company and the shareholders’ value. To establish a reputable position in the industry, and attract international investors to build world-wide connections, we submitted a public offer application to the Taiwan Stock Exchange in November 2016.

**3. Outlook**

Based on the forecast and analysis reports by Allied Market Research, the total global biosimilar market share was US\$2.25 billion in 2014. It was projected that the market will grow at 49.1% compound annual rate during 2015 to 2020, and will reach \$26.55 billion by 2020. With the expectation of prosperous future of biosimilar, and to take advantage of this unprecedented opportunity, Tanvex will dedicate to complete phase III clinical study for TX01, Phase I clinical study for TX16, and start phase III clinical study for TX05 in 2017. Along with the gradual growth of the biosimilar market, and with our core values of trust, innovation, flexibility and persistent efforts, Tanvex's team will continue to committee resources into product development, strengthen our competitive advantage, add to shareholders’ value, eventually reach the summit of the international biopharmaceutical industry.

Tanvex BioPharma, Inc.  
Chairman      Chi-Chuan Chen  
Chief Executive Officer      Dr. Allen Chao

**1.3 Potential Challenges from External Competition Environment, Regulations and Overall Business Environment**

**1. Challenges from External Competition**

When products are launched in the market, the Company may face challenges from a new drug with the same efficacy approved by the FDA, other biosimilar products with the same efficacy entering the market, or the insurance company reducing the reimbursement or declines the coverage. However, Tanvex’s talented team, unique marketing strategies and vertical integration with cost efficiency may work against the competitors which makes us a standout performer in the biosimilar market.

**2. Impact from Regulatory Changes**

- (1) Although U.S. FDA has established standards for biosimilar and approved four biosimilars as of 2016, the requirements and procedures are still evolving due to a variety of attributes of biosimilars.
- (2) The Company is registered in British Cayman Islands (Cayman Islands), with operations in United States and Taiwan. The Company has no business activities carried on in the Cayman Islands other than registration. Financial services are the main business in Cayman Islands. United States has one of the world’s largest economic systems, stable economic development and political environment. The Company has strictly followed local regulations and policies, constantly monitors the changes and trends on important policies, consults with the attorney and CPA on any change that has occurred, or assigns them to evaluate the situation and suggests measurements to be taken. In most recent year and up to the date of this report, there hasn’t been any change which significantly affects the Company’s business and financials. In addition, the Company constantly monitors the regulatory changes in order to take proper actions in a timely fashion.

**3. Challenges from Overall Business Environment**

The Company was registered in the Cayman Islands on May 8, 2013 as a holding company and has no substantial economic activities in the Cayman Islands. The Cayman Islands Government not only strengthens crime prevention, but also strives to protect the privacy of legitimate business practices. It has very stable political and economic environment. At the same time, the growth of the global economy is slow and the international market and economic situation have not changed much. The Company has two wholly-owned subsidiaries which are located in Taiwan and the United States. These two countries are all politically and economically stable. Their governments are actively boosting domestic demand, and committed to long-term economic restructuring to recover the economy. Therefore, there is no significant impact on the Company’s operation.



## 2 Company Profile





## 2 Company Profile

### 2.1 Company Overview

Tanvex Biopharma, Inc. (TPEX: 6541) is a biopharmaceutical company focused on biologic pharmaceutical products with a core focus on biosimilar products. We are vertically integrated with in-house capabilities to research, develop, manufacture and bring to market our products. Tanvex operates out of its facilities in the United States and Taiwan. Taiwan subsidiary is in charge of developing cell line and initial stage bioprocess development. US subsidiary (LJB) takes over developed cell line and early stage bioprocess from Taiwan, continues on scale up process development and commercial production. Seamless cooperations between the two subsidiaries promote the Company's overall international competitiveness.

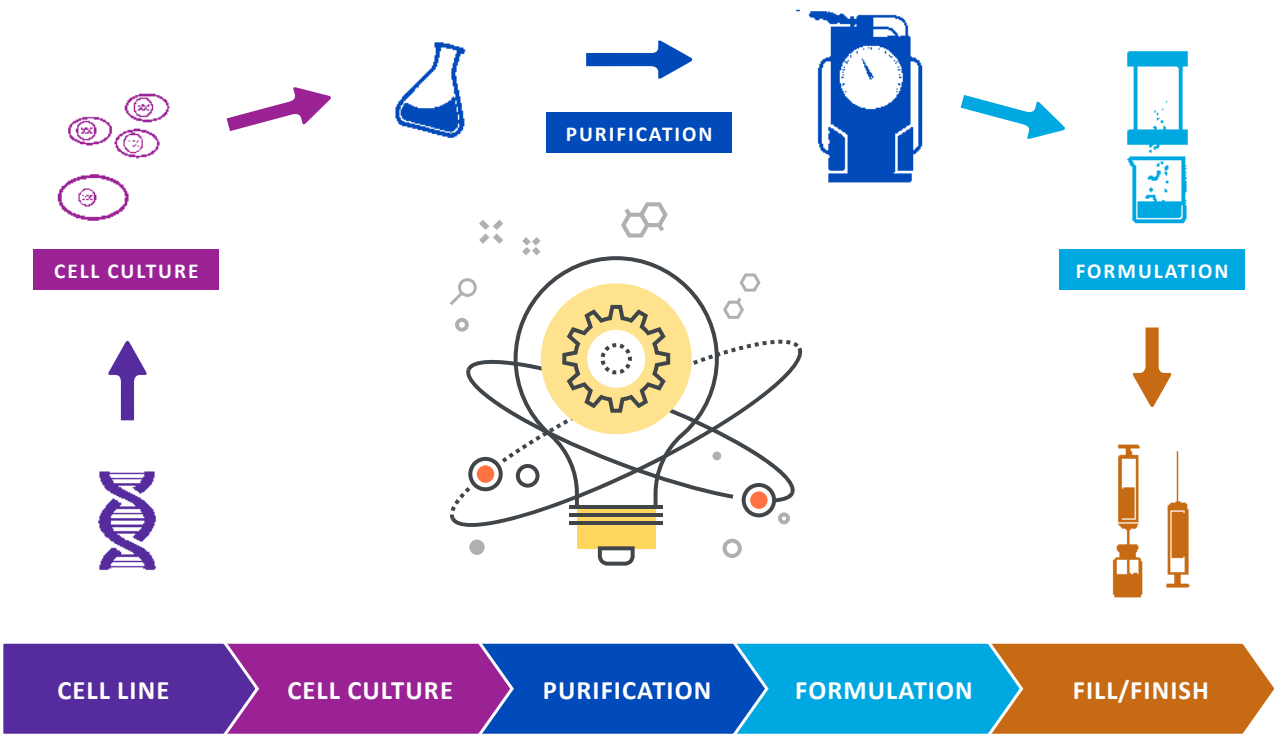
#### Key Facts

- Founded in 2013
- Over 120 employees in the U.S. and Taiwan.
- Completed initial public offering on the Taipei Exchange (“TPEX”) Emerging Stock Market in August 2015.
- Vertically integrated with in-house capabilities to research, develop and manufacture to control the quality and costs.
- Technical expertise and equipment to develop and manufacture products using either mammalian or microbial cells/systems.
- Submitted four Investigation New Drug Applications (INDs) in the United States.
- TX-01 (biosimilar to Neupogen®) currently in Phase III trials for U.S TX-05 (biosimilar to Herceptin®) in preparation to enter Phase III trials for U.S; TX-16 (biosimilar to Avastin®) phase I study is ongoing ;Licensed Novel biologics product in early stages of development.
- Novel biologics product in early stages of development.

#### Manufacturing

- LJB is the early commercialization production base which is located in San Diego, California. It has two buildings which include manufacturing, lab, warehouse and offices. Total area is approximately 109,000 square foot.
- Initial commercialization production expansion was completed which equipped us with 1 x 150 liter stainless steel fermenter (with capacity to expand to 300 liter) for microbial product, and 4 x 1000 liter single-use bioreactors (with capacity to expand to 10,000 liter) for mammalian cell products.
- In-house fill-finish technology, automatic pre-fill syring production line.

Product manufacturing process:



### 2.2 Market Overview

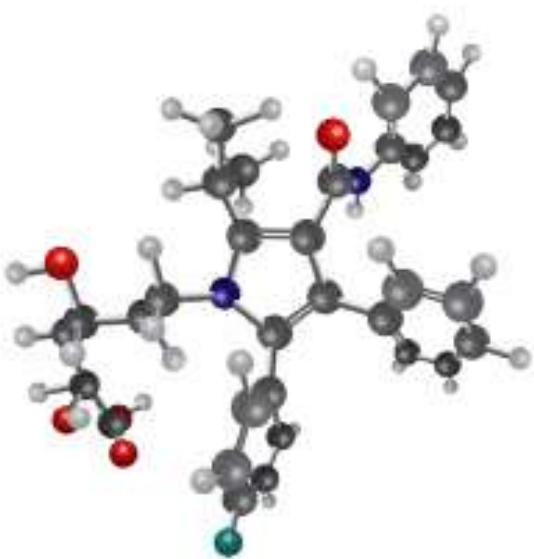
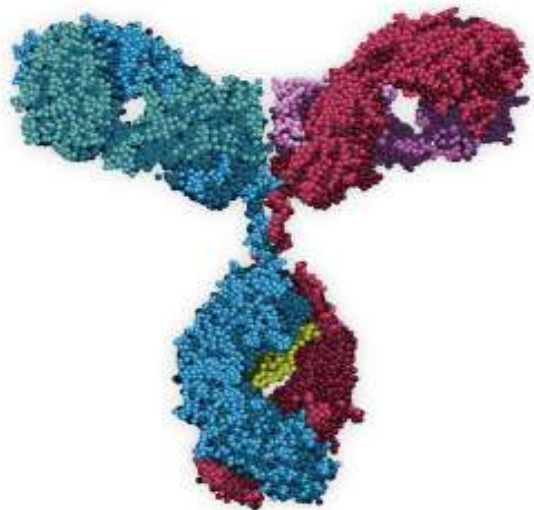
#### BIOSIMILARS MARKET

Most pharmaceutical products can be classified into one of two major categories: small molecule products and large molecule products. Small molecule products are generally made from chemicals which have been synthesized using chemical reactions between different organic and/or inorganic compounds. Small molecule products have a relatively simple structure and “small” molecular weight. Large molecule products are made from living organisms such as human, animal, yeast and bacteria cells. Large molecule products have a relatively complex structure and “large” molecular weight. Biologic pharmaceutical products (“biologics”) fall into the large molecule classification.

See the illustration below:

#### BIOLOGIC PHARMACEUTICAL PRODUCTS (“BIOLOGICS”)

BIOLOGIC	TRADITIONAL DRUG
Herceptin (breast cancer) molecular weight = 185,000 daltons	Lipitor (hypercholesterolemia) molecular weight = 559 daltons

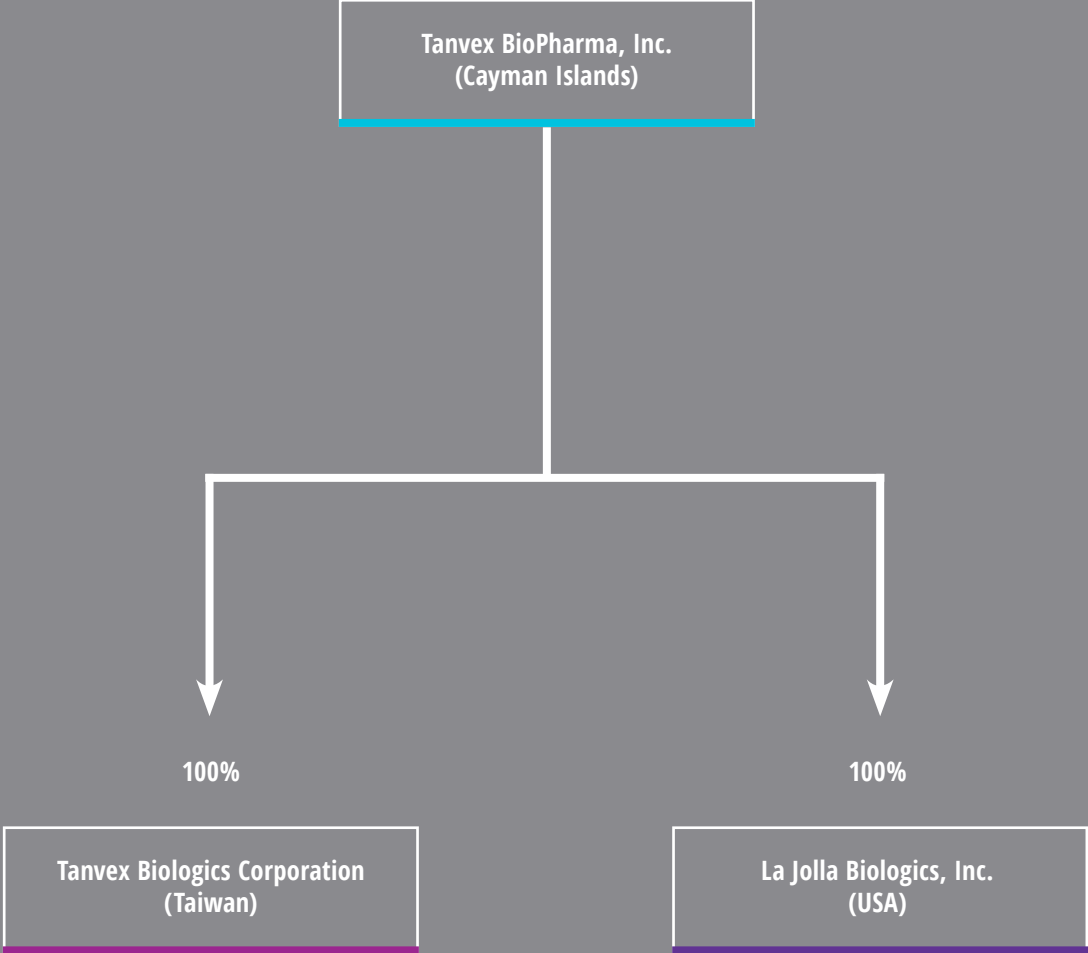


Many of today's important therapeutics are biologics. Biologics are used to treat multiple conditions including various types of cancer, low white blood cell counts, anemia, rheumatoid arthritis, inflammatory bowel disease and skin conditions such as psoriasis. IMS analysts predict 2017 biologic sales to be \$221 billion which represents 19–20% of total pharmaceutical sales. Sales of biologics are expected to reach \$480 billion by 2024, holding half of the spots of the top 100 products.

Biosimilars are biologics that have been shown to have no clinically meaningful differences from an already approved biologic known as the reference product. Biosimilars represent a relatively new market. The high, growing cost of biologics and the need to increase access to critical treatment options will continue to drive demand for lower cost alternatives and create vast commercial potential for the biosimilars market. Biosimilars are expected to exceed \$26 billion worldwide by 2020.

The process to develop and manufacture biosimilars is complex and requires a high level of scientific sophistication. The associated technical barriers, in addition to the high cost of development (relative to small molecule generics) will limit many potential competitors, enhancing the overall commercial opportunity within the biosimilar market. There have been four biosimilar products approved in the United States; only two of which have been launched and are currently on the market according to the Allied Market Research Report.

2.3 Group Structure



2.4 Company History

YEAR	MILESTONES
May 2013	Ruenvex Biotech Inc. was registered in Cayman Islands on May 8th, 2013 .Authorized capital stock US\$50,000
September 2013	Cash capital increase for US\$16,000,000 for business funding
September 2013	Acquired 100% shares of Tanvex Biologics Corporation for obtaining cell line patent and licensing, and developing biosimilar market
September 2014	Ruenvex Biotech Inc. changed name to Tanvex BioPharma, Inc. on September 30th, 2014
September 2014	Acquired 100% shares of La Jolla Biologics Inc. for obtaining technology on process development, commercialization manufacturing and equipments, and vertically integrating the supply chain of upstream, midstream and downstream
October 2014	Closed US\$20,000,000 equity financing for business operation
March 2015	Closed US\$50,000,000 equity financing for facility expansion, research and development of various biosimiliar products
March 2015	Par value conversion of stock options to US\$ 109
April 2015	Par value conversion of stock options to US\$ 125
May 2015	Approved by the Board on conversion of stock par value to NT\$10, paid in capital is NT\$ 1,656,650,000 after converion.
July 2015	Approved by Taipei Exchange as public listed company in Taiwan
August 2015	Approved by Taipei Exchange as emerging stock company on Emerging Stock Board
February 2016	Closed NT\$3,328,000,000 equity financingwith issued common stock 26,000,000 shares at NT\$128 per share, paid in capital valued NT\$1,924,445,000 post funding
March 2016	Completed phase II manufacturing facility expansion for La Jolla Biologics Inc. in the U.S.
October 2016	(1) Entered Phase III clinical trial for TX01 (2) Completed lab expansion for Tanvex Biologics Corporation in Taiwan (3) Completed building 2 remodel for La Jolla Biologics Inc. in the U.S.
November 2016	(1) Obtained approval from Industry Development Bureau on high-tech science and technology business application (2) Applied for primary listing on the Taiwan Stock Exchange

2.5 Risk Factors

Please refer to section 7 “Review and Analysis of Financial Position, Operating Results and Risk Assessment”.



## 3 Corporate Governance

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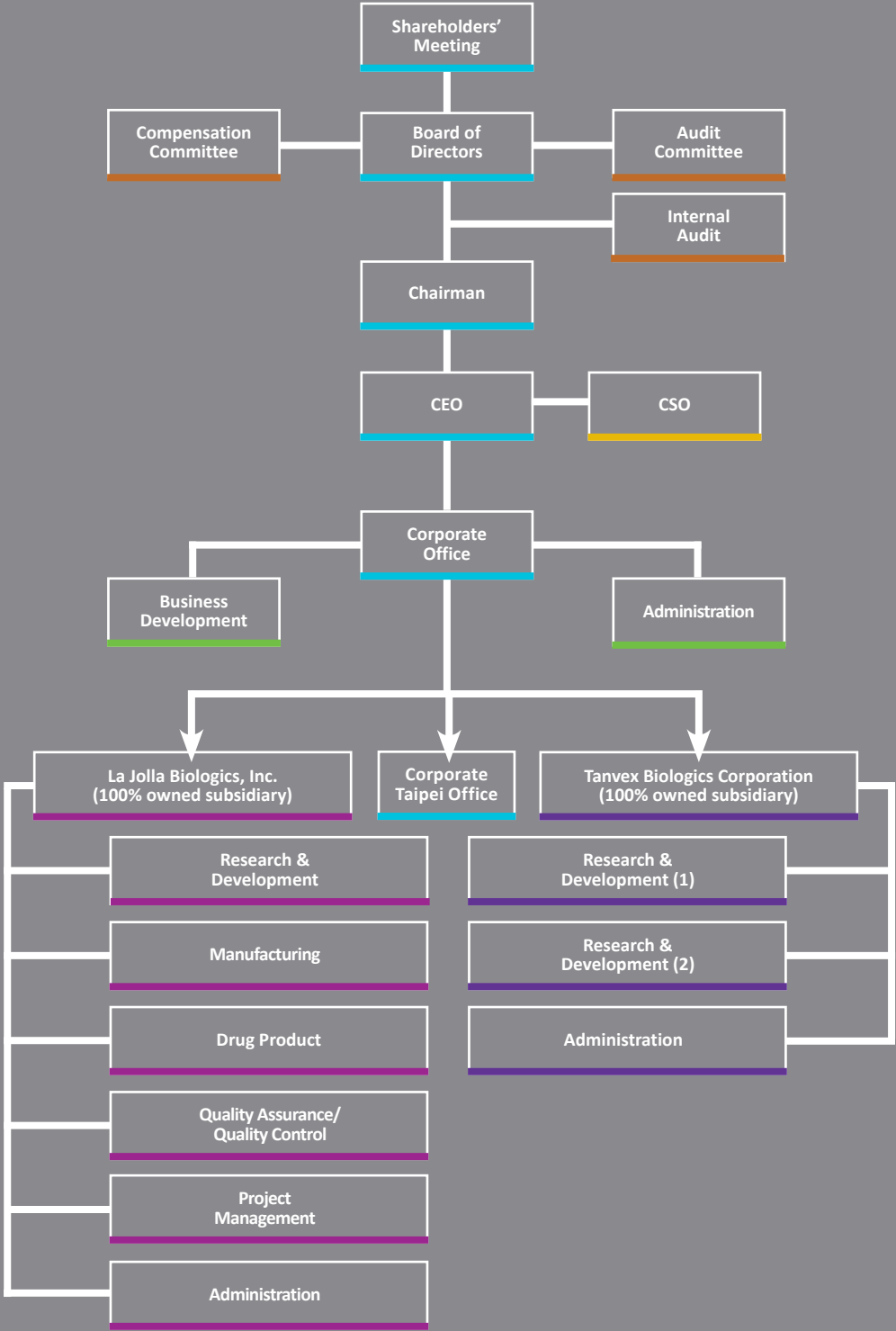




3 Corporate Governance

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Duties of Main Departments

DEPARTMENT	MAIN DUTIES
Board of Directors (the "Board")	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 the Board directors and officers.
Chairman of the Board	(1) Oversee Company operations on behalf of the Board. (2) Guide managements in implementation of major operational strategies of Tanvex, according to Board resolutions.
CEO/General Manager	(1) Formulate, plan and supervise the Company's operational plans, objectives, and quality policies. (2) Formulate the Company's overall business strategies and revise business performance forecasts. (3) Execute plans and report the operational results to the Board.
Chief Science Officer (CSO)	(1) Oversee and manage product development and results. (2) Formulate, modify preclinical, clinical study planning, consult, communicate and coordinate with domestic and international regulatory agencies. (3) Establish and implement product selection system.
Internal Audit	(1) Examine and evaluate the soundness, reasonableness, effectiveness, and implementation of internal controls for 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.
Administration	(1) Convene and assist with Compensation Committee, Audit Committee, the Board and shareholders' meetings. (2) HR, conduct general procurements, and handle administrative matters. (3) Manage accounting and tax matters. (4) Financial and cash flow management and utilization of funds. (5) Stock affairs and Employee Stock Option Plan management (6) Manage and maintain IT system, computer software and hardware. (7) Set up and manage the security of information systems. (8) Manage properties, inventories, and materials.
Business Development	(1) Formulate, plan, execute, manage and coordinate the Company's business development strategies. (2) Product marketing collaboration, promotion and execution.
Research & Development	U.S. subsidiary, La Jolla Biologics, Inc.: (1) Cell culture development group—upstream cell line development and scale-up process development. (2) Purification group—protein purification method development, process improvement and scale-up. (3) Analytical Science group—analytical method setup and development, establish testing program according to FDA regulations, perform lab sample and stability analysis. (4) Formulation group—drug formulation design and development. (5) Preclinical/Clinical Research group—support preparation and planning of preclinical and clinical study, execution of CRO research, communicate with regulation agencies, and clinical research and drug license application.  Taiwan subsidiary, Tanvex Biologics Corporation: (1) Cell line development—design cell line development platform, build and select cell line, develop stable and high quality cell line. (2) Initial stage process development—microbial fermentation, upstream and downstream initial stage process development and scale-up for mammalian cell products, including upstream cell cultivation and downstream protein purification process development. (3) Analytical Science—biosimilar product character analysis, sample data analysis, analytical method development and research. (4) New drug development—drug vector and cell line development, drug formulation design and process research.
Manufacturing	(1) Biosimilar products upstream and downstream scale up, improvement and commercial production technology development. (2) Conduct GMP manufacturing of cell cultures and purification. (3) Initial commercialization production.
Drug Product	Drug fill, packaging and labeling.
Quality Assurance/Quality Control	(1) Quality Assurance - GMP sample analysis, stability test and environmental monitoring. (2) Quality Control - Establish product analysis and process procedure documentation, ensure the execution of the procedure, and audit product process and documentation.
Project Management	(1) Projects management and progress tracking. (2) Prepare annual project planning. (3) Assist in preparation of preclinical, clinical study plan, execution and management. (4) Communication and coordination among project units.



3.2 Board Members

3.2.1 Board Members Information

As of April 17, 2017

TITLE (NOTE 1)	NATIONALITY OR PLACE OF REGIS- TRATION	NAME	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING	
							NO. OF SHARES	%	NO. OF SHARES	%
	Taiwan, R.O.C.	Peng Lin Investment Co., Ltd.		05/15/2015	Three years	10/04/2013	71,836,999	43.36%	70,816,999	36.64%
Chairman	Taiwan, R.O.C.	Representative: Chen, Chi-Chuan	Male	05/15/2015	Three years	10/04/2013	43,000	0.03%	49,046	0.03%

SPOUSE AND MINORS SHAREHOLDING		SHARES 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 CONSANG UINITY TO THE MEMBER		
NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONSHIP
—	—	—	—	—	—	—	—	—
56,000	0.03%	—	—	Master in Business, National Taiwan University College of Management Vice President and Special Assistant to CEO, Investment Management Office, Ruentex Group	1. Representative of corporate Chairman, Tanvex BioPharma, Inc. 2. Representative of corporate Board Director, Tanvex Biologics Corporation 3. Representative of Corporate Board Director, OBI Pharma, Inc. 4. Representative of corporate Board Director, Mithra Biotechnology Inc. 5. Representative of corporate Board Director, Mass Solutions Technology Co., Ltd. 6. Representative of corporate Board Director, Amaran Biotechnology, Inc. 7. Representative of corporate Board Director, Cho Pharma Inc. 8. Representative of corporate Board Director, Diamond Biofund Inc. 9. Representative of corporate Board Director, Diamond Capital Inc. 10. Representative of corporate Board Director, Xinyao Biologics Investment Inc. 11. Representative of corporate Board Director of Advanced Lithium Electrochemistry 12. Representative of corporate Board Director, Unicon Vision Inc. 13. Representative of corporate Board Director, Empire Vision Inc. 14. Representative of corporate Board Director, Brogent Technology Inc. 15. Representative of corporate Board Director, Mega Growth Investment Inc. 16. Representative of corporate Board Director, Cotton Field Organic Co., Ltd. 17. Representative of corporate Board Director, RENBIO, Inc. 18. Representative of corporate Board Director, RenBio Holdings Limited 19. Board Director of Search MediaBiologics Supervisor, Kang Sheng Recruiting Co., Ltd. 20. Supervisor, Sunny Friend Environmental Technology Co., Ltd. 21. Representative of corporate Supervisor, Ruenfu New Life 22. Representative of corporate Supervisor, Gogoro Taiwan Limited 23. Representative of corporate Supervisor, RT Mart International Limited 24. Representative of corporate Supervisor, Ruentex Industries Limited 25. Representative of corporate Supervisor, Ruen Chen Investment Holding Co., Ltd.	—	—	—

As of April 17, 2017

TITLE (NOTE 1)	NATIONALITY OR PLACE OF REGIS- TRATION	NAME	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING	
							NO. OF SHARES	%	NO. OF SHARES	%
	Taiwan, R.O.C.	Peng Lin Investment Co., Ltd.		05/15/2015	Three years	10/04/2013	71,836,999	43.36%	70,816,999	36.64%
Director	Taiwan, R.O.C.	Representative: Cho, Lung-Yeh	Male	05/15/2015	Three years	10/04/2013	—	—	—	—
	Cayman Islands	Delos Capital Fund, LP		05/15/2015	Three years	05/15/2015	13,000,000	7.85%	14,400,000	7.45%
	Taiwan, R.O.C.	Representative: Chen, Lin Cheng	Male	05/15/2015	Three years	05/15/2015	—	—	—	—
Director	U.S.A.	Allen Chao and Lee Hwa Chao Family Trust		05/15/2015	Three years	05/15/2015	16,443,032	9.93%	17,013,022	8.80%
	U.S.A.	Representative: Allen Chao	Male	05/15/2015	Three years	06/10/2013	—	—	—	—
Director	U.S.A.	Hsia Family Trust		05/15/2015	Three years	05/15/2015	2,354,430	1.42%	2,442,430	1.26%
	U.S.A.	Representative: Hsia, David	Male	05/15/2015	Three years	05/15/2015	—	—	—	—

SPOUSE AND MINORS SHAREHOLDING		SHARES 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 CONSANG UINITY TO THE MEMBER		
NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONSHIP
—	—	—	—	—	—	—	—	—
—	—	—	—	Bachelor in Accounting, National Taipei University CPA, KPMG	1. Corporate Board Director, Tanvex BioPharma Inc. 2. Executive Assistant to CEO, Ruentex Group Representative of Corporate Board Director, OBI Pharma, Inc. 3. Representative of Corporate Board Director, RenBio, Inc. 4. Representative of Corporate Board Director, RenBio Holdings Limited 5. Representative of Corporate Board Director, TaiMed Biologics Inc. 6. Supervisor, Ruenhui Biopharmaceuticals Inc.	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	J.D., Harvard University Managing Partner, Delos Capital Fund, LP Partner and Co-Head of Asia, Permira Managing Director, Goldman Sachs Lawyer, Davis Polk & Wardwell, LLP and New York Bar	1. Representative of Corporate Board Director, Tanvex BioPharma, Inc. 2. Managing Partner, Delos Capital Fund, LP 3. Board Director, Apama Medical Inc. 4. Board Director, Atia Medical Inc. 5. Board Director, Allegra Therapeutics GmbH 6. oard Director, Curatia Medical, Inc. 7. Board Director, Syndax Pharmaceuticals, Inc.	—	—	—
—	—	—	—	—	—	—	—	—
180,000	0.09%	—	—	Ph.D., Purdue University, College of Pharmacy Founder and CEO, Watson Pharmaceuticals (now Allergan)	1. CEO and Representative of Corporate Board 2. Director, Tanvex BioPharma, Inc. 3. Chairman, Tanvex Biologics Corp. 4. Chairman, Tanvex Biologics Inc. 5. Chairman, Anson BioPharma Inc. 6. Board Director, Impax Lab., Inc. 7. Board Director, Arbor Pharmaceuticals 8.Board Director, Mithra Biotechnology Inc. 9. Trust Director, Taipei Medical University	Director	Hsia, David	Brother- in-law
—	—	—	—	—	—	—	—	—
—	—	—	—	Ph.D., Purdue University, College of Pharmacy Senior Vice President, R&D, Watson Pharmaceuticals (now Allergan) Manager, Pharmaceutical Technology R&D Director, American Hospital Supply Corp. (now Baxter)	1. Board Director, Tanvex Biologics Inc. 2. Representative of Corporate Board Director and Chief Scientific Officer, Tanvex BioPharma, Inc. 3. Member of Consulting committee Allianz Pharmascience Ltd.	Director	Allen Chao	Brother- in-law



As of April 17, 2017										
TITLE (NOTE 1)	NATIONALITY OR PLACE OF REGIS- TRATION	NAME	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING	
							NO. OF SHARES	%	NO. OF SHARES	%
Director	Taiwan, R.O.C.	Yen, Yun	Male	05/15/2015	Three years	05/15/2015	240,000	0.14%	273,748	0.14%
Independent director	Taiwan, R.O.C.	Tsai, Jin-Pau	Male	05/15/2015	Three years	05/15/2015	—	—	—	—

SPOUSE AND MINORS SHAREHOLDING		SHARES 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 CONSANG UINITY TO THE MEMBER		
NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONSHIP
—	—	—	—	Adjunct Professor, Graduate Institute of Oncology, National Taiwan University Affiliate Professor, California Institute of Technology Attending Physician, Division of Medical Oncology, City of Hope; Professor, Medical Oncology and Graduate School, City of Hope; Director, Developmental Cancer Therapeutics Program, City of Hope; Chairman, Molecular Pharmacology Department, 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 College	1. Board Director, Tanvex BioPharma, Inc. 2. President and Professor, the Ph.D. Program for Cancer Biology and Drug Discovery, Taipei Medical University 3. Chairman, Sino American Cancer Foundation 4. Chief Science Advisor, Stembios 5. Chief Science Advisor, Fulgent 6. Member of Consulting committee, Allianz Pharmascience Ltd.	—	—	—
—	—	—	—	Department of Accounting, National Chengchi University Master in Accounting, Graduate Institute of Accounting, 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, PricewaterhouseCoopers 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, Department of Accounting, National Chengchi	1. Independent Board Director, Tanvex BioPharma, Inc. 2. Chairman, Jia Guang Development Industry Co., Ltd. 3. Chairman, Wanshida Development, Ltd. 4. Board Director, Global Life Insurance Co. Ltd. 5. Board Director, Oriental Recreation and Development Corp. 6. Board Director, Tuntex Incorporation 7. Board Director, FCB Leasing Co., Ltd. 8. Board Director, FCB International Leasing Co., Ltd. 9. Independent Board Director, FCB International Leasing (Xiamen) Co., Ltd. 10. Independent Director, Sunny Friend Environmental Technology Co., Ltd. 11. Independent Board Director, Zenitron Corporation 12. Independent Board Director, KD Holding Corporation	—	—	—

As of April 17, 2017

TITLE (NOTE 1)	NATIONALITY OR PLACE OF REGIS- TRATION	NAME	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING	
							NO. OF SHARES	%	NO. OF SHARES	%
Independent director	Taiwan, R.O.C.	Chang , Lee-Chiou	Male	05/15/2015	Three years	05/15/2015	—	—	—	—
Independent director	Taiwan, R.O.C.	Shih, Chuan	Male	05/15/2015	Three years	05/15/2015	—	—	—	—

Note 1: An institutional shareholder shall list its name and representative individually (where the member is a representative of an institutional shareholder, the name of the institutional 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.

SPOUSE AND MINORS SHAREHOLDING		SHARES 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 CONSANG UINITY TO THE MEMBER		
NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONSHIP
—	—	—	—	NCCU Department of Risk Management and Insurance Department of Public Finance, National Chengchi University Chairman, Yuanta Securities Finance Co., Ltd. President, Yuanta Jinghua 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	1. Independent Board Director, Tanvex BioPharma, Inc. 2. Chairman, Director, Panion & BF Biotech Inc. 3. Chairman, Director, FOCI Fiber Optic Communications, Inc. 4. CEO, Sun Ten Group 5. Board Director, Sun Ten Natureceutica 6. Independent Board Director, Compensations Committee member, Taya Telecom Cable Co. Ltd. 7. Independent Board Director, Audit Committee member, Acme Electronics Corporation 8. Independent Board Director, Compensations Committee member, 9. T3EX Global Holding Inc. Chief Consultant, Yuanta Securities Co., Ltd.	—	—	—
—	—	—	—	National Chung-Hsing University, BS The Ohio State University, M.S/Ph.D.	1. Independent Board Director, Tanvex BioPharma, Inc. 2. Special Researcher and Director, Institute of Biotechnology and Pharmaceutical Research (IBPR), National Health Research Institutes (NHRI) 3. Member of Science Consulting Committee, Crown Bioscience Inc. 4. Professor, Chemistry Department, National Chung Hsing University	—	—	—



3.2.2 Major Institutional Shareholders with Representation on the Board

As of December 31st, 2016	
INSTITUTIONAL SHAREHOLDER NAME (NOTE 1)	MAJOR SHAREHOLDERS (NOTE 2)
Peng Lin Investment Co., Ltd.	Yin, Chungyao (100%)
Delos Capital Fund, LP	Peng Lin Investment Co., Ltd. (38.46%), Alpha Institutional 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	Hsia, David and Hsia , Phylis (100%)
Note 1: Where a supervisor is a representative of an institutional shareholder, the name of institutional shareholder shall be specified. Note 2: Top 10 shareholders shall be listed with their shareholding percentage. If the shareholder is an institutional entity, further information shall be provided in below table.	

3.2.3 Major Shareholders of the Institutional Shareholders with Representation on the Board

As of December 31st, 2016	
INSTITUTIONAL 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/institutional entity, the name of the entity shall be specified. Note 2: Top 10 shareholders shall be listed with their shareholding percentage.	

3.2.4 Professional Qualifications and Independence of Directors and Supervisors

As of December 31st, 2016															
NAME	QUALIFICATIONS	AT LEAST FIVE YEARS WORK EXPERIENCE AND HOLDS THE FOLLOWING PROFESSIONAL QUALIFICATIONS			INDEPENDENCE CRITERIA (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	A 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: Chen, Lin Cheng		—	—	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	—	—
Allen Chao and Lee Hwa Chao Family Trust: Representative: Allen Chao		—	—	✓	—	—	—	—	—	—	✓	—	✓	—	—
Hsia Family Trust: Representative: Hsia, David		—	—	✓	—	—	—	—	—	—	✓	—	✓	—	—
Yen, Yun		✓	—	✓	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	—
Tsia, Jin-Pau		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chang, Lee-Chiou		—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shih, Chuan		✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note : Please check the box with a “✓” under each criteria 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 its affiliate. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

(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 an institutional 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 institutional shareholders;

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

(7) Not a professional individual who, or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution, that offers business, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM”;

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;

(9) Not been a person of any conditions defined in Article 30 of the Company Law; and

(10) Not any governments, institutional shareholders or their representatives pursuant to 27 of the Company Act.

3.2.5 Remuneration Paid to Directors (Including Independent Director)

2016 Remuneration paid to directors (Including independent directors)

As of 12/31/2016; Unit: NT\$ in thousands

TITLE	NAME (NOTE 1)	REMUNERATION TO DIRECTORS							
		REMUNERATION (A) (NOTE 2)		SEVERANCE PAY AND PENSION (B)		REMUNERATION ALLOCATED FROM EARNINGS (C) (NOTE 3)		BUSINESS EXECUTION EXPENSES (D) (NOTE 4)	
		TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)
Director	Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	—	—	—	—	—	—	35	35
Director	Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	—	—	—	—	—	—	20	20
Director	Delos Capital Fund, LP Representative: Chen, Lin Cheng	—	—	—	—	—	—	15	15
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Dr. Allen Chao	—	—	—	—	—	—	35	35
Director	Hsia Family Trust Representative: Hsia, David	—	—	—	—	—	—	20	20
Director	Yen, Yun	—	—	—	—	—	—	20	20
Independent Director	Tsai, Jin-Pau	612	612	—	—	—	—	70	70
Independent Director	Chang, Lee-Chiou	612	612	—	—	—	—	75	75
Independent Director	Shih, Chuan	612	612	—	—	—	—	40	40

Except disclosed above, the Company’s directors did not receive any compensation or pay for the services they provided in year 2016 financial report (e.g., providing consultations as non-employee.

Note 1: The above remuneration represented as aggregated amounts. For the remuneration of the Company’s Director who is also the CEO, General Manager or Vice President, please refer to the section 3.3.1 of this annual report.

Note 2: Refer to most recent year remuneration (including salary, allowance, severance payment, bonus, etc.).

Note 3: Refer to most recent year apportioned remuneration allocated from earnings approved by the Board.

Note 4: Refer to most recent year business expenses (including transportation, special allowance, other allowances, accommodation, company car, etc.). Nature of asset and cost shall be disclosed if house, vehicle or other individual costs incurred. If a driver is hired, remuneration to the driver shall be disclosed but excluded from remuneration listed above.

Note 5: Refer to most recent year remuneration for a director who is also an employee (including General Manager, CEO, Vice President and other officers and staffs), including salary, allowance, severance payment, bonus, incentive, transportation, accommodation, company car usage, etc. Nature of asset and cost, rent paid at actual cost or evaluated by fair market value, gasoline and other payments shall be disclosed if house, vehicle or other individual costs incurred. If a driver is hired, remuneration to the driver shall be disclosed but excluded from remuneration listed above. In addition, according to IFRS 2 “Stock Based Remuneration”, it shall include employee stock option granted, new restricted stock option and stock subscription during public offering.

Note 6: Refer to most recent year a director who is also an employee (including General Manager, CEO, Vice President, other officers or staffs) gets remuneration (including stocks and cash), shall disclose most recent year apportioned compensation approved by the Board.

Note 7: Directors’ total remuneration shall be included all entities and disclosed under the consolidated financial report.

Note 8: Total directors’ remuneration shall include all entities and disclosed under the consolidated financial report. Names of directors shall be disclosed in the table of Payment Range.

Note 9: Net profit after tax represented for the most recent year. If IFRS adopted, net profit after tax represented the individual entity’s net profit after tax for the most recent year.

Note 10: a. Remuneration from invested entities other than subsidiaries shall be disclosed. b. The remuneration in a. shall be disclosed in the 1st column of table of Payment Range named “all invested entities”. c. Remuneration refers to the amount a director earned from position as director, supervisor, or officer in the invested entities.

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

The current year (2016) supervisor remuneration does not apply as Tanvex BioPharma has no supervisor.

TOTAL REMUNERATION (A + B + C + D) AS A % OF 2016 NET INCOME (NOTE 8)		REMUNERATION TO DIRECTORS AS CONCURRENT EMPLOYEES								TOTAL REMUNERATION (A + B + C + D + E + F + G) AS A % OF 2016 NET INCOME (NOTE 9)		REMUNERATION FROM INVESTED ENTERPRISES OTHER THAN A SUBSIDIARY (NOTE 10)
TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	SALARY, BONUS & ALLOWANCES (E) (NOTE 5)		RETIREMENT PENSION (F)		REMUNERATION (G) (NOTE 6)				TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	
		TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	TANVEX BIOPHARMA	ALL COMPANIES CONSOLIDATED IN FINANCIAL REPORTS (NOTE 7)	TANVEX BIOPHARMA		ALL COMPANIES LISTED IN FINANCIAL REPORTS				
						CASH DIVIDEND	STOCK DIVIDEND	CASH DIVIDEND	STOCK DIVIDEND			
(0.003)	(0.003)	—	—	—	—	—	—	—	—	(0.003)	(0.003)	—
(0.002)	(0.002)	—	—	—	—	—	—	—	—	(0.002)	(0.002)	—
(0.001)	(0.001)	—	—	—	—	—	—	—	—	(0.001)	(0.001)	—
(0.003)	(0.003)	—	—	—	—	—	—	—	—	(0.003)	(0.003)	—
(0.002)	(0.002)	—	—	—	—	—	—	—	—	(0.002)	(0.002)	—
(0.002)	(0.002)	—	—	—	—	—	—	—	—	(0.002)	(0.002)	—
(0.06)	(0.06)	—	—	—	—	—	—	—	—	(0.06)	(0.06)	—
(0.06)	(0.06)	—	—	—	—	—	—	—	—	(0.06)	(0.06)	—
(0.05)	(0.05)	—	—	—	—	—	—	—	—	(0.05)	(0.05)	—

3.3 Management Team

3.3.1 Information Regarding Management Team

As of December 31, 2016

TITLE	NAME	NATIONALITY		START DATE	SHAREHOLDING		SPOUSE AND MINOR SHAREHOLDING		SHAREHOLDING IN ANOTHER'S NAME	
					NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%
CEO	Allen Chao	U.S.A.	Male	12/17/2014	0	0	180,000	0.09%	0	0
Chief Scientific Officer	Hsia, David	U.S.A.	Male	12/17/2014	0	0	0	0	0	0
Corporate Controller	Wu, Yiching	R.O.C.	Female	10/01/2014	50,000	0.03	0	0	0	0
Vice President, Business Development & Investor Relations	Chu, Pei-Lan	R.O.C.	Female	01/15/2015	649,691	0.34	0	0	0	0
Vice President, Manufacturing, LJB General Manager, Tanvex Taiwan	Yang, Kaiwen	R.O.C.	Male	07/06/2015	0	0	0	0	0	0
Vice President M&TS, LJB	Makagiansar, Helena	U.S.A.	Female	03/12/2014	318,000	0.16	0	0	0	0
Vice President R&D, LJB	Wu, Yongjian	U.S.A.	Male	09/30/2011	72,812	0.04	0	0	0	0
Manager Internal Audit	Chen, Wei	R.O.C.	Female	11/01/2014	17,500	0.01	0	0	0	0

Note: Please refer to section 4.5 of this annual report on employee stock option plan status.

EDUCATION & MAJOR WORK EXPERIENCE	CONCURRENT POSITIONS CURRENTLY AT OTHER COMPANIES	OFFICER WHO IS THE SPOUSE OR WITHIN SECOND-DEGREE RELATIONSHIP OF CONSANGUINITY TO EACH OTHER			Employee Stock Options Grant Status
		TITLE	NAME	RELATIONSHIP	
Ph.D., Purdue University, College of Pharmacy Founder and CEO, Watson Pharmaceuticals, Inc. (Now Allergan)	Director, General Manager and Chairman, Tanvex Biologics, Inc. Director, Tanvex Biologics Corporation Director, Mithra Biotechnology Inc. Director and Chairman, Ansun BioPharma Director, Impax Laboratories, Inc. Director, Arbor Pharmaceuticals, LLC Director, Taipei Medical University	Chief Scientific Officer	Hsia, David	Brother-in-law	Note
Ph.D., Purdue University, College of Pharmacy Senior Vice President, R&D, Watson Pharmaceuticals, Inc. (Now Allergen)	CSO and Director, Tanvex BioPharma Inc. Director, Tanvex Biologics, Inc. Member of Advisory Committee, Allianz Pharmascience Ltd.	CEO	Allen Chao	Brother-in-law	Note
Master in Finance, City University of New York—Baruch College Corporate Controller, Tanvex Biologics, Inc. Controller, DesigneRx Pharmaceutical, Inc.	—	—	—	—	Note
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.	Director, Tanvex Biologics Corporation	—	—	—	Note
Bachelor in Chemical and Materials Engineering National Central University General Manager, Jisheng Biologics Ltd. Senior Manager, Innovent Biologics Principal Engineer, Process Development, Amgen Inc. Vice President, Crumbs Engineering Inc.	—	—	—	—	Note
Ph.D. in Biochemistry, University of London Shire Pharmaceuticals, Inc. Director, Commercial CMC Biogen IDEC, Inc. Associate Director, Biopharmaceutical Development	—	—	—	—	Note
Ph.D., Immunology, University of Toronto Scientist in the Process Research and Development Department, Genetech Inc.	—	—	—	—	Note
Bachelor in Accounting, Chung Yuan Christian University Assistant Manager, Internal Controls, PwC Taiwan	—	—	—	—	Note



3.3.2 Remuneration Paid to CEO, General Manager, President and Vice Presidents in 2016

NT\$ in thousands							
TITLE	NAME (NOTE 1)	SALARY (A) (NOTE 2)		SEVERANCE PAY AND PENSION (B)		BONUSES AND ALLOWANCES (C) (NOTE 3)	
		TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)
CEO	Allen Chao	3,087	24,388	—	—	3,463	30,138
Chief Scientific Officer	Hsia, David						
Vice President M&TS, LJB	Makagiansar, Helena						
Vice President R&D, LJB	Wu, Yongjian						
Vice President Manufacturing, LJB General Manager, Tanvex TW	Yang, Kaiwen						
Vice President, Business Development & Investor Relations	Chu, Pei-Lan						

Payment Range

REMUNERATION PAID TO EACH OF THE PRESIDENTS AND VICE PRESIDENTS OF THE COMPANY	NAMES OF PRESIDENTS AND VICE PRESIDENTS	
	TANVEX BIOPHARMA (NOTE 6)	ALL CONSOLIDATED ENTITIES (NOTE 7)
Below \$2,000,000	Allen Chao; Hsia, David	Allen Chao; Hsia, David
\$2,000,000 (inclusive) ~ \$5,000,000 (exclusive)	—	—
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	Chu, Pei-Lan	Chu, Pei-Lan
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)	—	Makagiansar, Helena; Yang, Kaiwen
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	—	Wu, Yongjian
\$30,000,000 (inclusive) ~ \$50,000,00 (exclusive)	—	—
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)	—	—
Above \$100,000,000	—	—
Total	3	6

Note 1: Name of CEO, Vice Presidents and Officers shall be listed separately. If CEO or Vice President is a director, please refer to Section 3.3.2.

Note 2: Includes most recent year’s salary, raise and severance payment.

Note 3: Includes most recent year’s all types of bonus, incentive, transportation allowance, special allowance, accommodations, housing, and company provided car and other type of non-cash remuneration. Nature of asset and cost, rent paid at actual cost or evaluated by fair market value, gasoline and other payments shall be disclosed if house, vehicle or other individual costs incurred. If a driver is hired, remuneration to the driver shall be disclosed but excluded from remuneration listed above. In addition, according to IFRS 2 “Stock Based Remuneration”, it shall include employee stock option granted, new restricted stock option and stock subscription during public offering.

Note 4: Includes remuneration amount paid to the CEO, Vice Presidents and Officers (including stock and cash) based on the Retained Earnings distribution plan approved by the Board of Directors in most recent year. If the remuneration cannot be projected, previous year’s amount can be used as an estimate to fill in the applicable table. 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 remuneration from all consolidated entities. Name of the CEO, Vice Presidents and Officers shall be disclosed.

Note 6: Names of CEO and Vice Presidents shall be disclosed in the table of Payment Range.

Note 7: Includes remuneration from all consolidated entities. Name of the CEO, Vice Presidents and Officers shall be disclosed in the table of Payment Range.

Note 8: Net income after tax is applied to recent year’s amount. If IFRS is adopted, net income after tax shall be the amount from individual financial statements.

Note 9: a. Disclose remuneration paid to CEO, Vice Presidents and Officers from any reinvested entity other than subsidiaries.  
b. If applied, the remuneration paid to CEO, Vice Presidents and Officers shall be listed in Column E and renamed as “All Invested Entries”.  
c. Includes remuneration when the CEO, Vice Presidents and Officers act as a director, supervisor or manager of the invested entities.

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

EMPLOYEE REMUNERATION (D) (NOTE 4)				SUM OF A, B, C, AND D AS % OF 2016 NET INCOME (NOTE 8)		REMUNERATION RECEIVED FROM NON-CONSOLIDATED AFFILIATES (E) (NOTE 9)
TANVEX BIOPHARMA		ALL CONSOLIDATED ENTITIES (NOTE 5)		TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)	
CASH DIVIDEND	STOCK DIVIDEND	CASH DIVIDEND	STOCK DIVIDEND			
—	—	—	—	(0.53)	(4.38)	Nil

3.3.3 Remuneration Paid to Director, Supervisor, CEO, General Manager and Vice Presidents as a Percentage of Net Income after Tax of All Consolidated Entities in Most Recent Two Years, and Remuneration Polices, Standards and Composition, Procedures and Linkage on Business Performance and Future Risks

Remuneration paid to Directors, Supervisors, CEO, General Manager and Vice Presidents as a percentage of net profit after tax in most recent two years.

NT\$ in thousands; %								
TITLE \ ITEM	2016				2015			
	REMUNERATION		% OF NET INCOME		REMUNERATION		% OF NET INCOME	
	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES
Board Directors	2,165	2,165	(0.17)	(0.17)	791	791	(0.09)	(0.09)
CEO, Vice Presidents and Officers	6,550	54,526	(0.53)	(4.38)	3,000	19,506	(0.36)	(2.34)

Policies, standards and composition, procedures and linkage on business performance and future risks.

(1) Director: Retained Earnings distribution and remuneration to directors and supervisors are based on the Articles of Incorporation of the Company. 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: Remunerations to CEO, Vice Presidents and Officers are based on their position and level of job responsibilities. Bonus is based on the evaluation of working performance and adjusted by projected future risks. The effects of future risk remain low.

3.4 Corporate Governance Implementation Status

3.4.1 Board of Directors Meeting Implementation Status

Five Board meetings were convened in 2016 with directors’ attendance is listed below:

TITLE	NAME	NO. OF ATTENDANCE IN PERSON	NO. OF ATTENDANCE BY PROXY	ATTENDANCE RATE	NOTES
Chairman	Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	5	0	100%	—
Director	Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	4	0	80%	—
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Dr. Allen Chao	5	0	100%	—
Director	Hsia Family Trust Representative: Hsia, David	4	1	80%	—
Director	Delos Capital Fund, LP Representative: Chen, Lin Cheng	4	1	80%	—
Director	Yen, Yun	4	1	80%	—
Independent Director	Tsai, Jin-Pau	5	0	100%	—
Independent Director	Chang, Lee-Chiou	3	2	60%	—
Independent Director	Shih, Chuan	3	2	60%	—

Others notes to be specified:

1. If one of the following subsequent condition occurs, date, terms, agenda, meeting minutes, opinions of independent directors and how their opinions are responded by the Company shall be listed.
- (1) What is listed in Article 14-3 of the Securities and Exchange Act: None.
- (2) Other than above, any 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 independent director’s name, content of the proposal, reasons for recusal, and voting status: None
3. Goal of strengthening the Board of Directors governance and evaluation of implementation status in the current year and most recent year (i.e., establish Audit Committee, increase information transparency): The Company has established an Audit Committee and Compensation Committee to strengthen Board of Directors’ governance. Company’s website has been established to disclose related information. Financial information has been disclosed on the Market Observation Post System (MOPS) by TWSE.

3.4.2 Audit Committee Meeting Implementation Status

Five audit committee meetings were convened in 2016, with Independent Directors’ attendance is listed below:

TITLE	NAME	NO. OF ATTENDANCE IN PERSON	NO. OF ATTENDANCE BY PROXY	ATTENDANCE RATE	NOTES
Convener	Chang, Lee-Chiou	5	0	100%	—
Member	Tsai, Jin-Pau	5	0	100%	—
Member	Shih, Chuan	5	3	40%	—

Others notes to be specified:

1. If one of the following subsequent condition occurs, date, terms, agenda, meeting minutes, resolution of the meeting and how their opinions are responded by the Company shall be listed.
- (1) What is indicated in Article 14-5 of the Securities and Exchange Act: None
- (2) Other than above, any resolution which was not approved by Audit Committee but passed by more than two third of Board members: None.
2. Recusal of an independent director from review of a proposal where stakes are involved, the independent director’s name, content of the proposal, reasons for recusal, and voting status: None.
3. Communication of independent directors with internal audit supervisors and CPAs (including material items, methods and results of audits of corporate finance or operations, etc.). The Company’s internal audit supervisor has periodically reported audit result to Audit Committee. The internal audit supervisor has also attended meetings of the audit committee; no objection opinion has been expressed by Audit Committee. Audit Committee audits the company’s financial reports regularly. Independent CPAs also attend Audit Committee meetings to present their audit result. No objection opinion has been expressed by Audit Committee on financial results.

3.4.3 Corporate Governance Implementation Status and Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

ITEM FOR ASSESSMENT	IMPLEMENTATION			NON-COMPLIANCE AND REASONS
	YES	NO	EXPLANATION	
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?	✓		The Company has established its Corporate Governance Code of Practice according to the Corporate Governance Code of Practice of Taiwan Stock Exchange and Taipei Exchange Listed Companies, and discloses related information in Corporate Governance section on the Company’s website.	No material divergence
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, have these procedures been implemented accordingly? (2) Does the company possess a list of major shareholders and beneficial owners of these major shareholders?  (3) Has the company built and executed a risk management system and “firewall” between the company and its affiliates? (4) Has the company established internal rules prohibiting insider trading on undisclosed information?	✓		(1) To protect shareholders’ interest, the Company assigns spokespersons and deputy spokespersons to handle shareholders’ suggestions and disputes.	No material divergence
	✓		(2) The Company conducts regular reviews of the list of major shareholders based on updated records as of the book closure date, and regularly discloses change of pledge of stock rights owned by shareholders with more than 10% stockholdings.	No material divergence
	✓		(3) The Company has established an “Operating Procedure for Transactions Among Interested Parties, Special Companies and Group Enterprises,” and strictly complies with it.	No material divergence
	✓		(4) The Company has established “Procedure for Processing Significant Inside Information” and “Directions for Prevention of Insider Trading” and strictly complies with and enforces them.	No material divergence
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?  (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?  (3) Has the company established regulations for evaluating the performance of its Board of Directors, and conducted such evaluation on an annual basis?  (4) Does the company regularly evaluate its external auditors’ independence?	✓		(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.	No material divergence
		✓	(2) The Company has not set up functional committees other than the compensation committee and the audit committee. New committee will be set up in future based on evaluation of necessities.	New committee will be set up in future based on evaluation of necessities.
		✓	(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.	New regulations will be set up in future based on evaluation of necessities.
	✓		(4) The Board of Directors evaluates the independence of CPAs annually. The Company and the external auditors are not related parties, and don’t have interest in each other.	No material divergence
4. Has the company established corporate governance unit or personnel to manage governance related matters (including but not limited to prepare materials for director and supervisor for performing business, manage matters of Board Meeting and Shareholders Meeting according to related regulations, manage company registration, and prepare meeting minutes of Board Meeting and Shareholders’ Meeting?	✓		The Company’s Executive Office is in charge of corporate governance matters, including the following: (1) Company registration and registration for information (2) In charge of management matters of Board Meeting and Shareholders Meeting according to related regulations (3) Prepare meeting minutes of Board Meeting and Shareholders Meeting (4) Prepare materials for director and independent director for performing business, update on development of new regulations and support directors and independent directors to follow related rules and regulations (5) Other compliance matters on Company article of associations and contracts	No material divergence
5. 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?	✓		(1) The Company assigns spokespersons and deputy spokespersons to handle stakeholders’ suggestions and disputes. (2) The Company set up Investor relations section on the Company’s website.	No material divergence
6. Has the company appointed a professional registrar for its shareholders’ meetings?	✓		The Company has aengaged with CTBC Bank to handle its shareholders’ meetings.	No material divergence

ITEM FOR ASSESSMENT	IMPLEMENTATION			NON-COMPLIANCE AND REASONS
	YES	NO	EXPLANATION	
7. Information Disclosure (1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?  (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.)?	✓  ✓		(1) The Company has established a website and discloses financial and corporate governance data on it. It also discloses financial information on MOPS by TWSE.  (2) The Company has assigned personnel to collect and disclose Company information and has also appointed spokespersons and deputy spokespersons.	No material divergence  No material divergence
8. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to 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)?	✓		1. Employee rights and employee wellness: Besides following local labor laws, the Company has established various measures concerning employee benefits and systems concerning continuing education and training, retirement, and provides employment and medical insurance, group insurance. 2. Investor relations: The Company has regularly disclosed financial and business information according to related regulations to protect investors' interest. 3. Supplier relations: The Company maintains relations with both suppliers on a good and equal basis. 4. Stakeholders' relations: The Company upholds the principle of good faith, maintains excellent communication channel with stakeholders to protect their legal interest. 5. Continuing education and training of directors: As in Note 1. 6. Implementation of risk management policies and risk evaluation measures: The Company has established and complies with various bylaws to control risks. Policies and implementations are audited by internal auditor regularly. 7. Implementation of customer relations policies: Products are still in the R&D stage. Relevant customer policies will be established in future as needed. 8. Liability insurances for directors and supervisor: the Company has taken out liability insurance for directors and supervisor and evaluates the coverage regularly.	No material divergence  No material divergence No material divergence No material divergence No material divergence No material divergence No material divergence
9. Please list improved items, and prioritized items under improvement status based on evaluation result from TWSE governance center in most recent year: Not applicable.				

Note: Implementation status should be specified when check “yes” or “no”.

Note 1: Continuing Education/Training of Directors and independent directors in 2016.

TITLE	NAME	DATE	HOST BY	TRAINING COURSE	DURATION (HOUR)
Chairman	Chen, Chi-Chuan	10/07	Taiwan Accounting Research and Development Foundation	Most recent tax law changes and trends	3
Director	Allen Chao	11/08	Taiwan Corporate Governance Association	Board's compliance and responsibility on Fair Trade Law	3
Director	Cho, Lung-Yeh	11/11	The Institute of Internal Auditors—Chinese Taiwan	Directors' and Supervisors' responsibility on merging and acquisition transactions, and looking at business confidentiality and non-competition regulations from aspect of Company governance	6
Director	Hsia, David	11/08	Taiwan Corporate Governance Association	Board Meeting's compliance and responsibility on Fair Trade Law	3
Director	Yen, Yun	11/08	Taiwan Corporate Governance Association	Board Meeting's compliance and responsibility on Fair Trade Law	3
Director	Chen, Lin Cheng	11/08	Taiwan Corporate Governance Association	Board Meeting's compliance and responsibility on Fair Trade Law	3
Independent Director	Chang, Lee-Chiou	08/01	Taiwan Corporate Governance Association	Merging and acquisition practice and case analysis	3
Independent Director	Tsai, Jin-Pau	08/25	Taiwan Academy of Banking and Finance Institute	Seminar for directors and supervisors on Board Meeting implementation practice and corporate governance	3
Independent Director	Shih, Chuan	11/08	Taiwan Corporate Governance Association	Board Meeting's compliance and responsibility on Fair Trade Law	3

### 3.4.4 The Composition, Duties and Operation of the Compensation Committee

### (1) Compensation Committee Members

[illegible]

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 being elected 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 its affiliates, 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 who 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 institutional shareholders 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 institutional shareholders.
- (6) Not a director, supervisor, officer or shareholder with 5% or more shares of any specific company or organization which have 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 Law applies.

## (2) Compensation Committee Meeting Implementation Status

- The Compensation Committee includes three members.
- Term: May 15th, 2015 to May 14th, 2018. Four (A) meetings were convened in 2016.
- Eligibility and attendance of members:

TITLE	NAME	NO. OF ATTENDANCE IN PERSON	NO. OF ATTENDANCE BY PROXY	ACTUAL ATTENDANCE RATE (B/A) (%)	NOTES
Convener	Tsai, Jin-Pau	4	0	100%	—
Member	Chang, Lee-Chiou	4	0	100%	—
Member	Shih, Chuan	2	2	50%	—

Others notes to be specified:

1. If the board of directors decline to 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 remuneration passed by the board is better than as recommended by the compensation 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 resigned before the last day of fiscal year, the date of departure shall be specified in the Notes column and his/her actual attendance rate (%) shall be based on the number of meetings of the compensation committee that has been held and the number of actual attendance as an active member.
2. Where an election of the compensation committee is held before the last day of a fiscal 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 of actual attendance as an active member.



**(3) Compensation Committee Duties**

The compensation committee with the independent position under the applicable law to evaluate compensation of the directors of Board and executives, discharges its responsibilities on compensation policies based on related regulations, and submits suggestions to the Board as reference for decision.

**3.4.5 Corporate Social Responsibility**

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	EXPLANATION	
1. Implementation of corporate governance (1) Does the company have a corporate social responsibility policy or system and evaluate its implementation? (2) Does the company hold regular CSR training?	✓		(1) The Company established a “Corporate Social Responsibility Policy” on 08/05/2016, has implemented the policy and reviewed the result continuously. (2) The Company has continuously promoted social responsibilities during department meetings and manager meetings both routinely and occasionally.	No material divergence
(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?	✓		(3) The Company has assigned an executive office to promote CSR. Reporting to the Board hasn’t been implemented regularly yet. The Company will implement the reporting in the future. (4) The Company has a compensation policy and related CSR policies in place. Performance review has been done annually as reference for promotion and merit increase.	No material divergence
2. Environmentally sustainable development (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?	✓		(1) The Company is dedicated to improve resource efficiency, reduce unnecessary waste. (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 encourages employees to recycle, turn off lights when they leave, reduce paper usage, etc. to achieve energy saving and carbon reduction.	No material divergence
3. Promotion of social welfare (1) Does the company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) Has the company established appropriately managed employee complaint procedures and avenues? (3) Does the company provide employees with a safe and healthy working environment, with regular safety and health training? (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? (5) Has the company established effective career development training plans? (6) Has the company set polices and consumer complaint procedures in its R&D, purchasing, production, operations, and service processes?	✓		(1) The Company has established Work Rules pursuant to local law in all regional locations and internationally accepted labor laws to protect employees’ rights and interests. (2) The Company’s employees are able to submit complaints and suggestions through internal meeting, emails, phone call or verbally, and the department head and Human Resource will process or coordinate the matters promptly. (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. (4) The Company communicates major operational policies and objectives to employees through regular and irregular strategic meetings and department meetings. (5) The Company encourages continuing education and training subject to individual situations, and has effective career development training plans. (6) The Company has not engaged in product sales yet, and will set consumer interest protection and consumer complaint processing procedures.	No material divergence No material divergence No material divergence No material divergence No material divergence Will evaluate and setup as needed

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	EXPLANATION	
(7) Does the company follow regulations and international standards in the marketing and labelling of its products and services? (8) Does the company evaluate environmental and social track records before engaging with potential suppliers? (9) Do the company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?		✓	(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. (8) The Company encourages suppliers to dedicate to environmental protection, safety and health protection. The Company conducts supplier evaluation before engaging with potential suppliers. (9) The Company has not engaged in a contract with any major supplier since the Company's product is still in R&D stage.	Will evaluate and setup as needed No material divergence Will evaluate and setup as needed
4. Enhanced information disclosure (1) Does the company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	✓		(1) The Company discloses relevant CSR information in the annual report as required. It is also posted on MOPS by TWSE.	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: None.				
6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: (1) Environment Protection: The company follows local rules and regulations in all locations to practice environmental protection. (2) Human Rights: All employees are entitled to the same work rights and afforded opportunities for free expression and development, irrespective of race, sex and age. (3) Safety and Healthcare: The company follows local rules and regulations in all locations to implement safety and healthcare practice. (4) Other Social Responsibilities: The company is dedicated to provide high quality, affordable biosimilar drug to benefit people and society.				
7. Other information regarding “Corporate Responsibility Report” which is verified by external certification Institution: Not applicable.				

**3.4.6 Ethical Management**

ITEM FOR ASSESSMENT	IMPLEMENTATION			DIVERGENCE FROM CODE OF ETHICS OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
1. Establish ethical management policies and plans (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?	✓		(1) The Company has established “Ethical Management Principles” and “Procedures for Business Ethical Management and Guidelines for Conduct”. Board Meeting and Management have followed and promoted the related rules to employees, prohibited employees from directly or indirectly providing, committing, requesting any bribery or unfair benefits. (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 has announced to employees the ethical principle when conducting business, and 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
2. Ethical management (1) Does the company evaluate trading counterparts’ ethical records and incorporate ethics related clauses in the contracts executed with them?	✓		(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.	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	EXPLANATION	
(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?	✓		(2) The Company has dedicated Internal Auditor who reports to the Board, and supervises the implementation of ethical management.	No material divergence
(3) Has the company established policies to prevent conflicts of interest? Does it provide appropriate communication avenues? Does it strictly comply with such policies?	✓		(3) The Company has established “Rules of Procedures for Board Meetings”. When a director has a relationship that is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.	No material divergence
(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?	✓		(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.	No material divergence
(5) Does the company provide internal and external educational training on ethical management on a regular basis?	✓		(5) The Company promotes awareness of ethical management in regular or irregular supervisors’ meetings and departmental meetings.	No material divergence
3. Implementation of Compliance Procedures (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?	✓		(1) The Company encourages employees to report any unethical and improper behavior and rewards complainants based on the severity of the matters. Employees may report any ethics violation through stakeholder section. Related management shall take action immediately and inform complainants on the result. The whole reporting process is confidential to protect the complainants.	No material divergence
(2) Does the company have standard operating procedures for investigating reports entertained, and the relevant nondisclosure mechanism?	✓		(2) Employees may report any ethics violation through stakeholder section. The whole reporting process is confidential to protect the complainants.	No material divergence
(3) Does the company adopt measures to protect informers from inappropriate actions taken against them?	✓		(3) The Company adopts measures to protect informers from inappropriate actions against them.	No material divergence
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?	✓		(1) The Company has disclosed its code of ethics practices in its annual report. The content will be disclosed on website in future.	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: The company has established “Ethical Management Principles”, takes social responsibilities, constantly followed ethical management principle.				
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): The company keeps track of development on related rules and regulations domestically and internationally, updates and promotes ethical management policies accordingly, to improve the implementation results.				

**3.4.7 Description of How Company Discloses Its Code of Corporate Governance and Relevant Bylaws, If Applicable**

In compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the company has established “Rules of Procedures for Board Meetings”, “Rules of Procedures for Shareholders’ Meetings”, “Election Procedures for Directors”, “Rules of Audit Committee” and “Rules of Compensation Committee”. All information is disclosed on the company’s website for inquiry.

**3.4.8 Other Important Information to Facilitate Shareholders’ Understanding of Corporate Governance**

None.

**3.4.9 Internal Control System Execution Status**

2016 Statement of Internal Control System

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

Date: March 28, 2016

Tanvex’s self-assessment results for 2016 Internal Control System are presented below:

1. Tanvex is fully aware that the establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and management. Tanvex has established such a system with the objective to provide reasonable assurance for attainment of operating effect and efficiency (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, 2016, 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 has been approved by the Board of Directors in the meeting held on March 28, 2016, where none of the nine attending directors expressing any dissenting opinion and the remainder all affirming the content of this Statement.

Tanvex BioPharma, Inc.

Chairman: Chen, Chi-Chuan

CEO: Dr. Allen Chao

**3.4.10 Description of 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 Shortcomings in Company’s Internal Control System as Well as Improvements Made, in 2016 and as of the Date of This Annual Report**

None.

**3.4.11 Important Resolutions of Shareholders’ Meetings and Board of Directors’ Meetings in 2016 and as of the Date of This Annual Report**

DATE OF MEETING	TYPE	IMPORTANT RESOLUTIONS
03/28/2016	Board of Directors’ meeting	1. Amended Articles of Association and internal control policy on property, plant and equipment 2. Approved 2015 consolidated financial statements, budget and business report 3. Approved 2015 loss make-up plan 4. Signed evaluation report on auditor’s independence 5. Approved assignment of auditor for 2016 6. Approved a cash investment plan for subsidiary 7. Approved 2016 first employee stock option plan 8. Approved 2015 internal control policy announcement plan 9. Approved proposal of 2016 Shreholders’ General Meeting
06/14/2016	Board of Directors’ meeting	1. Approved rights issue by U.S. subsidiary 2. Approved to establish the Rules Governing the Remuneration of Directors and Officers 3. Approved the grant of employee stock options 4. Approved to set up new subsidiary in U.S.
06/16/2016	Shareholders’ General Meeting	1. Accepted 2015 Business Report and Consolidated Financial Statements 2. Accepted 2015 loss make-up plan 3. The issuance of Employee Stock Option Plan for Year 2016 4. Discussion on the amendment of the Memorandum and Articles of Association of the Company
08/05/2016	Board of Directors’ meeting	1. Approved the application for the Initial Public Offering (IPO) in Taiwan 2. Amendment to the Memorandum and Articles of Association of the Company 3. Approved to release the prohibition on Directors and Officers from participation in non-competitive business 4. Approved the authorization for the documentation, the appointment of lead underwriter, the provision of undertaking letter to the Taiwan Stock exchange of proposed IPO 5. Approved capital increase by way of public offering for the proposed IPO and waiver of pre-emptive right by all shareholders in respect of such capital increase 6. Amendment to the operational procedures for acquisition and disposal of assets, the Codes of Enthical Conduct, the Ethical Corporate Management Best Practice Principles of the Company, the Procedures for Ethical , the Corporate Governance Best Practice Principles Management and Guidelines for Conduct of the Company, the Corporate Social Responsibility Best Practice Principles, the Procedures for Halt and Resumption Applications of the Company, and the internal control systems 7. Approved proposal of the 2016 extraordinary shareholders’ meeting
09/22/2016	Extraordinary Shareholders’ Meeting	1. Application for IPO in Taiwan 2. Amendment to the Memorandum and Articles of Association of the Company 3. Approved to release the prohibition on Directors and Officers form participation in non-competitive business 4. Approved capital increase by way of public offering for the proposed IPO and waiver of pre-emptive right by all shareholders in respect of such capital increase 5. Amendment to the Operational procedures for Acquisition and Disposal of Assets
11/09/2016	Board of Directors’ meeting	1. Approved the 4th quarter of 2016 and 1st quarter of 2017 summary consolidated financial projection 2. Approved to engage the lead underwriter to exercise overallotment during the underwriting period 3. Approved the 2016 internal control declaration of the Company 4. Amendment to the Corporate Governance Principles of the Company
12/16/2016	Board of Directors’ meeting	1. Approved operation and budget and audit plan of 2017 2. Approved evaluation of CPA's independence 3. Approved the appointment of CPA for consolidated financial statements audit of 2017 4. Approved rights issue by U.S. subsidiary, La Jolla Biologics, Inc. and aiwan subsidiary, Tanvex Biologics Corporation 5. Approved the adjustment of remuneration of officers 6. Amendment to the Regulations Governing the Salaries and Remunerations of Directors and Managers
03/28/2017	Board of Directors’ meeting	1. Approved 2016 annual consolidated financial report, final statement and business report 2. Approved the proposal of loss make-up for year 2016 3. Approved the first issuance of employee stock option for year 2017 4. Approved the compensation and employee stock options to CEO 5. Approved the 2016 Internal Control Declaration 6. Amendment to the Operational Procedures for Acquisition and Disposal of Assets and the Rules of Procedures for Board of Directors Meeting 7. Approved to release the prohibition on directors from participation in competitive business 8. Amendment to the Company's Memorandum and Articles of Association 9. Approve proposal of 2017 Shareholder’s General Meeting

**3.4.12 Major Issues of Any Dissenting Opinion Made by Any Director or Supervisor to Important Resolution Approved by the Board of Directors, Where There Is a Record or Written Statement of Such Opinion, in 2016 and as of the Date of This Annual Report**

None.

**3.4.13 Resignation and Dismissal of Chairman, CEO, General Manager, Heads of Accounting and Finance, Internal Audit Supervisor, Head of R&D during 2016 and as of the Date of This Annual Report**

None.

**3.5 Independent Auditor Information**

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

<i>Unit: NT\$ in thousands</i>									
ACCOUNTING FIRM	NAME OF CPA	AUDIT FEE	NON-AUDIT FEE					CPA’S AUDIT PERIOD	NOTES
			RULES STIPULATION	REGISTRATION	HUMAN RESOURCE	OTHERS	SUBTOTAL		
PricewaterhouseCoopers Taiwan	Tseng, Hui-Chin	2,921	0	62	0	572	634	2016	
	Teng, Sheng-Wei								

**3.5.2 The Audit Professional Fees of Replacing CPA’s Firm and within the Current Fiscal Year Less than That of the Previous Fiscal Year If Any**

None.

**3.5.3 The Information on the Audit Fees within Current Year Fees Are Less than the Previous Year by 15% or More**

None.

**3.6 Replacement of Independent Auditors**

None.

**3.7 Information on the Company’s Chairman, CEO, or Officers Responsible for Finance and Accounting Operations Have Held Positions at the CPA Firm or Its Affiliates within 2016**

None.

**3.8 Information on the Equity Transfers and Changes in Pledges of Stock Rights by Directors, Supervisors, Officers and Major Shareholders Holding More than 10% of Company’s Shares, in 2016 and up to the Date of This Annual Report**

**3.8.1 Changes in Equity of Directors, Supervisors, Officers and Major Shareholders**

TITLE (NOTE 1)	NAME	2016		AS OF APRIL 17TH, 2017	
		INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED	INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED
Chairman and Major shareholder	Peng Lin Investment Co., Ltd.	—	—	—	—
	Representative: Chen, Chi-Chuan	6,046	—	—	—
Director and Major shareholder	Peng Lin Investment Co., Ltd.	—	—	—	—
	Representative: Cho, Lung-Yeh	—	—	—	—
Director	Allen Chao and Lee Hwa Chao Family Trust	569,990	—	—	—
	Representative: Allen Chao	—	—	—	—
Director	Hsia Family Trust	88,000	—	—	—
	Representative: Hsia, David	—	—	—	—
Director	Delos Capital Fund, LP	1,400,000	—	—	—
	Representative: Chen, Lin Cheng	—	—	—	—



TITLE (NOTE 1)	NAME	2016		AS OF APRIL 17TH, 2017	
		INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED	INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED
Director	Yen, Yun	33,748	—	—	—
Independent Director	Tsai, Jin-Pau	—	—	—	—
Independent Director	Chang, Lee-Chiou	—	—	—	—
Independent Director	Shih, Chuan	—	—	—	—
CEO	Allen Chao	—	—	—	—
Chief Scientific Officer	Hsia, David	—	—	—	—
Corporate Controller	Wu, Yiching	50,000	—	—	—
Vice President, Business Development & Investor Relations	Chu, Pei-Lan	139,273	—	—	—
Vice President, M&TS, (LJB)	Helena Makagiansar	(32,000)	—	100,000	—
Vice President, R&D, (LJB)	Wu, Yongjian	32,812	—	20,000	—
Vice President, Manufacturing (LJB) General Manager, Tanvex TW	Yang, Kaiwen	—	—	—	—
Manager, Internal Auditor	Chen, Wei	17,500	—	—	—
Major shareholder	Tanvex Biologics, Inc.	—	—	—	—

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

**3.8.2 Information on a Counterparty to an Equity Transfer or Pledge of Stock Rights Who Is an Related Party**

None.

**3.9 Information on Top 10 Shareholders Who Are Related Party, Spouse, or Within a Second-Degree Relationship of Consanguinity to Each Other**

*As of April 17, 2017/Unit: Number of Shares; %*

NAME (NOTE 1)	SHARES HELD PERSONALLY		SPOUSE AND MINOR SHAREHOLDING		SHAREHOLDING IN ANOTHER'S NAME		INFORMATION ON RELATIONSHIP OF ANY 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	RELATIONSHIPS	
Peng Lin Investment Co., Ltd.	70,816,999	36.64	—	—	—	—	—	—	
Representative: Chen, Chi-Chuan	49,046	0.03	56,000	0.03	—	—	—	—	
Representative: Cho, Lung-Yeh	—	—	—	—	—	—	—	—	
Tanvex Biologics, Inc.	37,576,668	19.44	—	—	—	—	—	—	
Allen Chao and Lee Hwa Chao Family Trust	17,013,022	8.80	—	—	—	—	Allen Chao Interests, Ltd. MAL Investment Company Hsia Family Trust Richard Y. Chao Interests, Ltd.	The directors are within a second-degree relationship of consanguinity to one another.	
Representative: Allen Chao	—	—	180,000	0.09	—	—	—	—	
Delos Capital Fund, LP	14,400,000	7.45	—	—	—	—	—	—	
Representative: Chen, Lin-Cheng	—	—	—	—	—	—	—	—	

*As of April 17, 2017/Unit: Number of Shares; %*

NAME (NOTE 1)	SHARES HELD PERSONALLY		SPOUSE AND MINOR SHAREHOLDING		SHAREHOLDING IN ANOTHER'S NAME		INFORMATION ON RELATIONSHIP OF ANY 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	RELATIONSHIPS	
ARCH Healthcare Fund, LLC	4,601,578	2.38	—	—	—	—	—	—	
Allen Chao Interests, Ltd.	4,865,625	2.52	—	—	—	—	Allen Chao and Lee Hwa Chao Family Trust MAL Investment Company Hsia Family Trust Richard Y. Chao Interests, Ltd.	The directors are within a second-degree relationship of consanguinity to one another.	
MAL Investment Company	3,073,392	1.59	—	—	—	—	Allen Chao and Lee Hwa Chao Family Trust Allen Chao Interests, Ltd.	The directors are within a second-degree relationship of consanguinity to one another.	
Hsia Family Trust	2,442,430	1.26	—	—	—	—	Richard Y. Chao Interests, Ltd. Allen Chao and Lee Hwa Chao Family Trust Allen Chao Interests, Ltd.	The directors are within a second-degree relationship of consanguinity to one another.	
Representative: Hsia, David	—	—	—	—	—	—	—	—	
Richard Y. Chao Interests, Ltd.	2,253,330	1.17	—	—	—	—	Hsia Family Trust Allen Chao and Lee Hwa Chao Family Trust Allen Chao Interests, Ltd.	The directors are within a second-degree relationship of consanguinity to one another.	
Representative: Richard Y. Chao	—	—	—	—	—	—	—	—	
Cathay Life Insurance Co., Ltd.	5,250,000	2.72	—	—	—	—	—	—	

Note 1: Top 10 shareholders shall be all disclosed. If a shareholder is an institutional entity, both entity and representative's name shall be disclosed.

**3.10 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 ENTITIES		CONSOLIDATED SHAREHOLDING	
	SHARES	SHAREHOLDING	SHARES	SHAREHOLDING	SHARES	SHAREHOLDING
Tanvex Biologics Corporation	151,194	100	0	0	151,194	100
La Jolla Biologics, Inc.	1,000	100	0	0	1,000	100



4 Financing





4 Financing

4.1 Capital and Shares

4.1.1 Capitalization

1. Changes in capital in 2016 and up to the date of the annual report:

As of April 17, 2017								
MONTH/ YEAR	ISSUE PRICE (\$)	AUTHORIZED SHARE CAPITAL		PAID-IN CAPITAL		NOTES		
		SHARES (IN 1,000 SHARES)	AMOUNT (NT\$ IN THOUSANDS, UNLESS EXPRESSED IN US\$)	SHARES (IN 1,000 SHARES)	AMOUNT (NT\$ IN THOUSANDS, UNLESS EXPRESSED IN US\$)	SOURCES OF CAPITAL (NT\$ IN THOUSANDS, UNLESS EXPRESSED IN US\$)	CAPITAL INCREASE BY 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 at Par Value	None	
10/2014	US\$0.4	500,000	US\$50,000	130,000	US\$13,000	Cash capital increase US\$5,000 Par Value	None	
03/2015	US\$1.5	500,000	US\$50,000	163,333	US\$16,333	Cash capital increase US\$3,333 Par Value	None	
03/2015	US\$1.5	500,000	US\$50,000	164,418	US\$16,642	Par Value conversion of stock options US\$109	None	
04/2015	US\$1.5	500,000	US\$50,000	165,665	US\$16,567	Par Value conversion of stock options US\$125	None	
05/2015	NT\$10	500,000	\$5,000,000	165,665	\$1,656,651	Capital conversion \$519 Conversion of capital surplus to capital stock \$1,656,132	None	Note 2 Note 3
06/2015	US\$0.2 ~ 0.4	500,000	\$5,000,000	166,408	\$1,664,084	Par Value Conversion of stock options \$7,434	None	
02/2016	NT\$128	500,000	\$5,000,000	192,408	\$1,924,084	Cash capital increase NT\$260,000	None	Note 4
02/2016	US\$0.2 ~ 0.4	500,000	\$5,000,000	192,445	\$1,924,445	Par Value Conversion of stock options \$361	None	
03/2016	US\$0.2 ~ 1.5	500,000	\$5,000,000	192,557	\$1,925,569	Par Value Conversion of stock options \$1,124	None	
04/2016	US\$0.2 ~ 0.4	500,000	\$5,000,000	192,630	\$1,926,299	Par Value Conversion of stock options \$730	None	
04/2016	US\$0.4 ~ 1.5	500,000	\$5,000,000	192,725	\$1,927,251	Par Value Conversion of stock options \$953	None	
07/2016	US\$0.4 ~ 1.5	500,000	\$5,000,000	192,758	\$1,927,576	Par Value Conversion of stock options \$325	None	
08/2016	US\$0.2 ~ 1.5	500,000	\$5,000,000	192,872	\$1,928,716	Par Value Conversion of stock options \$1,140	None	
10/2016	US\$0.4 ~ 1.5	500,000	\$5,000,000	192,888	\$1,928,875	Par Value Conversion of stock options \$159	None	
11/2016	US\$0.2 ~ 1.5	500,000	\$5,000,000	192,965	\$1,929,652	Par Value Conversion of stock options \$777	None	
12/2016	US\$0.2 ~ 1.5	500,000	\$5,000,000	192,993	\$1,929,927	Par Value Conversion of stock options \$275	None	
01/2017	US\$0.2 ~ 1.5	500,000	\$5,000,000	193,065	\$1,930,645	Par Value Conversion of stock options \$718	None	
02/2017	US\$0.2 ~ 0.4	500,000	\$5,000,000	193,117	\$1,931,167	Par Value Conversion of stock options \$523	None	
03/2017	US\$0.4 ~ 1.5	500,000	\$5,000,000	193,152	\$1,931,517	Par Value Conversion of stock options \$350	None	
04/2017	US\$0.4 ~ 1.5	500,000	\$5,000,000	193,254	\$1,932,537	Par Value Conversion of stock options \$1,020	None	

Note 1: With regard to the stock capital of the Company, no capital increase by assets other than cash up to the date of the annual report.  
Note 2: For the purposes of applying for primary listing on the Taiwan 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 at NT\$10 per share and a paid-in capital of NT\$519 in thousands, 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 NT\$1,656,132 in thousands.  
Note 4: Approval date on cash capital increase: January 7th, 2016. Approval certificate Ginguanzhengfazi No. 1040053944.

2. Types of shares in 2016 and up to the date of the annual report:

As of April 17, 2017; unit: share				
TYPE OF STOCK	AUTHORIZED NUMBER OF SHARES			NOTES
	OUTSTANDING	UN-ISSUED	TOTAL	
Common stock	193,253,703	306,746,297	500,000,000	Emerging stock

4.1.2 Composition of Shareholders

As of April 17, 2017						
TYPE OF SHAREHOLDERS  NUMBER OF SHARES	GOVERNMENT AGENCIES	FINANCIAL INSTITUTIONS	OTHER JURISTIC PERSONS	INDIVIDUALS	FOREIGN INSTITUTIONS AND NATURAL PERSONS	TOTAL
Number of shareholders	—	3	36	1,032	26	1,097
Shares	—	8,265,000	80,502,636	11,523,313	92,962,754	193,253,703
Shareholding	—	4.28%	41.66%	5.96%	48.10%	100.00%

4.1.3 Distribution Profile of Share Ownership

As of April 17, 2017; unit: share			
SHAREHOLDER OWNERSHIP	NO. OF SHAREHOLDERS	OWNERSHIP	SHAREHOLDING (%)
1 ~ 999	124	32,719	0.02%
1,000 ~ 5,000	649	1,337,944	0.69%
5,001 ~ 10,000	113	871,316	0.45%
10,001 ~ 15,000	38	493,872	0.26%
15,001 ~ 20,000	24	431,388	0.22%
20,001 ~ 30,000	31	780,303	0.40%
30,001 ~ 40,000	13	473,218	0.24%
40,001 ~ 50,000	21	982,983	0.51%
50,001 ~ 100,000	29	2,129,497	1.10%
100,001 ~ 200,000	14	1,971,060	1.02%
200,001 ~ 400,000	12	3,300,158	1.71%
400,001 ~ 600,000	5	2,390,497	1.24%
600,001 ~ 800,000	5	3,604,130	1.86%
800,001 ~ 1,000,000	1	966,316	0.50%
Over 1,000,001	18	173,488,302	89.78%
Total	1,097	193,253,703	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 17, 2017		
MAJOR SHAREHOLDERS	SHARES	SHAREHOLDING %
Peng Lin Investment Co., Ltd.	70,816,999	36.64%
Tanvex Biologics, Inc.	37,576,668	19.44%
Allen Chao and Lee Hwa Chao Family Trust	17,013,022	8.80%
Delos Capital Fund, LP	14,400,000	7.45%

4.1.5 Market Value, Net Worth, Earnings and Dividends per Share, and Other Related Information in Most Recent Two Years

Unit: NT\$

ITEM			FISCAL YEAR	2015 (NOTE 1)	2016 (NOTE 1)	AS OF MARCH 31, 2017 (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	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	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	Not listed on Taiwan Stock Exchange or Taipei Exchange
Net worth per share	Before distribution			8.70	18.5	15.97
	After distribution			8.70	18.5	15.97
Earnings per share	Weighted average (1,000 shares)			140,279,000 shares	188,357,000 shares	193,111,000 shares
	Earnings (losses) per share			(5.95)	(6.61)	(1.81)
Dividends per share	Cash dividends			—	—	—
	Stock Dividends	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	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	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	Not listed on Taiwan Stock Exchange or Taipei Exchange

Note 1: The financial data of 2015 and 2016 are audited and certified by CPAs.

Note 2: The financial data of Q1, 2017 are reviewed by CPAs.

4.1.6 Dividend Policy and Distribution of Earnings

Dividend policy set out in the Memorandum and Articles of Association (the “Article”)

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 vote at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of the 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.

Dividend distribution proposal discussed in the current shareholders’ meeting: Not applicable.

Material changes anticipated to the dividend policy: None.

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

None.

4.1.8 Profit Sharing Bonus to Employees and Remuneration to Directors

(1) Distribution amount and range based on the Article:

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) The basis for estimating the amount of employee and director compensation, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
- The company did not distribute or accrue any employee and director compensation in 2016 due to the net loss.
- 3) Distribution approved by the Board of Directors’ meeting:  
Not applicable.
- (4) Distribution of Employee and Director compensation (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

None.

4.3 Preferred Stocks

None.

4.4 Overseas Depositary Receipts

None.

4.5 Status of Employee Stock Options Plan

4.5.1 Non-Expired Employee Stock Options and Impact on Shareholders’ Equity up to the Date of the Annual Report

As of April 17, 2017					
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	2016 FIRST ISSUANCE OF EMPLOYEE STOCK OPTIONS
Effective date of approval	Not applicable (Note 1)	Not applicable (Note 1)	Not applicable (Note 1)	10/8/2015	07/04/2016
Issue date	12/17/2013 (Note 2)	9/11/2014 (Note 2)	5/15/2015 (Note 2)	12/14/2015 06/14/2016 09/16/2016	07/04/2016
Option duration	10 years	10 years	10 years	10 years	10 years
No. of options granted	802,000 shares (of which 155,000 shares are forfeited)	11,260,384 shares (of which 1,563,813 shares are forfeited)	1,000,000 shares (of which 91,500 shares are forfeited)	1. 596,000 shares (596 units) 2. 918,000 shares (918 units) 3. 160,000 shares (160 units) (of which 196,000 shares are forfeited)	1. 3,014,000 (3,014 units) 2. 686,000 shares (686 units) 3. 200,000 shares (200 units) 4. 320,000 shares (320 units) (of which 156,000 shares are forfeited)
Percentage of shares exercisable to outstanding common shares	0.42%	5.83%	0.52%	0.87%	2.18%
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	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	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%	(1) 2nd year: up to 50% (2) 3rd year: up to 75% (3) 4th year: up to 100%
Shares exercised	512,750	3,315,121	92,500	0	0
Value of shares exercised	US\$102,550	US\$1,573,973	US\$24,750	US\$0	US\$0
Shares unexercised	134,250	6,381,450	816,000	1,478,000	4,064,000
Exercise price per share on unexercised shares	US\$0.20	US\$0.40 ~ 1.50	US\$1.50	1. US\$4.54 2. US\$3.96 3. US\$5.18	1. US\$4.76 2. US\$4.57 3. US\$4.66 4. US\$4.18
Percentage of shares unexercised to outstanding common shares (%)	0.07%	3.3%	0.42%	0.76%	2.10%
Impact on shareholders’ equity	Retain and attract talent, strengthen cohesiveness of employees, increase shareholders and Company value. Dilution to shareholders’ equity is limited due to 10 years option duration.				

Note 1: The issuance of employee stock options is subject to adoption of a board resolution if the company is a private company at the time of the issuance.  
Note 2: The Board of Directors authorizes the management to issue 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 Granted to Officers and Top 10 Employees (Note 3), up to the Date of the Annual Report

As of April 17, 2017												
	TITLE (NOTE 1)	NAME	GRANT SHARES	RATIO OF SHARES GRANT TO TOTAL ISSUED SHARES (NOTE 4)	EXERCISED (NOTE 2)				UNEXERCISED (NOTE 2)			
					# OF SHARES EXERCISED	PRICE (US\$) PER SHARE (NOTE 5)	AMOUNT (US\$)	RATIO OF SHARES EXERCISED TO TOTAL ISSUED SHARES (%) (NOTE 4)	# OF SHARES UNEXERCISED (NOTE 8)	PRICE (US\$) PER SHARE (NOTE 6)	AMOUNT (US\$)	RATIO OF SHARES UNEXERCISED TO TOTAL ISSUED SHARES (%) (NOTE 4)
Officer	CEO	Allen Chao	6,442,000	3.33%	1,332,500	0.47	621,000	0.69%	5,109,500	2.06	10,510,500	2.64%
	Chief Scientific Officer (Corporate)	David Hsia										
	Vice President, Business Development & Investor Relations (Corporate)	Chu, Pei-Lan										
	Vice President, R&D, LJB	Wu,Yongjian										
	Vice President M&TS, LJB	Helena Makagiansar										
	Vice President, Manufacturing, LJB; Tanvex TW GM	Yang, Kaiwen										
	Corporate Controller	Wu, Yiching										
	Manager, Internal Auditor (Corporate)	Chen, Wei										
Top 10 Employees (Note 3)	Director of IT Department (Corporate)	Frank Chen	4,119,504	2.13%	265,939	0.56	147,626	0.14%	3,853,565	2.39	9,192,826	1.99%
	Director, Business Development (Corporate)	Unkrich, Matthew										
	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, Lily										
	Director of Drug Product and Facility, LJB	Wong, Jeannine										
	Director of Project Management (Corporate )	Reed, Simona										
	Senior Manager, Analytical, R&D, LJB	Wang, Yueju										
	Director of QA/QC, LJB	Ravanbakhsh, Roya (Note 7)										

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: The total number of issued shares is the number of shares actually listed on Taipei Exchange.

Note 5: Grant price for exercised employee stock options, actual exercised price shall be disclosed.

Note 6: Grant for unexercised employee stock options, calculated price based on stock option plan shall be disclosed.

Note 7: Resigned on September 9th, 2016.

Note 8: Includes expired 151,000 shares of resigned employees.

4.6 Employee Restricted Stock

None.

4.7 Issuance of New Shares in Connection with Mergers and Acquisitions

None.

4.8 Financial Plans and Implementation Status

None.



# 5 Operational Highlights





## 5 Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Scope of Business

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 owns intellectual property (IP) rights and is mainly responsible for cell line development and initial bioprocess development. Our U.S. subsidiary, LJB is responsible for process development, scale-up production and manufacturing. Our vision is 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 targeted 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, the U.S. is the single largest biopharmaceutical market in the world accounts for 51% of total global biopharmaceutical market.

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 U.S. from 2016 to 2020.

The molecule characteristics of biosimilar medicines are 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 March 31, 2017:

ITEMS	INDICATION	DEVELOPMENT PROGRESS
TX01	Neutropenia, caused by chemotherapy for cancer	<ul style="list-style-type: none"><li>Phase III protocol approved U.S. FDA in September 30, 2016.</li><li>Phase III study in progress and expected to complete by the end of 2017.</li></ul>
TX05	Breast cancer	<ul style="list-style-type: none"><li>Completed Phase 1 clinical trial.</li><li>Expect to receive U.S. FDA's approval to start the phase III study in 2017.</li></ul>
TX16	Metastatic colorectal cancer, Lung Cancer	<ul style="list-style-type: none"><li>IND approved by U.S. FDA in January 2017.</li><li>Phase I study is in progress and expect to complete by the end of 2017.</li></ul>
TX17	Rheumatoid arthritis	Cell line development
TX88	GPC 3 Antibody new drug candidate	Preclinical R&D

R&D investment in 2016 and as of March 31, 2017:

<i>NT\$ in thousands</i>		
ITEM	YEAR	
R&D expenses	2016	286,080
Paid in Capital	2016	1,931,517
R&D as % of Paid in Capital	2016	14.81

#### 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 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 to meet the market needs.

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 current focus on the biosimilar products development. Since the U.S. is the single largest biopharmaceutical 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.

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, avoid the distribution of confidential technologies and uncertain production schedule controlled by CMO 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:

- (1) The approval of the first biosimilar medicine in 2015 opened the door and paved the way for other manufacturers.
- (2) The U.S. is the single largest biopharmaceutical market in the world.
- (3) Affordable and high quality biosimilar will be substantial saving to the US financial burden, meet the needs of social welfare and health result the growth potential of biosimilar market.

Disadvantages:

- (1) Although U.S. FDA setup the regulation in evaluating the biosimilar products and also approved four biosimilar products as of 2016, the reviewing requirement may vary depending on the biosimilar products characters and mechanism.
- (2) The U.S. competitors market information is not sufficiently available due to the emerging market in the U.S.

Our strategy for facing the market competition:

- (1) Quality: Our mission is to provide the safe, efficacy and affordable biosimilar products to patients by using the in-house development process from R&D to manufacturing in accordance with the U.S. FDA regulation to strengthen our market competition.
- (2) Technology: Synchronize Taiwan's R&D capabilities and LJB's technologies of scale-up and manufacturing to enhance our global competition.
- (3) Cost: Utilized the organization and talents through the vertical integration business model to reduce the cost and sustained our flexibility in pricing to access the market.
- (4) Client: Targeted the U.S. market initially to close the market and client for better services.

#### 5.2.2 Product Overview

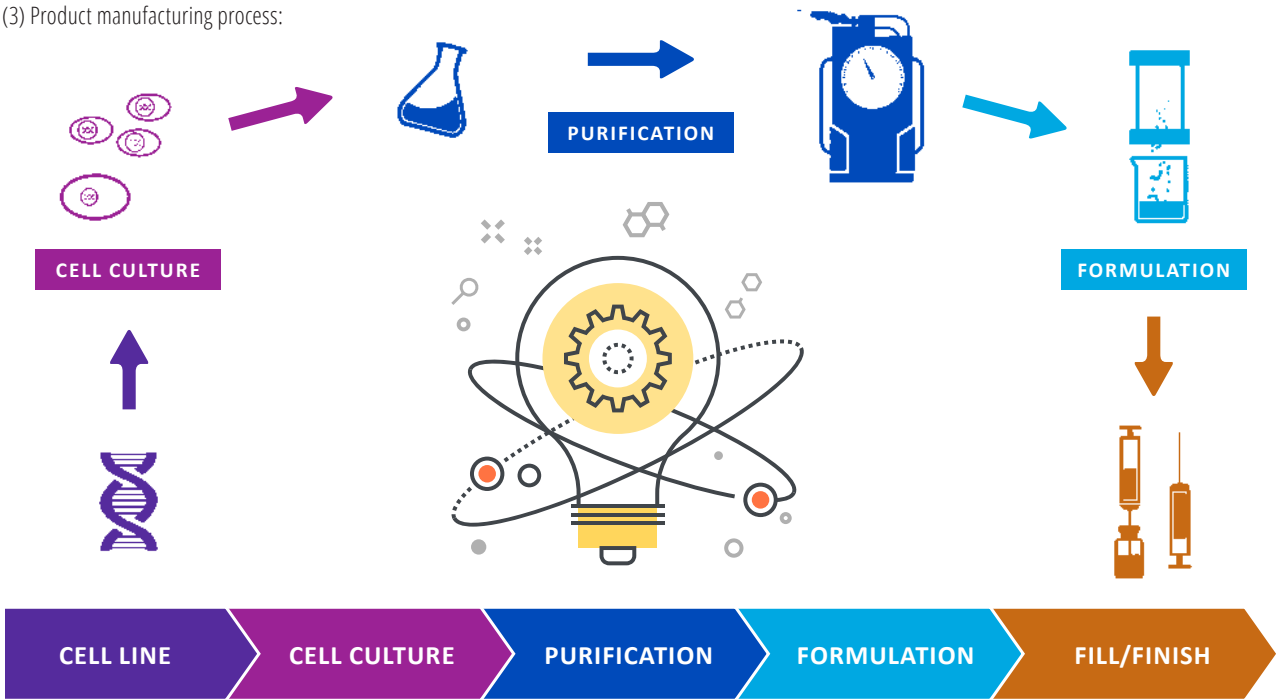
(1) Primary Product Indication

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

(3) 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 2015 and 2016**

We do not have any business income, customers, nor manufacturing or raw materials vendors in 2015 and 2016, as our products are in the R&D stage. Therefore, we do not have the top 10% vendors for now.

**5.2.5 Production in 2015 and 2016**

We do not have any commercial production in 2015 and 2016, as our products are in the R&D stage.

**5.2.6 Sales in Most Recent Two Years**

We do not have any sales in 2015 and 2016, as our products are in the R&D stage.

**5.3 Credentials, Average Service Years, Average Age and Educational Background of Employees in Most Recent Two Years and up to Date of This Report**

YEAR	2015	2016	MARCH 31, 2017
R&D staff headcount	58	67	72
Other employees headcount	15	20	21
Managerial position and above (R&D) headcount	19	22	25
Managerial position and above (Other) headcount	16	16	16
Total headcounts	108	125	134
Average age	39.34	40.21	40.63
Average service years	3.49	2.37	2.36
Ph.D.	15%	15%	16%
Master's degree	28%	26%	25%
College/university degree	45%	49%	45%
High school diploma	12%	10%	14%
No high school diploma	0%	0%	0%

**5.4 Environmental Costs**

1. Total amount of losses and penalties from environmental pollution in the most recent year and as of the date of this annual report: None.  
We did not have any environmental pollution incidents in the most recent year and 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.
2. Future action plan and possible expenditures: None.

**5.5 Employees Relations**

**5.5.1 Description of 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 Employees' Rights and Benefits**

**For our Taiwan-based operation:**

- (1) Employee Benefits Program:
  - 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 healthcare 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 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:
  - (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 overseas locations: 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 Communication and 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' remuneration, 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 Chinese medical 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 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 and Training:
- 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 deferral 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 employees' 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 female 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 The Losses on Employee Disputes in Most Recent Year and as of the Date of This 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.**

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 Material Contracts**

Material contracts as of the date of this annual report:

NATURE OF CONTRACT	CONTRACTING PARTIES	TERM	KEY CONTENTS	RESTRICTIVE CLAUSE
Lease agreement	U.S. Subsidiary La Jolla Biologics Inc. (LJB) and Kilroy Realty, L.P.	07/30/2010–07/30/2020	Agreement for lease of building (1) for LJB in San Diego, and the supplemental agreement	None
Lease agreement	LJB and Kilroy Realty, L.P.	01/20/2016–01/20/2026	Agreement for lease of building (2) for LJB	None
Factory expansion agreement	LJB and Hollander Design Group	3/24/2016	Agreement for building (2) construction design for LJB	None
Factory expansion agreement	LJB and Back's Construction Inc.	4/27/2016	Agreement for building (2) remodel phase I for LJB	None
Factory expansion agreement	LJB and Back's Construction Inc.	06/17/2016	Agreement for building (2) remodel phase II for LJB	None
Lease agreement	Tanvex Biologics Corporation (Tanvex Taiwan) and Zhenhui Xie, Zhenrong Xie, Zhenhua Xie, Zhenhuang Xie	05/01/2012–04/30/2016	Agreement for lease of Xizhi lab for Tanvex Taiwan	None
Patent licensing agreement	Tanvex Taiwan and Scinopharm Taiwan, Ltd.	10/15/2010	Agreement for cell line licensing for TanvexT aiwan	None
Industry-university collaboration project agreement	Tanvex Taiwan and Taipei Medical University	06/01/2016–05/31/2017	Pre-clinical new drug development for ITCH E3 ubiquitin ligase, an anti-cancer drug	None
Patent licensing agreement	Tanvex Taiwan and Taipei Medical University	From 05/16/2016	Licensed GPC 3 anti-body new drug candidate for development and commercialization	None
Service agreement	LJB and Tanvex Taiwan	From 01/01/2013	LJB provides R&D services to Tanvex Taiwan	None
Lease of premises agreement	Tanvex Taiwan and Best Suit Limited, Taiwan Branch	12/15/2015–04/14/2021	Lease of R&D lab and office for Tanvex Taiwan	None
Facility expansion agreement	Tanvex Taiwan and Ruentex Interior Design Inc.	02/22/2016–06/15/2016	Remodel for new lab of Tanvex Taiwan	None

# 6 Financial Highlights





6 Financial Highlights

6.1 Condensed Financial Statements from 2012 to Q1 2017—IFRS

6.1.1 Condensed Consolidated Balance Sheet from 2012 to Q1 2017—IFRS

<i>Unit: NT\$ in thousands</i>							
<div>YEAR</div> <div>ITEM</div>		MOST RECENT FIVE YEARS (NOTE 1, 2)					AS OF MARCH 31, 2017 (NOTE 3)
		2012	2013	2014	2015	2016	
Current Assets		49,609	182,766	218,425	780,472	2,953,236	2,410,732
Property, Plant and Equip.		214,457	246,849	385,741	704,701	832,549	773,847
Intangible Assets		45,947	42,501	46,476	59,749	57,665	58,309
Other Assets		7,881	15,156	4,097	24,492	28,902	29,015
Total Assets		317,894	487,272	654,739	1,569,414	3,872,352	3,271,903
Current Liabilities	Before Distribution	536,146	62,587	44,875	102,402	233,147	123,249
	After Distribution	536,146	62,587	44,875	102,402	233,147	123,249
Non-Current Liabilities		21,437	21,041	20,220	19,012	66,098	64,322
Total Liabilities	Before Distribution	557,583	83,628	65,095	121,414	299,245	187,571
	After Distribution	557,583	83,628	65,095	121,414	299,245	187,571
Equity attributable to shareholders of the parent		—	151,044	589,644	1,448,000	3,573,107	3,084,332
Capital Stock		—	240	392	1,664,084	1,929,927	1,931,517
Capital Surplus		—	227,921	912,610	563,412	3,776,397	3,823,232
Retained Earnings	Before Distribution	—	(72,150)	(336,708)	(835,255)	(2,079,701)	(2,429,532)
	After Distribution	—	(72,150)	(336,708)	(835,255)	(2,079,701)	(2,429,532)
Other Equity		—	(4,967)	13,350	55,759	(53,516)	(240,885)
Equity under Former Common Control		(239,689)	252,600	—	—	—	—
Total Equity	Before Distribution	(239,689)	403,644	589,644	1,448,000	3,573,107	3,084,332
	After Distribution	(239,689)	403,644	589,644	1,448,000	3,573,107	3,084,332

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 for year 2012 to 2014 above is based on Proforma data.  
Note 2: Independent Auditors’ Report for year 2012 to 2016.  
Note 3: Q1, 2017 financial report reviewed by Auditors of PwC Taiwan.

6.1.2 Condensed Consolidated Statement of Comprehensive Income from 2012 to Q1, 2017—IFRS

<i>Unit: NT\$ in thousands</i>						
<div>YEAR</div> <div>ITEM</div>	MOST RECENT FIVE YEARS (NOTE 1, 2)					AS OF MARCH 31, 2017 (NOTE 3)
	2012	2013	2014	2015	2016	
Net Revenue		—	—	—	—	—
Gross Profit		—	—	—	—	—
Income (Loss) from Operations		(300,265)	(433,597)	(464,897)	(831,952)	(1,351,518)
Non-Operating Income (Expenses)		2,353	2,041	(7,564)	(3,278)	107,098
Net Loss before Tax		(297,912)	(431,556)	(472,461)	(835,230)	(1,244,420)
Continued Operation—Net Loss		(297,912)	(431,580)	(472,485)	(835,255)	(1,244,446)
Discontinued Operation—Net Loss		—	—	—	—	—
Net Loss		(297,912)	(431,580)	(472,485)	(835,255)	(1,244,446)
Other Comprehensive Income (Net of Tax)		8,589	(11,444)	22,807	42,423	(109,275)
Total Comprehensive Income (Loss)		(289,323)	(443,024)	(449,678)	(792,832)	(1,353,721)
Basic Earnings per Share (NT\$)		(3.72)	(5.39)	(5.11)	(5.95)	(6.61)
Note 1: The Company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014 separately. To ensure consistency in reporting, the financial information for year 2012 to 2014 above is based on Proforma data.		Note 2: Independent Auditors’ Report for year 2012 to 2016.				
Note 3: Q1, 2017 financial report reviewed by Auditors of PwC Taiwan.						

6.2 Condensed Financial Statements from 2012–2016—R.O.C. GAAP

6.2.1 Condensed Consolidated Balance Sheet—R.O.C. GAAP  
Not Applicable.

6.2.2 Condensed Consolidated Statement of Comprehensive Income—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 2012 to Q1, 2017

(1) Auditors’ name and opinions from 2012to Q1, 2017  
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 for year 2012 to 2014 above is based on Proforma data.

YEAR	CPA FIRM NAME	AUDITORS	AUDIT OPINION
2012	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei ; Tseng, Hui-Chin	An unqualified opinion
2013	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei ; Tseng, Hui-Chin	An unqualified opinion
2014	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei ; Tseng, Hui-Chin	An unqualified opinion
2015	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei ; Tseng, Hui-Chin	An unqualified opinion
2016	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei ; Tseng, Hui-Chin	An unqualified opinion

(2) If there is any change of auditors from 2012–2016, predecessors, successors and reasons shall be listed: None.



6.3 Financial Analysis from 2012 to Q1 2017 (Consolidated)—IFRS

<div>YEAR</div> <div>ITEM</div>		MOST RECENT FIVE YEARS FINANCIAL ANALYSIS (NOTE 1A–B, 1D)					AS OF MARCH 31, 2017 (NOTE 1C–D)
		2012	2013	2014	2015	2016	
Financial Structure	Debt Ratio (%)	175.4	17.16	9.94	7.74	7.73	5.73
	Long-term Funds to Property, Plant and Equipment Ratio (%)	(101.77)	172.02	158.1	208.18	437.12	406.88
Liquidity Analysis	Current Ratio (%)	9.25	292.05	486.74	762.16	1,266.68	1,955.99
	Quick Ratio (%)	7.08	270.4	453.44	740.88	1,252.69	1,926.94
	Times Interest Earned (Times)	Note 5	Note 5	Note 5	Note 5	Note 5	Note 5
Operating Performance Analysis	Average Collection Turnover (Times)	—	—	—	—	—	—
	Days Sales Outstanding	—	—	—	—	—	—
	Average Inventory Turnover (Times)	—	—	—	—	—	—
	Average Payment Turnover (Times)	—	—	—	—	—	—
	Average Inventory Turnover (Days)	—	—	—	—	—	—
	Property, Plant and Equipment Turnover (Times)	—	—	—	—	—	—
	Total Assets Turnover (Times)	—	—	—	—	—	—
Profitability Analysis	Return on Total Assets (%)	(122.32)	(107.20)	(82.75)	(75.11)	(45.74)	(9.79)
	Return on Equity (%)	(214.62)	(134.17)	(95.14)	(81.98)	(49.57)	(10.51)
	Operating Income to Paid-in Capital Ratio (%) (Note 4)	(198.79)	(287.07)	(78.84)	(49.99)	(70.03)	(18.44)
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 4)	(197.24)	(285.72)	(80.13)	(50.19)	(64.48)	(18.11)
	Net Margin (%)	—	—	—	—	—	—
	Earnings Per Share (NT\$)	(3.72)	(5.39)	(5.11)	(5.95)	(6.61)	(1.81)
Cash flow	Cash Flow Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
	Cash Flow Adequacy Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
	Cash Flow Reinvestment Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Leverage	Operating Leverage	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3
	Financial Leverage	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3

Analysis of deviation of 2016 vs. 2015 over 20%:  
1. Capital Structure: Total Equity and Cash increased due to equity financing in March 2016. Part of the cash has been used to facility expansion and equipment purchase. Therefore, capital structure has changed significantly from 2015 to 2016.  
2. Liquidity Analysis: Increased significantly due to the cash increase from equity financing in 2016.  
3. Profitability Analysis: Net loss increased due to continuous investment in research and development.

Note 1a: The Company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014 separately. To ensure consistency in reporting, the financial information for year 2012 to 2014 above is based on Proforma data.  
Note 1b: Independent Auditors’ Report for year 2012 to 2016.  
Note 1c: Q1, 2017 financial report reviewed by Auditors of PwC Taiwan.  
Note 1d: Formulas for the above table are specified as follows:

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. Liquidity Analysis
- (1) Current Ratio = Current Assets/Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Payment)/Current Liabilities
- (3) Times Interest Earned = Earnings Before Interest Expenses and Income Taxes/Current Interest Expenses
3. Operating Performance Analysis
- (1) Average Collection (including accounts receivables and notes receivable from operations) Turnover Rate = Net Sales/Average Trade Receivables (including accounts receivable and notes receivable from operations) for each period
- (2) Days Sales Outstanding = 365/Average Collection Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales/Average Inventory
- (4) Average Payment (including accounts payable and notes payable from operations) Turnover = Cost of Sales/Average Trade Payables (including accounts payable and notes payable from operations) for each period

- (5) Average Inventory Turnover Days = 365/Average 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 Total Assets = [Net Income + Interest Expense x (1 – Effective Tax Rate)]/Average Total Assets
- (2) Return on Equity = Net Income/Average Total Equity
- (3) Operating Income to Paid-in Capital Ratio = Operating Income/Paid-in Capital
- (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax/Paid-in Capital
- (5) Net Margins = Net Income/Net Sales
- (6) Earnings Per Share = (Net Income attributable to Shareholders of the Parent – Preferred Stock Dividend)/Weighted Average Number of Shares Outstanding
5. Cash Flow
- (1) Cash Flow Ratio = Net Cash Flow from Operating Activities/Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations/Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities – Cash Dividends)/(Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage
- (1) Operating Leverage = (Net Sales – Variable Cost)/Income from Operations
- (2) Financial Leverage = Income from Operations/(Income from Operations – 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

Tanvex BioPharma, Inc. Audit Committee’s Review Report	
March 28, 2017	
The Board of Directors has prepared the Company’s 2016 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 unqualified 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.	
2017 Annual General Meeting of Tanvex BioPharma, Inc.	
Chairman of the Audit Committee Lee-Chiou Chang	

6.5 Consolidated Financial Statements and Independent Auditors’ Report

Please refer to the Independent Auditors’ Report following Section 9 of this report.

6.6 Parent Company Only Statements and Independent Auditors’ Report

None.

6.7 Financial Difficulties of the Company and Its Subsidiaries in 2016 and as of the Date of This Annual Report, and Impact on the Company’s Financial

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2016 and as of the date of this Annual Report: None.



# 7 Review and Analysis of Financial Position, Operating Results and Risk Assessment



## 7 Review and Analysis of Financial Position, Operating Results and Risk Assessment

### 7.1 Financial Status

Discussion of the main reasons for significant changes in assets, liabilities and equities and their impact in most recent two years, if applicable. In the case of significant impact, describe the Company's future action plan.

<i>Unit: NT\$ in thousands; %</i>				
ITEMS	YEAR	2016	2015	DIFFERENCE
				AMOUNT      %
Current Assets		2,953,236	780,472	2,172,764      278.39
Property, Plant and Equipment		832,549	704,701	127,848      18.14
Intangible Assets		57,665	59,749	(2,084)      (3.49)
Other Assets		28,902	24,492	4,410      18.01
Total Assets		3,872,352	1,569,414	2,302,938      146.74
Current Liabilities		233,147	102,402	130,745      127.68
Non-Current Liabilities		66,098	19,012	47,086      247.66
Total Liabilities		299,245	121,414	177,831      146.47
Capital Stock		1,929,927	1,664,084	265,843      15.98
Capital Surplus		3,776,397	563,412	3,212,985      570.27
Retained Earnings		(2,079,701)	(835,255)	(1,244,446)      148.99
Other Equities		(53,516)	55,759	(109,275)      (195.98)
Equity Attributable to Owners of the Parent Company		3,573,107	1,448,000	2,125,107      146.76
Total Shareholders' Equity		3,573,107	1,448,000	2,125,107      146.76

Analysis of difference for changes of more than 20% and amounts differing by more than NT\$10 million from the previous year:  
(1) Increase in Current Assets: Mainly from increase of cash capital in the amount of NT\$3.3 billion in February 2016.  
(2) Increase in Current Liabilities: Mainly due to 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.  
(3) Increase in Non-Current Liabilities: Mainly due to the deferred rent for U.S. subsidiary.  
(4) Increase in Capital Surplus: Mainly due to fund raising and shares sold above par value.  
(5) Decrease in Retained Earnings: Mainly due to the fact that the Company is at a R&D stage and R&D expenses continue to grow, resulting in larger losses to be compensated.  
(6) Increase in Other Equities: More significant fluctuations in the USD exchange rate in 2016 resulted in an increased difference in the amounts in the financial statements of foreign operation entities after currency conversion.

### 7.2 Financial Performance

#### 7.2.1 Analysis of Significant Changes in Revenue, Net Profits and Net Profits before Tax in Most Recent Two Years

<i>Unit: NT\$ in thousands</i>				
ITEM	YEAR	2016	2015	AMOUNT OF INCREASE/DECREASE      CHANGE IN PERCENTAGE (%)
Revenue		—	—	—      —
Cost of Goods Sold		—	—	—      —
Gross Profits		—	—	—      —
Operating Expenses		(1,351,518)	(831,952)	(519,566)      62.45
Net Operating Losses		(1,351,518)	(831,952)	(519,566)      62.45
Non-Operating Incomes and Expenses		107,098	(3,278)	110,376      (3,367.18)
Net Losses before Tax		(1,244,420)	(835,230)	(409,190)      48.99
Income Tax Expenses		(26)	(25)	(1)      4.00
Net Losses		(1,244,446)	(835,255)	(409,191)      48.99
Other Comprehensive Income (Loss after Tax)		(109,275)	42,423	(151,698)      (357.58)
Total Comprehensive Income (Loss)		(1,353,721)	(792,832)	(560,889)      70.75

Analysis of difference for changes of more than 20% and difference of over NT\$10 million from previous year:  
Increase in Total Comprehensive Income (Loss): Mainly due to facility expansion which increased rent, utilities and other related expenses, and the increase of R&D expenses and R&D headcounts based on product development plan and process.  
Note: 2015 and 2016 consolidated financial report has been audited and certified by Auditors of PwC Taiwan.

#### 7.2.2 Projected Sales

As our products are in the R&D stage, we do not expect any significant sales volume during 2017.

#### 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 2017.

### 7.3 Cash Flow

#### 7.3.1 Cash Flow Analysis in Most Recent Two Years

<i>Unit: NT\$ in thousands</i>				
ITEM	YEAR	2016	2015	DIFFERENCE
		AMOUNT	AMOUNT	AMOUNT      %
Net Cash Flow from Operating Activities (Outflow)		(833,426)	(684,195)	(149,231)      21.81
Net Cash Flow from Investing Activities (Outflow)		(1,863,414)	(394,244)	(1,469,170)      372.66
Net Cash Flow from Financing Activities (Outflow)		3,342,346	1,608,937	1,733,409      107.74

Description of analysis of increase/decrease in percentage:  
(1) Operating Activities: Increase of net cash outflow due to products are still in the R&D stage, no revenue has been generated yet.  
(2) Investing Activities: Mainly for cash transferred to CD above 3 month and capital expenditure from research, facility expansion and equipment procurement.  
(3) Financing Activities: Mainly from completion of cash capital increase of NT\$3.3 billion in 2016 to be used for future operating and R&D activities.

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

Not applicable

#### 7.3.3 Projected Cash Flow in 2017

<i>Unit: NT\$ in thousands</i>					
BEGINNING BALANCE (A)	NET CASH FLOW FROM OPERATING ACTIVITIES (B)	EXPECTED CASH OUTFLOW 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
2,915,446	0	(1,843,397)	1,072,049	5,600,000	—

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: Submitted application for IPO in November 2016, an equity financing of NT\$5.6 billion is planned in Q2, 2017.

### 7.4 Major Capital Expenditures Which Significantly Impacted Financials of The Company in 2016

The Company's capital expenditures in 2016 were mainly for facility and capacity expansion and equipment purchases to accommodate the product development schedule and to speed up the development progress. All expenditures are within budget. Therefore, there is no major impact to our financials in 2016.



7.5 Reinvestment Policies in 2016, Main Reasons for Profits or Losses, Improvement and Investment Plan in 2017

1. Reinvestment polices:  
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 by the Board of Directors’ meeting or shareholders’ meeting.
2. Main reasons for profits or losses from reinvestment in 2016 and improvement plan:

As of December 31, 2016  
(Unit: NT\$ in thousands)

REINVESTED COMPANY	BUSINESS ACTIVITIES	INVESTMENT GAINS/ LOSSES IN 2016	REASONS OF LOSSES AND IMPROVEMENT PLAN
La Jolla Biologics, Inc.	Process development and manu- facturing of biosimilars and new drugs	(728,236)	The product development is still at the 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	(485,061)	The business activities are focused on R&D, thus losses incurred.

3. Investment plan for 2017:  
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 follows 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 2016 and as of the Date of This Annual Report

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

1. 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.
2. 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.
3. Inflation Fluctuation  
Based on statistics data, the inflation rate has remained low. Therefore, its impact to our business is minimal.

7.6.2 Investment Policy and Reasons for Gain and Losses on High-risk/High-leverage Investments; Loans to a Third Party, Derivative Tades and Countermeasures

We did not make high-risk or highly-leveraged financial investments, lending, endorsements, guarantees for other parties, or financial derivative transactions during 2016 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 the Board meeting and shareholders’ meeting. We will follow the related policy and procedures in the occurrence of such situations.

7.6.3 R&D Plans and Projected Spending

We have completed facility expansion in 2016, 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 are in process of Phase III 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.

TX05  
We completed Phase I clinical trial, and expect to start Phase III clinical trial in 2017.

TX16  
We have received approval from the FDA on implementation of Phase I clinical trial in January 2017. The Phase I clinical trial is in progress.

TX17  
The process development is in progress.

Based on the above development plan, our budgeted Research and Development costs are approximately US\$56 million in 2017. The plan is subject to adjustment upon any significant changes that may occur during the year.

7.6.4 Changes in International and Domestic Government Policies and Regulatory Environment

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 2016 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 Technologies and the 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 Impact by Changes of Corporate Image on the 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 2016 to the date of the annual report.

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

There have not been any mergers and acquisitions that occurred up to the date of the annual report.

7.6.8 Expected Benefits and Risks Related to Facility 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:

1. One 150L microbial fermenter production line, with potential to expand for two more 150L to meet the production requirement of the TX01 product in the future.

2. 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

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

**7.6.10 Impact and Risk from Transfer or Swap of Stocks by Tanvex’s Directors or Major Shareholders with over 10% of Tanvex’s Total Outstanding Shares, and Countermeasures**

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 and Risk from the Changes in Management of the Company and Countermeasures**

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 and Non-litigation Matters**

1. Any pending or settled major litigious, non-litigious or administrative disputes against the Company, director, supervisor, general manager, person in charge in substance and major shareholders who own 10% or more of total outstanding shares where it has significant effects on shareholder’s interest and share price, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of this annual report shall be disclosed: None.
2. 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 2015, 2016 and as of the date of this annual report: None.

**7.6.13 Other Important Risks**

Publicly traded foreign companies’ state any changes in the macroeconomic situation and economic or political environment, any foreign exchanges controls, and any laws and regulations regarding tax of both the country where the foreign company is registered and operate its main business activities. They should also provide information about other risks such as whether or not the effects of a final and binding civil judgment from the Taiwan court can be recognized by the judicial system of the aforementioned countries as well as any measures which the Company has adopted in response to the risks.

The Company was incorporated on May 8, 2013 in the Cayman Islands as an ordinary investment holding company without any substantive economic activities. Tanvex has two wholly owned and invested subsidiaries, “LJB” located in U.S. and “Tanvex Biologics Corporation” located in Taiwan with substantial operation and defined as the important offshore subsidiaries with significant impact to Tanvex. Below is the assessment of changes in macroeconomic situation, economic and political environment, related regulations, foreign exchanges controls, and the laws and regulations regarding tax, of Cayman Islands, the country of registration, Taiwan and the U.S. where the main places of business are located, as well as other risks such as whether or not the effects of a final and binding civil judgment of a Taiwan court can be recognized by these jurisdictions.

1. The Country of Registration: British Cayman Islands

(1) Changes in Macroeconomic, Political and Economic Environment

The Cayman Islands is British overseas territories in the western Caribbean Sea, which are situated about 268 kilometers northwest of Jamaica and 700 kilometers south of Miami. The local political situation has long been stable. George Town, its capital city located on the Great Cayman Island, is the center of administration, commerce, and finance. The main sources of revenues of the Cayman Islands are the financial service industry and tourism. The Cayman Islands enjoys a reputation of being one of the global financial centers.

There are six types of registration for enterprises in the Cayman Islands: Ordinary Company, Ordinary Non-Resident Company, Exempted Company, Limited Duration Company, Foreign Company, and Limited Liability Company. Specifically, exempted companies are widely used by many enterprises and individuals for their financial planning.

In recent years, the local government has aggressively attempted to ameliorate its reputation regarding its offshore financial services by signing the Mutual Legal Assistance Treaty in 1990 with the U.S. and the UK to deter international criminal organizations from capitalizing on the Cayman Islands for any illegal transactions such as drug trafficking or money laundering. Not only have they entered into the Model 1 agreements including inter-governmental agreements and tax information exchange agreements in order to supplement the implementation of the Foreign Account Tax Compliance Act (FATCA), but the Cayman government has also signed a Multilateral Competent Authority Agreement with fifty other jurisdictions to declare its commitment to enforce the Common Reporting Standard (CRS) on October 29, 2014. When reinforcing crime prevention, the Cayman government has also committed to guarantee the confidentiality of commercial activities. Therefore, the political and economic environment is remarkably stable, and so is societal safety.

In conclusion, Tanvex has registered as an exempted company with no substantive business activities in the local markets, which insulates the Company from any material influence over its overall business functions that could arise from any political or economic changes in the macroeconomic situation.

(2) Foreign Exchanges Controls, Laws and Regulations, and Tax Risks

The Cayman government imposes no taxes upon Tanvex which would be deemed significant. The Cayman Islands has no regulations concerning foreign exchanges controls or currency controls. For an exempted company, the Cayman government does not impose taxation on an individual's or a company's profits, income, gains, appreciation other than the license tax. It also does not inflict any inheritance taxes upon the Company. The Cayman government does impose the stamp duty on any contract made or entered into by the contracting parties within the territories of the Cayman Islands. While individuals transferring the share of a Cayman company are not subject to any stamp duty, this exemption does not apply if Tanvex holds interests in land in the Cayman Islands. Below are the major laws and regulations governing an exempted company in the Cayman Islands:

A. An exempted company shall conduct its business overseas;

B. An exempted company must not issue a solicitation to residents of the Cayman Islands in its offer to subscribe its shares or bonds. Nor is it allowed to own any land in the Cayman Islands except with an approval of the Ministry of Finance and Economic Development of the Cayman Islands;

C. The Cayman Company Act does not require to hold an annual shareholders’ meeting, leaving it to the discretion of the Company to host a shareholders’ meeting or a meeting of the Board of Directors (the “Board”) according to the Memorandum and Articles of Association of the Company (the “AOA”) and when such meeting is to be convened, it can take place on the Cayman Islands or elsewhere. According to the AOA, the Company should hold an annual general shareholders’ meeting in Taiwan within six months after the end of a year when the Company is listed and traded on the Taiwan stock exchange (“TWSE”) or Taipei Exchange (“TPEX”) or is registered as emerging stock company in Taiwan. If the shareholders’ meeting is to be held outside of Taiwan as approved by the Board, the Company should submit this proposal to the TPEX or TWSE within two days after the Board resolution or the shareholder submitting the proposal pursuant to Article 46 of the AOA should get the approval from the TWSE or TPEX.

D. An exempted company is not required to provide or submit any detailed information about its shareholders to the registration office of the Cayman Islands. Yet, the AOA provides that the Board should keep a shareholders list at a stock agent in Taiwan. Shareholders may request at any time to review or transcribe the above document by providing documents proving it has interests in this matter and stating the scope of the inquiry.

E. Shareholders’ roster is not required to be available to the public.

F. An exempted company may request the Cayman government to issue a certificate of tax exemption of the Company with a validity of twenty years. The certificate can be renewed prior to its expiration.

G. An exempted company may request its registration be cancelled or transferred to another country of registration.

H. An exempted company may register as a limited exempted company with not less than two shareholders as required for a valid period of not more than thirty years.

Due to the differences between the laws of the Republic of China (“ROC”) and the Cayman Company Act, the Company has amended the AOA according to the Company Act and the Securities Exchange Act of the ROC to the extent the amendments are in compliance with the laws of the Cayman Islands to protect the interest of the ROC investors and shareholders.

In conclusion, there is no significant impact on the cash flow management of the Company in view that the Cayman government implements an open policy on foreign exchange without any restriction. Meanwhile, the taxes and relevant laws and regulations of the Cayman Islands have no materials impacts on the Company's overall business functions given the fact that it is registered as a holding company without any business activities in the Cayman Islands.

(3) Recognition of a civil judgment issued by a Taiwan court

A. Litigation Risks

As the exempted Company of the Cayman Islands, the Company is not required to apply for recognition by the Ministry of Economic Affairs under Taiwan’s Company Act. For a listed company in Taiwan, no provisions of the AOA of the Company should prevent any shareholder from initiating an action at a competent court to seek legal remedies against wrongful procedure to convene a shareholders’ meeting or wrongful resolution at a shareholder meeting. Despite of the above, an investor may be able to secure a substantive judgment upon filing a lawsuit against the Company or its representative in a Taiwan court, although the Company has assigned a litigation or non-litigation advocate, pursuant to the rules of TWSE. However, there are uncertainties as to whether the Taiwan court has proper jurisdiction, how to conduct the service of process, and the application of foreign laws.

B. Risks of Judgment Recognition and Enforcement

Although the laws of the Cayman Islands have no statutes regarding the enforcement of a civil judgment issued by a foreign court, the principles of the Cayman Islands’ common law recognize the effects of a final and conclusive civil judgment issued by a Taiwan court, provided that all of the following apply: (1) the judgment is final and conclusive; (2) the final judgment is made by a foreign court with jurisdiction; (3) the judgment held the debtor accountable for a definite liquidated sum of money; (4) the judgment is not to enforce any fines, taxes, penalties, and the likes; or the judgment is for a non-monetary relief under certain circumstance; (5) The judicial procedure or enforcement of the judgment are not contrary to the Cayman Islands public policy or natural justice. If a Cayman court does not recognize the judgment of a Taiwan court, an investor cannot enforce the judgment when obtaining a final and binding judgment against the debtor in Taiwan, meaning that an investor may not satisfy his/her claim overseas. Hence, investors should be acquainted with the legal risks regarding any securities issued by a foreign issuer which the investors intend to purchase.

2. The Principal Location of Operations: the United States

(1) The Macroeconomic and the Political Changes

The United States was the world’s largest economy with the GDP of 1,856 trillion USD as of 2016, which constituted one-fifth of the world economy with the GDP per capita of 57,294 USD, which ranked eighth in the world in 2016. The United States has the world’s second-largest amount of foreign trade, is the second-largest exporter and largest importer. The United States has a mixed economy, where most of the microeconomic decisions are made by companies or private enterprises alone. The U.S. government also invests and assists in basic research, education, public health, social security, savings insurance, etc. China, Canada, Mexico, Japan, and Germany are its top five business partners. The U.S. is also the third-largest oil producer and the second-largest producer of natural gas.

U.S. Department of Commerce announced on April 28, 2017 that real gross domestic product (GDP) has increased at an annual rate of 0.7 percent in the first quarter of 2017, lower than the fourth quarter in 2016 of 2.1%. The deceleration in real GDP in the first quarter reflected a deceleration in personal consumption expenditure and downturns in private inventory investment and in state and local government spending. The Federal Open Market Operations Committee (FOMC) on March 14–15, 2017 decided to raise the target range for the federal funds rate to 0.75 to 1 percent and forecasted that 2017 GDP forecast to 1.7% to 2.3%; the unemployment rate edged down to 4.4% to 4.7%; personal consumption expenditure inflation rate was revised from 1.7% to 2.1%.

Economists predict that the global economy in 2017 will still be depressed, putting caps on trade, investments, productivity, and wages. No dramatic change occurred within the U.S. market or international market, limiting negative impact on the Company’s cash flow, financial conditions, competition and collaboration with other businesses.

(2) Risks of Foreign Exchanges Controls, Taxes and Regulations

Tanvex and its subsidiaries utilize the United States Dollar (USD) as the functional currency for transactions. However, for the financial reporting purpose in compliance with the IFRS recognized by the Financial Supervisory Commission in Taiwan, the consolidated financial report represents in New Taiwan Dollar (NTD). Due to the exchange rate fluctuations between USD and NTD, it may result the changes of cumulative translation adjustments reflected in the consolidated financial report.

As the most advanced currency market and the most convenient platform for international financial transactions, the United States leads as the most-developed and complete financial system, as well as a well-established management system of foreign exchange markets. Tanvex and its subsidiaries encounter at no risk on the controls of foreign exchange in the U.S. In terms of relevant laws and tax risk, Tanvex and its subsidiaries have not received any material financial impact due to any changes of relevant laws or tax regulations since Tanvex and its subsidiaries consistently comply with the U.S. Company Act and other applicable laws. Any changes in the relevant laws and tax regulation in the future may, however, affect Tanvex and its subsidiaries’ operation.

(3) Recognition of a Civil Judgment Issued by a Taiwan Court

According to the currently effective Uniform Foreign Money-Judgments Recognition Act in California (CA Code of Civil Procedure sec 1713-24, hereinafter “CA Recognition Act”), if a nonmonetary judgment is consistent with the requirements of the CA Recognition Act and the definition of “foreign judgment”, the non-monetary judgment in a foreign court would be deemed as a final and conclusive foreign judgment to be enforceable under the ambit of the CA Recognition Act. A foreign judgment is enforceable if all of the following apply: (1) the judgment was for a monetary claim, either to approve or deny it; (2) according to the foreign law by which the judgment was made, the judgment was a conclusive, final, and enforceable judgment but not to enforce any taxes, fines, or penalties, and not to enforce any family court judgments for divorce, alimony, and maintenance (except for the circumstances where the doctrine of international comity applies or the foreign judgment excludes the application of CA Recognition Act). The CA Recognition Act also requires the plaintiff who seek the recognition of the foreign judgment to fulfill the burden of proof regarding these abovementioned elements and provides that the request of the recognition must be made within ten years since the judgment takes effect or within the statutory period of the foreign law by which the judgment is made, whichever is shorter.

In addition, the CA Recognition Act provides that the court should not recognize a foreign judgment for any of the following occurrences: (1) the judicial system where the foreign judgment was made did not provide court with equity and fairness or the due process consistent with the California laws; (2) the foreign court had no jurisdiction over the defendant against whom the plaintiff is attempting to enforce the judgment; or (3) the foreign court had no jurisdiction over the subject matter.

Furthermore, the CA Recognition Act states that the California court should not recognize a foreign judgment for any of the following circumstance: (1) the defendant did not receive notice of the proceedings in sufficient time to enable him to defend; (2) the judgment was obtained by fraud making the plaintiff who lose the case unable to defend sufficiently; (3) the judgment, the cause of action, or the remedy was repugnant to the public policy of the U.S. or California; (4) the civil judgment conflicts with another final and conclusive judgment; (5) the proceeding in the foreign court was contrary to an agreement between the parties under which the dispute was to be settled; (6) in the case of jurisdiction based on personal service of process, the foreign court was a significantly inconvenient forum for the trial; (7) the circumstance where the foreign judgment was made caused the integrity of the rendering court to be very doubtful; (8) the judgment was not rendered under procedures compatible with the requirements of due process under the laws of California; or (9) the subject matter of the foreign judgment was a libel claim (unless the foreign court provides the same degree of constitutional protection as the case in the U.S. or in California).

3. The Principal Location of Operations: Taiwan (ROC)

(1) The Macroeconomic and the Political Changes

Taiwan ranked 14th out of 138 countries for the global competition according to the World Economic Forum (“WEF”) Global Competitiveness Report 2016–2017 issued in September 2016. Additionally, Taiwan also ranked the third, after Singapore and Switzerland, out of 50 countries for the best investment environment country evaluated by the famous Business Environment Risk Intelligence Company (“BERI”) in the “Assessment Report of Investment Environment” issued in the first quarter of 2016. Moreover, Taiwan ranked 14th, and third in the Asia Pacific region, out of 61 countries for the world competition according to the “World Competitiveness Report 2016” published by International Institute for Management Development (“IMD”). From the above evaluation, Taiwan apparently has a stable economy, great investment environment, strong adaptabilities, financial institutions with good financial conditions, and a robust foreign exchange reserve, illustrating Taiwan as a considerable investment target for foreign companies.

The 2017 Index of Economic Freedom, published jointly by The Heritage Foundation and *The Wall Street Journal*, measures the four criteria including “rule of law”, “government control”, “regulatory effectiveness”, and “open market” to determine the degree of freedom of economies around the world, Among the 180 countries and economies in the world, Taiwan ranked 11th, in the Asia-Pacific 43 countries and economies, Taiwan ranked 5th, second only to Hong Kong, Singapore, Australia and New Zealand.

According to the press releases issued by the Executive Yuan in February 2017, the economy is expected to grow by 1.92% in 2017, which is 0.05% higher than the forecast issued last November, mainly due to increasingly overseas demand and government’s active implementation of the measures to boost the economy which is expected to gradually lead to increase of domestic demand.

(2) Risks of Foreign Exchange Control, Taxes, and Applicable Laws

Taiwan’s foreign exchange is conducted pursuant to the market mechanism which allows a free flow of funds. For the flow of foreign currency involving exchange of funds in New Taiwan Dollar denomination, foreign exchange proceeds and payments from and for goods and services and capital transactions (including direct investments and securities investments) approved by Taiwan competent authority are subject to no restrictions, except for the requirements on dollar amount of foreign exchange settlement for transfer of short-term funds. The exchange rate of NTD is determined by supply and demand in the foreign exchange markets, except that Taiwan’s Central Bank plays the role of maintaining the order of the foreign exchange markets when the regular operation of the markets is compromised by seasonable factors or under irregular circumstances. Taiwan’s Central Bank also actively promotes financial liberalization and internationalization. Management of capital flows is subject to market factors and there is a free flow of funds in and out of Taiwan. Management of foreign reserve follows the fundamental principle of liquidity, security and profitability, with an emphasis on economic effects from promotion of economic development and upgrading of industries.

For tax regulations, Taiwan follows the rule of laws and the principle of taxation by law and all collections of taxes and duties shall be governed by law. The standard procedures for tax collection are based on the Tax Collection Act. The Taiwan government also follows the Administrative Procedure Act to ensure transparency of tax collection as well as acting by law to protect people’s rights and interests and improve administrative efficiency. Tax denominations include “national taxes” and “local taxes”, to be collected by the National Taxation Authority, and the tax collection authority at the municipal government or county/city government, as applicable. The Ministry of Finance is the highest administrative entity governing tax matters and responsible for general management of tax collection, interpretation of tax laws, and national budgeting.

In recent years, Taiwan is developing in tandem with the international society. In order to harmonize Taiwan’s tax system with those in other jurisdictions, create a fair and equitable tax environment, and respond to changes in economic development and needs for cross-border investments, various revisions have been implemented to improve Taiwan’s tax system. After Taiwan’s accession to the World Trade Organization (WTO) in 2002, Taiwan has referred to the regulations published by the WTO in amending the applicable laws to be used as the basis of collection of customs. Taiwan has also implemented the tax system on tobacco and alcohol products to promote international trade. Taiwan has a favorable tax environment, and open and transparent collection procedures. There is smooth and fast communication channel with tax collection authority. The Taiwan government continues to take measures to improve its tax system in response to changes in economic environment. Taiwan therefore has an appealing investment environment in Asia Pacific.

In summary, despite the fact that Taiwan implements a managed floating exchange rate regime for foreign exchange control, this does not impose any material restriction on fund flows required for the Company’s operation and business activities. There is no material restriction under tax and applicable laws that are expected to affect the Company’s operation and business activities.

(3) Whether a Final Civil Judgment by Taiwan Court Is Recognized

As Tanvex Biologics Corporation, the Company’s subsidiary in Taiwan, mainly engages its business in Taiwan, the final civil judgment by Taiwan court is always binding and enforceable. Therefore, the question that whether a final civil judgment by Taiwan court is recognized in the main place of business does not apply.

**7.7 Other Important Matters**

None.



# 8 Other Special Notes

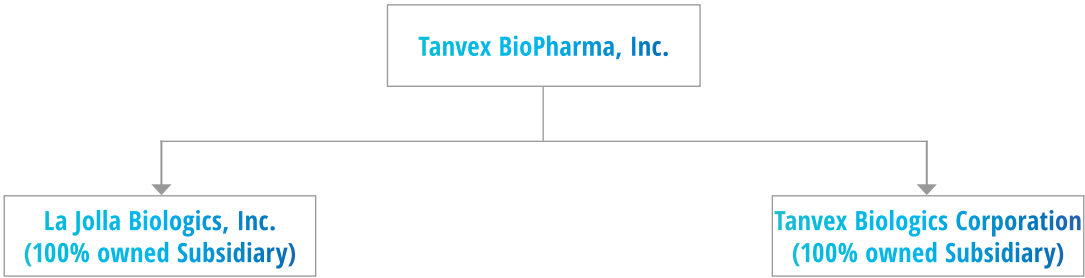




## 8 Other Special Notes

### 8.1 Information on Subsidiaries

#### 8.1.1 Subsidiaries Chart (As of December 31, 2016)



#### 8.1.2 Basic Information of Subsidiaries

*As of December 31, 2016*

COMPANY NAME	DATE OF INCORPORATION	PLACE OF REGISTRATION	PAID-IN CAPITAL (IN THOUSANDS)	MAJOR BUSINESS ACTIVITIES
La Jolla Biologics, Inc.	01/01/2011	10421 Pacific Center Court, San Diego, CA 92121, U.S.A.	US\$87,601	Process development and manufacturing of Biosimilar products and new drugs
Tanvex Biologics Corporation	04/07/2009	33F, No.99, Sec.1, Xintai 5th Road, Xizhi District, New Taipei City, Taiwan, R.O.C	NT\$1,511,940	Research and development of Biosimilar products 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 Directors, Supervisor, Chairman and Presidents of Tanvex’s Subsidiaries

*As of December 31, 2016*

COMPANY NAME	TITLE	NAME OR THE REPRESENTATIVE	SHAREHOLDING OF TANVEX	
			SHARE(S)	%
La Jolla Biologics, Inc.	Chairman and CEO	Allen Chao	1,000,000	100%
Tanvex Biologics Corporation	Chairman	Allen Chao	151,194,000	100%
	Director	Chen, Chi-Chuan		
	Director	Chu, Pei-Lan		
	Supervisor	Kao, Ying-Yu		
	General Manager	Yang, Kai-Wen		

#### 8.1.5 Operational Highlights of Subsidiaries

*As of December 31, 2016; Dollars in thousands*

COMPANY	PAID-IN CAPITAL	ASSETS	LIABILITIES	NET WORTH	NET REVENUE	OPERATING EXPENSE	NET LOSS AFTER TAXES
La Jolla Biologics, Inc.	US\$87,601	US\$28,638	US\$5,964	US\$22,674	US\$6,720	US\$(29,262)	US\$(22,177)
Tanvex Biologics Corporation	NT\$1,511,940	NT\$376,868	NT\$107,578	NT\$260,290	—	NT\$(486,758)	NT\$(485,061)

#### 8.1.6 Consolidated Financial Statements Covering the Subsidiaries

Incorporated in the consolidated financial statements, please refer to page 93 to page 136.

#### 8.1.7 Consolidated Business Reports

Not applicable.

### 8.2 Private Placement of Securities in Most Recent Year and up to the Date of This Annual Report

None.

### 8.3 Status of Common Stock Acquired, Disposed, and Held by Subsidiaries in the Most Recent Year and up to the Date of This Annual Report

None.

### 8.4 Other Necessary Supplemental Explanations (Major Differences Between the Company’s Articles and in Relation to the Protection of Shareholders’ Equity)

Due to the differences between the laws of Taiwan, ROC and the Cayman and Company Act, the amendment of the Shareholder Right Proection Checking List for foreign issuer amended by GTSM on January 30, 2016, may not be applicable to Tanvex. The Company’s Articles differs from the rules of the ROC in relation to the protection of shareholder equity as follows:

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY’S ARTICLES 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 are 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.
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: (1) Election or discharge of directors and supervisors; (2) Alteration of the Articles of Incorporation; (3) Dissolution, merger, spin-off; (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; (5) Transfer the whole or any essential part of its business or assets; or (6) Accept the transfer of another’s whole business or assets, which has great bearing on the business operation of the Company; (7) Offering, private placement of any equity-type securities; (8) Release the prohibition on directors from participation in competitive business; (9) Pay all or partial dividends and bonuses by way of issuing new shares; (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.	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. Although Cayman law does not expressly prohibit extemporary motions, the Cayman lawyer advises that it is inappropriate to exercise extemporary motions at the share-holder’s meeting.	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.
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 shareholder’s 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 respect of any extemporary motion and/or the amendment to the contents of the original proposal.	There is no special provision regarding Paragraph 2 under Cayman Companies Law.	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 AOI. 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 respect 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).

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY’S ARTICLES AND THE EXPLANATION
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.	There is no special provision regarding this Paragraph 4 under Cayman Companies Law.	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 AOI. According to the comment of Cayman lawyer, under common law, a person may revoke his/her 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.
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 days 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.	There is no special provision regarding the power of attorney of soliciting of the power of attorney under the Cayman Companies Law.	Since there are 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 AOI of the company. According to the comment of the 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>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.</p> <p>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> <p>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.</p> <p>2. Amend the Articles of Incorporation.</p> <p>3. Any amendment to the Articles of Incorporation prejudicial to the rights of special shareholders shall be adopted by special resolution.</p> <p>4. The whole or a part of the distributable dividends and bonuses may be paid in the form of shares newly issued.</p> <p>5. The proposal of dissolution, consolidation or merger and split-up.</p> <p>6. Issuance of the new employee restricted stocks.</p>	<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 the 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>1. 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 shareholder’s 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 Supermajority Resolution Type B which means that the total number of shares repre- sented by the shareholders present at a shareholders’ meeting is less than the percentage of the total shareholdings required by the Supermajority 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 outstand- ing shares and exercise the voting rights in person or by proxy (if such shareholders’ meeting allows the use of proxy ).</p> <p>2. According to Article 24 of the Cayman Companies Law, any amendments to the AOI shall be adopted by Special 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).</p>

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY’S ARTICLES AND THE EXPLANATION
		<p>3. 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. The threshold of the number of the share- holders 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>4. 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> <p>5. With regard to subparagraph 5 (the consolidation or merger part), according to the 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>
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	THE COMPANY’S ARTICLES AND THE EXPLANATION
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. 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.	There is no special provision of requirements or prohibitions under the Cayman Companies Law. 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 the Cayman Islands is inclined not to interfere in the internal act of the company.	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 AOl 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 AOl 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.
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. 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. 3. When performing their duties, the Company’s officers and supervisors shall have the same damage liability as the Directors.	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. According to the laws of the 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 AOl of the company provides that the directors shall be held jointly and severally liable for damage to such person with the company, from Cayman law’s point of view, the third party still cannot directly claim against the Director.	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 AOl of the company; provided the Cayman lawyer indicates that even though the AOl of the company provides that the directors shall be held jointly and severally liable for damage to such person with the company, from Cayman law’s point of view, the third party still cannot directly claim against the Director.

9 Any Events in 2016 and up to the Date of This Annual Report That Had Significant Impact on Shareholders’ Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan

None.

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors’ report 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 auditors’ report 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, 2016 and 2015, and the related consolidated statements of comprehensive income, 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, 2016 and 2015, and their financial performance and cash flows for the years 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.

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Tseng, Hui-Chin	Teng, Sheng-Wei
and on behalf of PricewaterhouseCoopers, Taiwan	
March 28, 2017	

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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						
(Expressed in thousands of New Taiwan dollars)						
Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,301,659	33	\$ 758,225	48
1200	Other receivables		5,170	-	400	-
1210	Other receivables - related parties	7	-	-	56	-
1410	Prepayments		32,620	1	21,791	2
1476	Other current financial assets	6(2)	1,613,787	42	-	-
11XX	Total current assets		2,953,236	76	780,472	50
Other non-current assets						
1600	Property, plant and equipment	6(3)	832,549	22	704,701	45
1780	Intangible assets	6(4)	57,665	1	59,749	4
1920	Refundable deposits		25,233	1	21,774	1
1990	Other non-current assets		3,669	-	2,718	-
15XX	Total non-current assets		919,116	24	788,942	50
1XXX	Total assets		\$ 3,872,352	100	\$ 1,569,414	100

(Continued)

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
<b>Total current liabilities</b>						
2150	Notes payable		\$ 1,934	-	\$ -	-
2200	Other payables	6(5)	231,213	6	99,650	7
2300	Other current liabilities	6(6)	-	-	2,752	-
21XX	<b>Total current liabilities</b>		<u>233,147</u>	<u>6</u>	<u>102,402</u>	<u>7</u>
2600	<b>Non-current liability</b>	6(6)	<u>66,098</u>	<u>2</u>	<u>19,012</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>299,245</u>	<u>8</u>	<u>121,414</u>	<u>8</u>
<b>Share capital</b>		6(9)				
3110	Common stock		1,929,927	50	1,664,084	106
<b>Capital surplus</b>		6(10)				
3200	Capital surplus		3,776,397	97	563,412	36
<b>Retained earnings</b>		6(11)				
3350	Accumulated deficit		( 2,079,701)	( 54)	( 835,255)	( 53)
<b>Other equity interest</b>		6(12)				
3400	Other equity interest		( 53,516)	( 1)	55,759	3
31XX	<b>Equity attributable to owners</b>					
	<b>of the parent</b>		<u>3,573,107</u>	<u>92</u>	<u>1,448,000</u>	<u>92</u>
3XXX	<b>Total equity</b>		<u>3,573,107</u>	<u>92</u>	<u>1,448,000</u>	<u>92</u>
<b>Significant contingent liabilities</b>		9				
<b>and unrecognised contract</b>						
<b>commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,872,352</u>	<u>100</u>	<u>\$ 1,569,414</u>	<u>100</u>

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

TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

Items		Notes	Year ended December 31			
			2016		2015	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>		\$ -	-	\$ -	-
5000	<b>Operating costs</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5900	<b>Gross profit from operations</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>						
6200	Administrative expenses	6(15)(16)	( 243,529)	-	( 169,755)	-
6300	Research and development expenses	6(15)(16) and 7(2)	( 1,107,989)	-	( 662,197)	-
6000	<b>Total operating expenses</b>		<u>( 1,351,518)</u>	<u>-</u>	<u>( 831,952)</u>	<u>-</u>
6900	<b>Operating loss</b>		<u>( 1,351,518)</u>	<u>-</u>	<u>( 831,952)</u>	<u>-</u>
<b>Non-operating income and expenses</b>						
7010	Other income	6(13) and 7	25,648	-	903	-
7020	Other gains and losses	6(14)	<u>81,450</u>	<u>-</u>	<u>( 4,181)</u>	<u>-</u>
7000	<b>Total non-operating income and expenses</b>		<u>107,098</u>	<u>-</u>	<u>( 3,278)</u>	<u>-</u>
7900	<b>Loss before income tax</b>		<u>( 1,244,420)</u>	<u>-</u>	<u>( 835,230)</u>	<u>-</u>
7950	Income tax expense	6(17)	<u>( 26)</u>	<u>-</u>	<u>( 25)</u>	<u>-</u>
8200	<b>Net loss for the year</b>		<u>(\$ 1,244,446)</u>	<u>-</u>	<u>(\$ 835,255)</u>	<u>-</u>
<b>Other comprehensive (loss) income, net</b>						
<b>Components of other comprehensive (loss) income that will not be reclassified subsequently to profit or loss</b>						
8361	Exchange differences on translation of foreign financial statements		(\$ 109,275)	-	\$ 42,423	-
8500	<b>Total comprehensive loss</b>		<u>(\$ 1,353,721)</u>	<u>-</u>	<u>(\$ 792,832)</u>	<u>-</u>
<b>Loss attributable to:</b>						
8610	Owners of the parent		<u>(\$ 1,244,446)</u>	<u>-</u>	<u>(\$ 835,255)</u>	<u>-</u>
<b>Comprehensive loss attributable to:</b>						
8710	Owners of the parent		<u>(\$ 1,353,721)</u>	<u>-</u>	<u>(\$ 792,832)</u>	<u>-</u>
<b>Loss per share</b>		6(18)				
9750	<b>Basic loss per share</b>		<u>(\$ 6.61)</u>	<u>(\$ 5.95)</u>		
9850	<b>Diluted loss per share</b>		<u>(\$ 6.61)</u>	<u>(\$ 5.95)</u>		

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

**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Exchange differences on translation of foreign financial statements	Total
		Share capital - common stock	Additional paid-in capital	Employee stock options	Others	Accumulated deficit		
<b>Year ended December 31, 2015</b>								
Balance at January 1, 2015		\$ 392	\$ 892,095	\$ 20,515	\$ -	(\$ 336,708)	\$ 13,350	\$ 589,644
Issuance of shares	6(9)	105	1,573,395	-	-	-	-	1,573,500
Capital surplus used to offset against accumulated deficit	6(10)	-	( 336,708 )	-	-	336,708	-	-
Issuance of shares from capital surplus	6(10)	1,656,132	( 1,656,132 )	-	-	-	-	-
Effect of rate exchange in par value		14	-	-	-	-	( 14 )	-
Compensation cost of employee stock options	6(8)	-	-	42,251	-	-	-	42,251
Forfeiture of employee share options	6(8)	-	-	( 596 )	596	-	-	-
Exercise of employee share options		7,441	42,119	( 14,123 )	-	-	-	35,437
Loss for the year		-	-	-	-	( 835,255 )	-	( 835,255 )
Other comprehensive income for the year		-	-	-	-	-	42,423	42,423
Balance at December 31, 2015		\$ 1,664,084	\$ 514,769	\$ 48,047	\$ 596	(\$ 835,255)	\$ 55,759	\$ 1,448,000
<b>Year ended December 31, 2016</b>								
Balance at January 1, 2016		\$ 1,664,084	\$ 514,769	\$ 48,047	\$ 596	(\$ 835,255)	\$ 55,759	\$ 1,448,000
Issuance of shares	6(9)	260,000	3,068,000	-	-	-	-	3,328,000
Issuance of shares from compensation cost of employee stock options	6(8)	-	4,420	-	-	-	-	4,420
Compensation cost of employee stock options	6(8)	-	-	132,062	-	-	-	132,062
Forfeiture of employee share options	6(8)	-	-	( 226 )	226	-	-	-
Exercise of employee share options		5,843	14,614	( 6,111 )	-	-	-	14,346
Loss for the year		-	-	-	-	( 1,244,446 )	-	( 1,244,446 )
Other comprehensive loss for the year		-	-	-	-	( 109,275 )	( 109,275 )	( 109,275 )
Balance at December 31, 2016		\$ 1,929,927	\$ 3,601,803	\$ 173,772	\$ 822	(\$ 2,079,701)	(\$ 53,516)	\$ 3,573,107

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

**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(\$ 1,244,420 )	(\$ 835,230 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	104,205	59,250
Amortization	6(15)	13,370	8,132
Compensation cost of employee stock options	6(8)	136,482	42,251
Interest income	6(13)	( 10,652 )	( 444 )
Loss on disposal of property, plant and equipment	6(14)	3,207	4,334
Property, plant and equipment transferred to expense		792	2,826
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		( 4,770 )	( 238 )
Other receivables - related parties		56	56
Prepayments		( 10,829 )	( 6,845 )
Changes in operating liabilities			
Notes payable		1,934	( 538 )
Other payables		122,239	43,882
Other payables - related parties		-	( 1,411 )
Other current liabilities		( 2,752 )	570
Non-current liability		47,086	( 1,208 )
Cash outflow generated from operations		( 844,052 )	( 684,613 )
Interest received		10,652	444
Income tax paid	6(17)	( 26 )	( 26 )
Net cash flows used in operating activities		( 833,426 )	( 684,195 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of other current financial assets	6(2)	( 1,613,787 )	-
Acquisition of property, plant and equipment		( 238,149 )	( 359,154 )
Proceeds from disposal of property, plant and equipment		4,239	302
Increase in intangible assets		( 10,413 )	( 14,316 )
Increase in refundable deposits		( 4,138 )	( 21,076 )
Decrease in other receivables		465	-
Increase in other non-current assets		( 1,631 )	-
Net cash flows used in investing activities		( 1,863,414 )	( 394,244 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of shares	6(9)	3,328,000	1,573,500
Exercise of employee stock options		14,346	35,437
Net cash flows from financing activities		3,342,346	1,608,937
Effect of exchange rate changes on cash and cash equivalents		( 102,072 )	24,522
Net increase in cash and cash equivalents		543,434	555,020
Cash and cash equivalents at beginning of year		758,225	203,205
Cash and cash equivalents at end of year		<u>\$ 1,301,659</u>	<u>\$ 758,225</u>

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



TANVEX BIOPHARMA, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Tanvex Biopharma, Inc. (the “Company”) was incorporated as a company limited by shares in the Cayman Islands in May, 2013. The address of the Company’s registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, KY1-1205, Cayman Islands. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research, development, manufacture and sale of biosimilar products and new drugs. The Group is currently in conducting research and development of biosimilar products, biological production procedures and new drugs, 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 reported to the Board of Directors on March 28, 2017.

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”)

None.

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

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 above standards and interpretations have no significant impact to the Group’s financial condition and operating results based on the Group’s assessment.

(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 IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, ‘Financial instruments’ with IFRS 4, ‘Insurance contracts’ (amendments to IFRS 4)	January 1, 2018
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)	To be determined by International Accounting
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers’ (amendments to IFRS 15)	January 1, 2018
IFRS 16, ‘Leases’	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating results based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

C. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

(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 (%)		Description
			December 31, 2016	December 31, 2015	
Tanvex Biopharma, Inc.	Tanvex Biologics, Corp.	Research and development of biosimilar products and new drugs	100%	100%	
Tanvex Biopharma, Inc.	La Jolla Biologics, Inc.	Formulation and manufacturing of biosimilar products and new drugs	100%	100%	

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

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

E. Significant restrictions: None.

F. 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) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

B. Time deposits that do not meet the definition of cash equivalents (listed under "Other current financial assets") are measured at the initial investment value, as they are held for a short period of time and the effect of discounting is insignificant.

#### (7) Receivables

Receivables are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised 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.

#### (8) 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 Group, 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 reorganisation;



- (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;
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, for financial assets measured at amortised 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 recognised 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 recognised, 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 amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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
Transportation equipment	5 years

(11) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(12) Intangible assets

- A. Patents and specialized technologies  
Patents and specialized technologies are stated at costs and amortised on a straight-line basis over their estimated useful life of 16 years.
- B. Computer software  
Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 7 years.

(13) 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 recognised 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 amortised historical cost would have been if the impairment had not been recognized.

(14) 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.

(15) 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 recognised as expenses in that period when the employees render service.
- B. Pensions  
Defined contribution plans  
For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a deduction in the future payments.
- C. Employees' compensation and directors' and supervisors' remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognised 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.

(16) 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. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(17) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. Deferred tax is recognised, 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 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 nor loss. Deferred 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 tax asset is realised or the deferred tax liability is settled.
- C. Deferred tax assets are recognised 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 recognised deferred tax assets are reassessed.
- D. 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred 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 realise the asset and settle the liability simultaneously.

E. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the unused tax credits and loss carryforward can be utilised.

(18) 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.

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group’s chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	\$ 72	\$ 72
Checking accounts and demand deposits	1,301,587	758,153
	<u>\$ 1,301,659</u>	<u>\$ 758,225</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) Other financial assets – current

Items	December 31, 2016	December 31, 2015
Time deposits	<u>\$ 1,613,787</u>	<u>\$ -</u>

- A. The above time deposits do not meet the definition of cash equivalents.
- B. The Group has no time deposits pledged to others.

(3) Property, plant and equipment

	Unfinished construction and equipment under acceptance					Total
	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	
At January 1, 2016						
Cost	\$ 28,147	\$ 191,550	\$ 313,228	\$ 244,478	\$ 519	\$ 847,631
Accumulated depreciation and impairment	( 5,358)	( 23,438)	( 73,676)	( 40,406)	( 52)	( 142,930)
	<u>\$ 22,789</u>	<u>\$ 168,112</u>	<u>\$ 239,552</u>	<u>\$ 204,072</u>	<u>\$ 467</u>	<u>\$ 704,701</u>
2016						
Opening net book amount	\$ 22,789	\$ 168,112	\$ 239,552	\$ 204,072	\$ 467	\$ 704,701
Additions	11,143	68,082	41,141	60,255	-	247,473
Disposals	( 131)	( 2,799)	( 2,336)	( 2,180)	-	( 7,446)
Transfer	1,855	4,471	26,169	34,826	-	( 1,188)
Depreciation charge	( 5,256)	( 37,113)	( 32,245)	( 29,488)	( 103)	( 104,205)
Net exchange differences	( 226)	( 1,792)	( 1,820)	( 2,214)	( 5)	( 6,786)
Closing net book amount	<u>\$ 30,174</u>	<u>\$ 198,961</u>	<u>\$ 270,461</u>	<u>\$ 265,271</u>	<u>\$ 359</u>	<u>\$ 832,549</u>
At December 31, 2016						
Cost	\$ 40,234	\$ 251,839	\$ 374,200	\$ 333,890	\$ 513	\$ 1,067,999
Accumulated depreciation and impairment	( 10,060)	( 52,878)	( 103,739)	( 68,619)	( 154)	( 235,450)
	<u>\$ 30,174</u>	<u>\$ 198,961</u>	<u>\$ 270,461</u>	<u>\$ 265,271</u>	<u>\$ 359</u>	<u>\$ 832,549</u>



	Unfinished construction and equipment under acceptance					Total
	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	
<u>At January 1, 2015</u>						
Cost	\$ 5,834	\$ 32,738	\$ 189,797	\$ 121,655	\$ -	\$ 469,119
Accumulated depreciation and impairment	( 2,097)	( 10,048)	( 46,316)	( 24,917)	-	( 83,378)
<u>2015</u>	<u>\$ 3,737</u>	<u>\$ 22,690</u>	<u>\$ 143,481</u>	<u>\$ 96,738</u>	<u>\$ -</u>	<u>\$ 385,741</u>
Opening net book amount	\$ 3,737	\$ 22,690	\$ 143,481	\$ 96,738	\$ -	\$ 385,741
Additions	6,975	136,412	63,589	102,037	506	374,179
Disposals	( 264)	( 249)	( 3,297)	( 308)	-	( 4,636)
Transfer	15,107	17,947	57,544	16,250	-	( 8,744)
Depreciation charge	( 3,327)	( 13,062)	( 26,478)	( 16,332)	( 51)	( 59,250)
Net exchange differences	561	4,374	4,713	5,687	12	17,411
Closing net book amount	<u>\$ 22,789</u>	<u>\$ 168,112</u>	<u>\$ 239,552</u>	<u>\$ 204,072</u>	<u>\$ 467</u>	<u>\$ 704,701</u>
<u>At December 31, 2015</u>						
Cost	\$ 28,147	\$ 191,550	\$ 313,228	\$ 244,478	\$ 519	\$ 847,631
Accumulated depreciation and impairment	( 5,358)	( 23,438)	( 73,676)	( 40,406)	( 52)	( 142,930)
	<u>\$ 22,789</u>	<u>\$ 168,112</u>	<u>\$ 239,552</u>	<u>\$ 204,072</u>	<u>\$ 467</u>	<u>\$ 704,701</u>

The Group had no property, plant and equipment pledged as collateral.

(4) Intangible assets

	Patent and expertise	Computer software	Total
<u>At January 1, 2016</u>			
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>2016</u>			
Opening net book amount	\$ 35,609	\$ 24,140	\$ 59,749
Additions	-	10,413	10,413
Transfer	-	397	397
Amortization charge	( 3,446)	( 9,244)	( 12,690)
Net exchange differences	-	( 204)	( 204)
Closing net book amount	<u>\$ 32,163</u>	<u>\$ 25,502</u>	<u>\$ 57,665</u>
<u>At December 31, 2016</u>			
Cost	\$ 51,650	\$ 42,772	\$ 94,422
Accumulated amortization	( 19,487)	( 17,270)	( 36,757)
	<u>\$ 32,163</u>	<u>\$ 25,502</u>	<u>\$ 57,665</u>
	Patent and expertise	Computer software	Total
<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>
<u>2015</u>			
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>
<u>At December 31, 2015</u>			
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>

Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2016	2015
General and administrative expenses	\$ 1,737	\$ 1,184
Research and development expenses	10,953	6,268
	<u>\$ 12,690</u>	<u>\$ 7,452</u>

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

(5) Other payables

	December 31, 2016	December 31, 2015
Wages and salaries payable	\$ 52,167	\$ 33,343
Accrued research material	39,431	32,146
Accrued research expense	72,861	3,295
Payable on equipment	28,442	19,118
Accrued professional fee	10,676	3,548
Accrued tax	11,244	3,199
Others	16,392	5,001
	<u>\$ 231,213</u>	<u>\$ 99,650</u>

(6) 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, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Current (shown as other current liabilities)	\$ -	\$ 2,752
Non-current (shown as other non-current liabilities)	66,098	19,012
	<u>\$ 66,098</u>	<u>\$ 21,764</u>

(7) 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, LJB, Inc., provides 401(K) retirement plan, which is a defined contribution plan. Under the plan, the employees 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 personal accounts.

B. The pension costs under the above pension plans of the Group for the years ended December 31, 2016 and 2015 were \$5,498 and \$3,837, respectively.

(8) Share-based payment

A. As at December 31, 2016 and 2015, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Description	Grant date	Quantity granted (number of shares)	Contract period	Vesting conditions
Employee stock options A		2013.10	322,000	10 years	1~4 years of service
Employee stock options B		2013.10	20,000	10 years	Immediately vested and 1~2 years of service
Employee stock options C		2014.4~7	100,000	10 years	1~4 years of service
Employee stock options D		2014.10~12	3,680,000	10 years	1~4 years of service
Employee stock options F		2015.1~6	2,272,500	10 years	1~4 years of service
Consultant warrants A		2014.6~7	360,000	10 years	1~4 years of service
Consultant warrants C		2014.12	225,000	10 years	1~4 years of service
Employee stock options G		2015.7	620,000	10 years	1~4 years of service
Employee stock options H		2015.12	596,000	10 years	2~4 years of service
Cash capital increase reserved for employee preemption		2016.2	2,600,000	NA	Immediately vested
Employee stock options I		2016.6	918,000	10 years	2~4 years of services
Employee stock options J		2016.7	3,014,000	10 years	2~4 years of services
Employee stock options K		2016.9	160,000	10 years	2~4 years of services
Employee stock options L		2016.12	686,000	10 years	2~4 years of services

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	10 years	Immediately vested and 1~4 years of service
Consultant warrants B	Note	2014.10	700,000	475,000	10 years	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. The fair value of incremental cost arising from the replacement was \$9,891 and consultant warrants have been exercised in 2015.

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

(a) Employee stock options

	Years ended December 31,			
	2016		2015	
	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	9,205,219	\$ 1.02	8,989,884	\$ 0.39
Options granted	4,778,000	4.59	3,488,500	2.06
Options forfeited	( 592,469)	1.60	( 1,258,094)	0.44
Options exercised	( 584,300)	0.76	( 2,015,071)	0.39
Options outstanding at end of the year	<u>12,806,450</u>	2.30	<u>9,205,219</u>	1.02
Options exercisable at end of the year	<u>3,151,950</u>		<u>1,579,594</u>	

(b) Consultant warrants

	Year ended December 31, 2015	
	No. of shares	Weighted-average exercise price (in US dollars)
Warrants outstanding at beginning of the year	1,060,000	\$ 0.33
Warrants granted	-	-
Warrants exercised	( 1,060,000)	0.33
Warrants outstanding at end of the year	<u>-</u>	-
Warrants exercisable at end of the year	<u>-</u>	-

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

Issuance date	Expiration date	December 31, 2016		December 31, 2015	
		No. of shares	Price (US\$)	No. of shares	Price (US\$)
Employees:					
2013.10	2023.10	97,000	\$ 0.2	111,500	\$ 0.2
2014.4~7	2024.4~7	50,000	0.2	87,500	0.2
2010.6~2013.12/ 2014.10	2024.10	2,357,900	0.4	2,456,219	0.4
2014.10~12	2024.10~12	2,699,800	0.4	3,125,500	0.4
2015.1~6	2025.1~6	1,836,250	1.5	2,208,500	1.5
2015.7	2025.7	607,500	1.5	620,000	1.5
2015.12	2025.12	560,000	4.8	596,000	4.8
2016.6	2026.6	838,000	4.0	-	-
2016.7	2026.7	2,914,000	4.8	-	-
2016.9	2026.9	160,000	5.2	-	-
2016.12	2026.12	686,000	4.6	-	-

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 B	2014.10	US\$0.4	US\$0.4	39.26%	3.41	0%	1.22%	US\$0.12
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



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
Cash capital increase reserved for employee preemption	2016.2	NT\$107	NT\$128	54.96%	0.1	0%	0.74%	NT\$1.70
		(US\$3.2)	(US\$3.8)					(US\$0.05)
Employee stock options I	2016.6	US\$4.0	US\$4.0	48.93%~ 52.17%	6~7	0%	1.28%~ 1.42%	US\$1.90~ 2.15
Employee stock options J	2016.7	US\$5.3	US\$4.8	49.27%~ 52%	6~7	0%	1.13%~ 1.26%	US\$2.69~ 2.98
Employee stock options K	2016.9	US\$4.9	US\$5.2	48.7%~ 50.83%	6~7	0%	1.35%~ 1.50%	US\$2.25~ 2.52
Employee stock options L	2016.12	US\$4.6	US\$4.6	44.71%~ 46.81%	6~7	0%	2.25%~ 2.42%	US\$2.11~ 2.36

Information regarding Employees stock options E and Consultant warrants B before and after conversion is as follows:

Before conversion:

Type of arrangement	Original grant date	Exercise price	Expected price volatility	Expected 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	Expected 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	Expected 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. Aforementioned expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2016	2015
Equity-settled	\$ 136,482	\$ 42,253

(9) Common stock

- A. The Company increased its capital of US\$49,999,998 by issuing new shares of 33,333,332 shares with issuance price of US\$1.5 (in dollars) per share in March 2015.
- B. 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 share 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.
- C. On December 14, 2015, the Board of Directors adopted a resolution to increase capital by issuing 26 million 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.
- D. As of December 31, 2015, the Company's authorized capital was \$5,000,000, and the paid-in capital was \$1,929,927 with a par value of \$10 (in dollars) per share, consisting of 192,992,703 shares.
- E. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2016	2015
At January 1	166,408,403	130,000,000
Employee stock options exercised	584,300	3,075,071
Issuance of common stocks by cash	26,000,000	33,333,332
Conversion of par value	- (	165,613,196)
Issuance of common stocks by capital surplus	-	165,613,196
At December 31	192,992,703	166,408,403

(10) Capital surplus

Capital surplus 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 surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(11) Retained earnings (Accumulated deficit)

- A. Under the Company's Articles of Incorporation, the Company distribute dividends and other

distributions as resolved by stockholders' meeting, and paid with capital which is permitted on laws. The Company's dividend policy is based on the future capital expenses and the needs of capital, dividends can be distributed to stockholders in cash or stock. Except for the regulation of laws, the Company distributes: 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 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;
- (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.

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

C. For information on employees' compensation and directors' remuneration, please see Note 6(16).

(12) Other equity items

	2016	2015
	Currency Translation	
At January 1	\$ 55,759	\$ 13,350
Effect of conversion of par value	- (	14)
Currency translation differences - Group	( 109,275)	42,423
At December 31	<u>(\$ 53,516)</u>	<u>\$ 55,759</u>

(13) Other income

	Years ended December 31,	
	2016	2015
Interest income	\$ 10,652	\$ 444
Insurance claims revenue	14,449	-
Others	547	459
	<u>\$ 25,648</u>	<u>\$ 903</u>

(14) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange gain (loss)	\$ 84,657	\$ 156
Loss on disposal of property, plant and equipment (	3,207)	( 4,334)
Others	-	( 3)
	<u>\$ 81,450</u>	<u>(\$ 4,181)</u>

(15) Additional information for expenses by nature

	Years ended December 31,	
	2016	2015
Employee benefit expense	\$ 528,497	\$ 321,803
Depreciation on property, plant and equipment	104,205	59,250
Amortization expense (Note)	13,370	8,132

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

(16) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	\$ 487,288	\$ 294,111
Labor and health insurance fees	33,599	22,454
Pension costs	5,498	3,837
Other personnel expenses	2,112	1,401
	<u>\$ 528,497</u>	<u>\$ 321,803</u>

A. According to the Articles of Incorporation, 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.

B. The Company had an accumulated deficit as of December 31, 2016 and 2015, thus, the Company did not accrue employees' compensation and directors' remuneration.

(17) Income tax

A. Income tax expense

	Years ended December 31,	
	2016	2015
Current tax:		
Current tax for the year	\$ 26	\$ 25

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

	Years ended December 31,	
	2016	2015
Income tax calculated based on loss before tax and statutory tax rate	(\$ 252,839)	(\$ 158,689)
assets	252,839	158,689
Effect from alternative minimum tax	26	25
Income tax expense	\$ 26	\$ 25

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

December 31, 2016				
Year incurred	Unused tax credits	Unrecognized deferred tax assets		Year of expiry
2011	\$ 3,452	\$	3,452	2031
2012	6,412		6,412	2032
2013	8,548		8,548	2033
2014	3,365		3,365	2034
2015	16,173		16,173	2035
2016	6,920		6,920	2036

December 31, 2015				
Year incurred	Unused amount	Unrecognized deferred tax assets		Year of expiry
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

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

December 31, 2016				
Year incurred	Amount		Unrecognized	
	filed/assessed	Unused amount	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	204,012	204,012	204,012	2025
2016	477,979	477,979	477,979	2026
	<u>\$ 1,242,554</u>	<u>\$ 1,242,554</u>	<u>\$ 1,242,554</u>	

December 31, 2015				
Year incurred	Amount		Unrecognized	
	filed/assessed	Unused amount	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>	

## E. Tanvex Biologics, Corp.'s income tax returns through 2014 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:

December 31, 2016				
Year incurred	Amount		Unrecognized	
	filed/assessed	Unused amount	deferred tax assets	Expiration
2011	\$ 159,085	\$ 159,085	\$ 159,085	2031
2012	251,522	251,522	251,522	2032
2013	315,056	315,056	315,056	2033
2014	371,941	371,941	371,941	2034
2015	623,872	623,872	623,872	2035
2016	715,192	715,192	715,192	2036
	<u>\$ 2,436,668</u>	<u>\$ 2,436,668</u>	<u>\$ 2,436,668</u>	



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>	

(18) Loss per share

Year ended December 31, 2016			
	Amount after tax	Weighted average number of common stock outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share (Note)</u>			
Loss attributable to the parent	<u>(\$ 1,244,446)</u>	<u>188,357</u>	<u>(\$ 6.61)</u>

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

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

(19) Supplemental cash flow information

Investing activities with partial cash payments

Years ended December 31,		
	2016	2015
Acquisition of property, plant and equipment	\$ 247,473	\$ 374,179
Add: Opening balance of equipment payable	19,118	4,093
Less: Ending balance of equipment payable	<u>( 28,442)</u>	<u>( 19,118)</u>
Cash paid during the year	<u>\$ 238,149</u>	<u>\$ 359,154</u>

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

Peng-Ling Investment Limited used to hold more than 50% of voting shares of the Company and had controlling interest of the Company. The former parent company, Peng-Ling Investment Limited lost its control over the Company since it did not subscribe to the Company's newly issued

shares in proportion to its original shareholding during the Company's cash capital increase in March 2015. Significant related party transactions

A. Other income

Years ended December 31,		
	2016	2015
Entities with significant influence over the Group	<u>\$ 33</u>	<u>\$ 56</u>

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

B. Research expenses

Years ended December 31,		
	2016	2015
Other related parties	<u>\$ 2,000</u>	<u>\$ 2,921</u>

C. Other receivables

Years ended December 31,		
	2016	2015
Entities with significant influence over the Group	<u>\$ -</u>	<u>\$ 56</u>

(2) Key management compensation

Years ended December 31,		
	2016	2015
Salaries and other short-term employee benefits	\$ 29,830	\$ 21,240
Post-employment benefits	583	400
Share-based payments	<u>26,861</u>	<u>13,157</u>
	<u>\$ 57,274</u>	<u>\$ 34,797</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

	December 31, 2016	December 31, 2015
No later than one year	\$ 77,045	\$ 40,306
Later than one year but not later than five years	363,924	167,058
Over five years	178,375	4,262
	<u>\$ 619,344</u>	<u>\$ 211,626</u>

- (2) Due to expansion of facilities and decoration of the laboratory by the Group's subsidiary, as of December 31, 2016, the contracts entered into by the Group for the acquisition of property, plant and equipment amounted to \$22,769.
- (3) Subsidiary company, Tanvex Biologics, Corp., has entered into a technology licensing contract with Taipei Medical University in May 2016 and, the license fee was US\$6 million. As of December 31, 2016, Tanvex Biologics, Corp. has paid US\$0.2 million. In addition, Tanvex Biologics, Corp. has to share certain proportion of the profits with Taipei Medical University, if Tanvex Biologics, Corp. develops new drugs using the licensed technology or transfers the license.
- (4) Subsidiary company, Tanvex Biologics, Corp., has signed CRO contract and will pay research fees of US\$1,729 thousand based on the research progress specified in the CRO contract.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

#### 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 generates 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, distributing 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 2016 as its strategy in 2015 to maintain the gearing ratio under 50%. As of December 31, 2016 and 2015, 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, other financial assets-current, 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 policies focus on the unpredictability of financial markets and seek 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

- The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, as well as recognised assets and liabilities.
- 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:

	December 31, 2016		
	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 248	32.25	\$ 7,612
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,723	32.25	86,661

	December 31, 2015		
	Foreign currency amount	Exchange rate	Book value (NTD)

**(Foreign currency: functional currency)**

Financial assets

Monetary items

USD : NTD	\$	198	32.61	\$	6,540
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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, 2016 and 2015 amounted to \$84,657 and \$156, respectively.

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

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on comprehensive income

**(Foreign currency: functional currency)**

Financial assets

Monetary items

USD : NTD	1%	\$	76	\$	-
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Financial liabilities

Monetary items

USD : NTD	1%		867		-
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	Year ended December 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on comprehensive income

**(Foreign currency: functional currency)**

Financial assets

Monetary items

USD : NTD	1%	\$	65	\$	-
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(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. For banks and financial institutions, only independently rated parties with high grading are accepted.

ii. No credit limits were exceeded during 2016 and 2015, 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2016</u>	Between 1		
	Less than 1 year	and 2 years	Over 2 years
Notes payable	\$ 1,934	\$ -	\$ -
Other payables	231,213	-	-
	<u>\$ 233,147</u>	<u>\$ -</u>	<u>\$ -</u>

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

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 \$20,000): Please refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(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, 2016 and 2015 is as follows (Financial assets are not included in non-current assets):

	Year ended December 31, 2016		Year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 174,070	\$ -	\$ 129,112
United States	-	719,813	-	638,056
Cayman Islands	-	-	-	-
	<u>\$ -</u>	<u>\$ 893,883</u>	<u>\$ -</u>	<u>\$ 767,168</u>

(5) Major customer information

Details of sales to individual customers reaching 10% of the Group’s revenue for the years ended December 31, 2016 and 2015: None.

Tanvex BioPharma, Inc. and Subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2016

Table 1  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2015		Addition		Disposal		Balance as at December 31, 2015		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	Gain (loss) on disposal	Number of shares	Amount
Tanvex BioPharma, Inc.	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 the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Tanvex BioPharma, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2016

Table 2  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Tanvex Biologics, Corp.	La Jolla Biologics, Inc.	Subsidiary to subsidiary	Research commission	\$ 202,145	Based on mutual agreement	-

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance accumulated transaction amount for the period to consolidated total operating revenues for income statement accountssheet accounts and based on

Tanvex BioPharma, Inc. and Subsidiaries  
Information on investees  
Year ended December 31, 2016

Expressed in thousands of NTD  
(Except as otherwise indicated)



Table 3

Initial investment amount			Shares held as at December 31, 2016								
Investor	Investee	Location	Main business activities	Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net losses of the investee for the year ended December 31, 2016	Investment losses recognised by the Company for the year ended December 31, 2016	Footnote
Tanvex BioPharma, Inc.	Tanvex Biologics, Corp.	Taiwan	Research and development of biosimilar drugs and new drugs	\$ 1,420,315	\$ 838,375	151,194	100	\$ 269,290	\$ 485,061	\$ 485,061	Subsidiary
Tanvex BioPharma, Inc.	La Jolla Biologics, Inc.	US	Formulation and manufacturing of biosimilar drugs and new drugs	1,916,118	1,220,088	1,000	100	745,741	( 714,701)	( 728,236)	Subsidiary (Note)

Note: Due to the adjustment of unrealised porfit of inter-company transaction between the subsidiaries, the net loss of La Jolla Biologics, Inc. was different from the the investment loss recognised by the Company.

Tanvex BioPharma, Inc.

Chairman: Chen, Chi-Chuan





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