

# 2017 Annual Report

Now is The Time For Biosimilars

Published on April 15th, 2018

The Tanvex Annual Report is available at:

<http://mops.twse.com.tw>

<http://www.tanvex.com>

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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](http://www.tanvex.com)

### Notice to Reader:

1. For the convenience of readers and for informational purposes only, the 2017 Annual Report for the 2018 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 in 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.

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## 1. Letter to Shareholders

### 1.1 Letter from CEO

The year 2017 was another exciting, successful one for Tanvex as we continued to execute on our priorities and deliver on our commitments. We made significant progress advancing our pipeline, preparing for the commercial launch of our first product upon approval, and raising additional capital to support our growing operations and ongoing development programs.

Our momentum continues and comes at an opportunistic time in the US healthcare marketplace. The US FDA achieved a record-breaking year for biosimilar approvals; clearing the way for five biosimilar applications for four different molecules; as of December 31, 2017, a total of nine biosimilar products had been approved by the US FDA, 2017 also marked the launch of a third US biosimilar product. Notable biosimilars on the US market today include one for Neupogen® and two for Remicade®. We are encouraged by the progress made in the US and believe the biosimilar industry will continue to emerge, playing a prominent role in providing alternative solutions to US healthcare challenges.

We are focusing our development efforts on biologics that treat neutropenia, breast cancer, metastatic colon cancer, rheumatoid arthritis and many other conditions. In 2017, we completed our Phase III clinical trials to support our planned BLA US filing for TX-01, a proposed biosimilar to Neupogen® (filgrastim). We initiated Phase III clinical trials for TX-05, a proposed biosimilar to Herceptin® (trastuzumab). We also successfully completed our Phase I clinical trials for TX-16, a proposed biosimilar to Avastin® (bevacizumab).

As we advanced our pipeline progress and carefully managed our business operations, we also made strides in increasing public, industry and investor awareness of Tanvex and our priorities. Throughout the year, we contributed to numerous healthcare/medical/biopharmaceutical/biosimilar conferences and conducted multiple investor meetings. In October, Tanvex was listed on the Taiwan Stock Exchange (TWSE); an event signaling growing support and confidence in our endeavors. In conjunction with the listing, we raised approximately US \$55 million to fund our operations and finished the year in a strong financial position with approximately US \$100 million in cash on our balance sheet; enabling us to continue to support our operations and fund our ongoing pipeline development activities.

Looking ahead to 2018, we are anticipating another productive year with the achievement of key milestones. We plan to submit our first BLA to the US FDA for our biosimilar to Neupogen® and will continue to prepare for our commercial launch in 2019. We will also advance our other pipeline products while running quality, cost-efficient operations.

We believe Tanvex is well positioned to capitalize on the biosimilar opportunities in the US healthcare marketplace. Our vertical integration, which provides us control and flexibility, together with our talented, experienced management team, positions us with the right tools and temperament for executing on our priorities during this exciting time in the marketplace.

We are grateful for the incredible commitment we have received from employees, management, shareholders and many others who share our vision. Thanks to your ongoing commitment to this mission, Tanvex is well poised for success; bringing positive, healthful change to the world. We are looking forward to 2018 as we advance our mission of expanding access to safe, effective and affordable biopharmaceutical products. We appreciate your continued support.

Allen Chao, CEO  
Tanvex BioPharma, Inc.

## 1.2 2017 Business Report

The high price of biologic drugs presents a significant financial burden on the healthcare system globally. Consequently, quality, effective and affordable biosimilar products has emerged as one of the best solutions to reduce pharmaceutical costs.

The United States represents the single, largest market in the world for biologic drugs. In 2010, the US government approved the Biologics Price Competition and Innovation Act ("BPCIA") which established a clear and efficient pathway for biosimilar regulation and market access. In 2015, the US FDA approved the first biosimilar product (Zarxio®), a biosimilar to Neupogen®. As of December 31, 2017, the US FDA had approved a total of nine biosimilar products signaling the emergence of the biosimilar industry in the United States.

Tanvex BioPharma, Inc. (Tanvex) is developing biosimilar products and plans to target the US market as a priority. The Company plans to leverage its vertical integration, in-house development, manufacturing and commercialization capabilities, which provides it control and flexibility and the ability to successfully compete in the US market. Key accomplishments in 2017 are as follows:






### 2017 Product and Operation Results, Financial Performance and Budget Execution Status

#### 1. 2017 Product and Operation Results:

To deliver our commitment to shareholders and employees, we have been diligently working on the layout for commercialization. The Products development progress of 2017 is highlighted as below:

- **Product TX01 (A Proposed biosimilar to Neupogen®)**  
Completed Phase III clinical trials in August 2017, the pre-specified endpoints are met.
- **Product TX05 (A Proposed biosimilar to Herceptin®)**  
Initiated Phase III clinical trials in October 2017.
- **Product TX16 (A Proposed biosimilar to Avastin®)**  
Initiated Phase I clinical trials in January 2017 and completed in December 2017 successfully.
- Established the sales and marketing team and plan.
- Listed stock on Taiwan Stock Exchange (TWSE) on October 26, 2017.
- Raised ~NT\$1.66 billion (~US\$55M) of additional capital through equity financing in October 2017.

#### Tanvex product's line and development progress of 2017 :

Product Code	Product Category	Product Development Stage (As of 12/31/2017)				
		Pre-Clinical	IND	Phase I	Phase III	BLA
TX01	Biosimilar					
TX05						
TX16						
TX17						
TX88	New Drug					

## 2. Year 2017 financial performance

Since our products are still at research and development stage in 2017, no revenue has been generated in the year. Below is a summary of our financial results for 2017 and 2016:

*Unit: NT\$ in thousands, NT\$ for loss per share*

DESCRIPTION	2017	2016	VARIANCE	% OF VARIANCE
Sales and Revenue	0	0	0	0%
Cost of Goods Sold	0	0	0	0%
Operating Expenses	(1,403,168)	(1,351,518)	(51,650)	4%
Non-operating Income and Expenses	(6,607)	107,098	(113,705)	(106) %
Income Tax Expense	(25)	(26)	1	(4)%
Net Loss after Tax	(1,409,800)	(1,244,446)	(165,354)	13%
Net Loss Per Share (NT\$)	(7.29)	(6.61)	(0.68)	10%

We have continuously invested in research and development activities and commercialization in 2017 in order to synchronize with the product development progress.

As a result, the net loss of year 2017 was NT\$1.4 billion which is NT\$165 million more than 2016. Among the losses, research and development costs counted for NT\$1.1 billion, a 2% decrease over last year due to the appreciation of NTD as most of R&D expenses paid by US dollars currency. All products developments have been implemented as planned and budgeted NT\$1.9 billion in 2017. In the meantime, we closed NT\$1.66 billion equity financing in October 2017. Resulted in net value per share at NT\$17.31 in 2017.

## Outlook

Tanvex will be entering into the transition to commercialization in the coming year. In 2018, the Company plans to submit its BLA (Biologics license Application) for TX01, a proposed biosimilar to Neupogen®, (Filgrastim) to US FDA, continues to progress its Phase III clinical programs for TX05, a proposed biosimilar to Herceptin® (Trastuzumab), and plans to develop its phase III protocols for TX16, a proposed biosimilar to Avastin®. Along with the completion of each product, Tanvex will continue to accelerate the development of a robust pipeline of biosimilar products and will build out its commercial infrastructure to successfully bring its products to the market with its persistent efforts, ensuring the value of the Company and its shareholders during the booming of biosimilar industry.

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



### **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 make 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 nine biosimilars as of 2017, 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

### 2.1 Company Overview

Tanvex Biopharma, Inc. (TWSE: 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 (Tanvex BioPharma USA, Inc.) 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 130 employees in the U.S. and Taiwan.
- The Company was listed on the Taiwan Stock Exchange (TWSE) in October 2017, raised approximately US \$55 million to fund our operations.
- 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.
- Novel biologics product in early stages of development.

#### Manufacturing

- Tanvex BioPharma USA, Inc. 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 syringe production line.

### 2.2 Market Overview

#### BIOSIMILARS MARKET

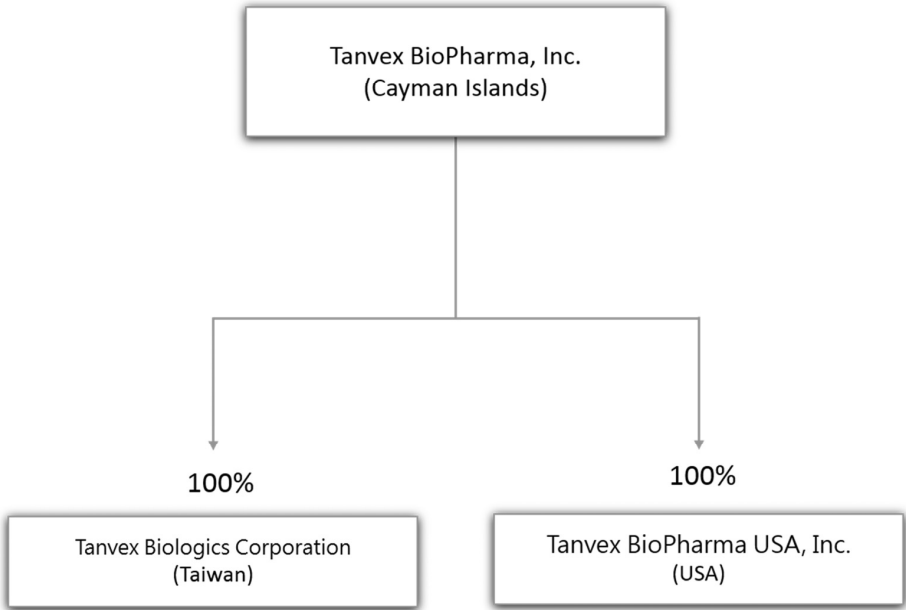
Most pharmaceutical products can be classified into one of two major categories: small molecule products and large molecule products. Small molecule products are generally made from chemicals which have been synthesized using chemical reactions between different organic and/or inorganic compounds. Small molecule products have 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.

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, and 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 nine biosimilar products approved in the United States; only three 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 converion of stock options to US\$ 109
April 2015	Par value converion 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 conversion
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
January 2017	Entered Phase I clinical trials for TX16
May 2017	Approved by Taiwan Stock Exchange as public listed company in Taiwan
July, October 2017	Precessed and Listed stock on Taiwan Stock Exchange (TWSE) and raised NT\$1.66 Bilion
August 2017	Completed Phase III clinical trials for TX01, the pre-specified endpoints are met
October 2017	Initiated Phase III clinical trials for TX05
December 2017	Completed Phase I clinical trials for TX16
January 2018	Tanvex BioPharma, Inc. wholly owned subsidiary La Jolla Biologics, Inc. changed name to Tanvex BioPharma USA, Inc.

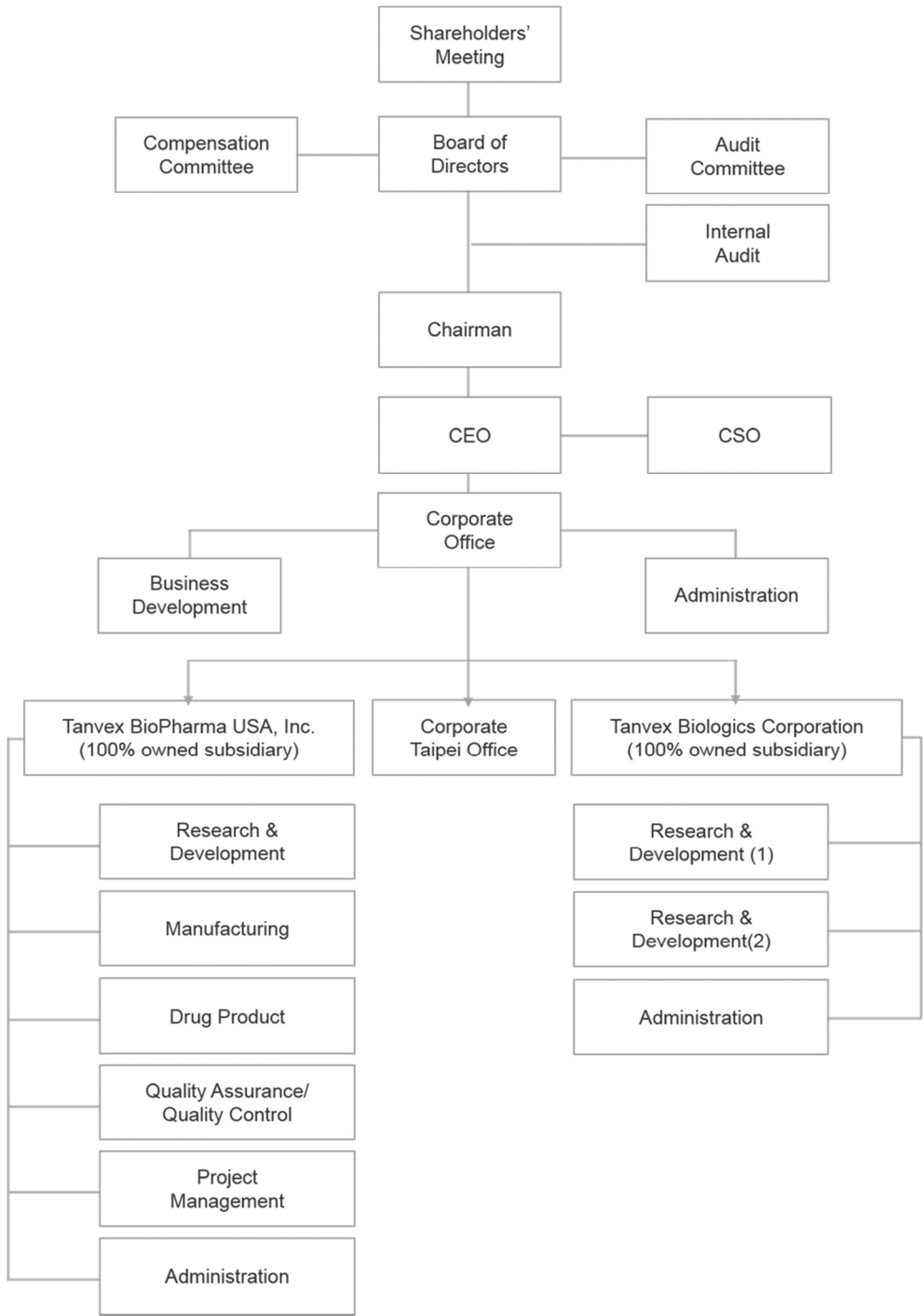
## 2.5 Risk Factors

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

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.
Remuneration 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 Resolution.
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 result to the Board.
Chief Scientific 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, Tanvex BioPharma USA, 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 15, 2015																			
TITLE (NOTE 1)	NAME	NATIONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATION-S HIP
	Peng Lin Investment Co., Ltd.	Taiwan R.O.C.		05/15 /2015	Three Year	10/04 /2013	71,836,999	43.36 %	70,566,999	32.52 %	—	—	—	—	—	—	—	—	
																<ul style="list-style-type: none"><li>• Representative of corporate Chairman, Tanvex BioPharma, Inc.</li><li>• Vice General Manager, Investment Management and Special Assistant to Chairman of Ruentex Group</li><li>• Representative of corporate Board director, Tanvex Biologics Corp.</li><li>• Representative of corporate Board director, Tanvex Biologics, Inc.</li><li>• Representative of corporate Board director, TaiMed Biologics, Inc.</li><li>• Representative of Corporate Board Director, OBI Pharma, Inc.</li><li>• Representative of corporate Board director, Mithra Biotechnology Inc.</li><li>• Representative of corporate Board director, Mass Solutions Technology Co., Ltd.</li><li>• Representative of corporate Board director, Amaran Biotechnology, Inc.</li><li>• Representative of corporate Board director, Cho Pharma Inc.</li><li>• Representative of corporate Board director, Diamond Biofund Inc.</li><li>• Representative of corporate Board director, Diamond Capital Inc.</li><li>• Representative of corporate Board director, Cotton Field Organic Co., Ltd.</li><li>• Representative of corporate Board director, Xinyao Biologics Investment Inc.</li><li>• Representative of corporate Board director, RENBIO, Inc.</li><li>• Representative of corporate Board director, RenBio Holdings Ltd.</li><li>• Representative of corporate Board director, Advanced Lithium Electrochemistry Co., Ltd.</li><li>• Representative of corporate Board director, Unicorn Vision Inc.</li><li>• Representative of corporate Board director, Empire Vision Inc.</li><li>• Representative of corporate Board director, Brogent Technologies Inc.</li><li>• Representative of corporate Board director, Mega Growth Investment Inc.</li><li>• Supervisor, Kang Sheng Recruiting Co., Ltd.</li><li>• Supervisor, Sunny Friend Environmental Technology Co., Ltd.</li><li>• Representative of corporate supervisor, Ruentu New Life</li><li>• Representative of corporate supervisor, Gogoro Taiwan Ltd.</li><li>• Representative of corporate supervisor, RT Mart International Ltd.</li><li>• Representative of corporate supervisor, Ruentex Industries Ltd.</li><li>• Representative of corporate supervisor, Ruen Chen Investment Holding Co., Ltd.</li></ul>			
Chairman	Representative ve: Chen, Chi-Chuan	Taiwan R.O.C.	Male	05/15 /2015	Three Year	10/04 /2013	43,000	0.03%	49,046	0.02%	56,000	0.03%	—	—		—	—	—	

TITLE (NOTE 1)	NAME	NATONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		SPOUSE AND MINORS SHAREHOLDING		SHARES HELD IN ANOTHER'S NAME		WORK (AND EDUCATION) 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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONS HIP
	Peng Lin Investment Co., Ltd.	Taiwan R.O.C.		05/15/ /2015	Three Year	10/04 /2013	71,836,999	43.36 %	70,566,999	32.52 %	—	—	—	—	—	—	—	—	—
Director	Representative: Choi, Lung-Yeh	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	10/04/ 2013	—	—	—	—	—	—	—	Bachelor in Accounting, National Taipei University CPA, KPMG	<ul style="list-style-type: none"><li>Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>Special Assistant to Chairman of Ruentex Group</li><li>Representative of Corporate Board Director, OBI Pharma, Inc.</li><li>Representative of corporate Board director, RENBIO, Inc.</li><li>Representative of corporate Board director, RenBio Holdings Ltd.</li><li>Representative of corporate Board director, TaiMed Biologics, Inc.</li><li>Representative of corporate Board director, Nan Shan Life Insurance Co., Ltd</li><li>Representative of corporate supervisor, Ruenhui Biopharmaceuticals Inc.</li></ul>				
	Delos capital Fund, LP	Cayman Islands		05/15/ 2015	Three Year	05/15/ 2015	13,000,000	7.85 %	14,400,000	6.64 %	—	—	—	—	—	—	—	—	—
Director	Representative: Chen, Lin-Cheng	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	05/15/ 2015	—	—	—	—	—	—	—	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	<ul style="list-style-type: none"><li>Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>Managing Partner, Delos Capital Fund, LP</li><li>Board Director, Atia Medical, Inc.</li><li>Board Director, Allegra Therapeutics GmbH</li><li>Board Director, BAROnova, Inc.</li><li>Board Director, Curatia Medical, Inc.</li><li>Board Director, Hemo Bioengineering Limited</li><li>Board Director, Imperative Care, Inc.</li><li>Board Director, Syndax Pharmaceuticals, Inc.</li></ul>				



TITLE (NOTE 1)	NAME	NATIONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		SPOUSE AND MINORS SHAREHOLDING		SHARES HELD IN ANOTHER'S NAME		WORK (AND EDUCATION) 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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATION-S HIP
Director	Allen Chao and Lee Hwa Chao Family Trust	U.S.A.		05/15/ 2015	Three Year	05/15/ 2015	16,443,032	9.93 %	16,888,022	7.78 %	—	—	—	—	—	—	—	—	—
	Repre-sentati ve: Allen Chao	U.S.A.	Male	05/15/ 2015	Three Year	06/10/ 2013	—	—	1,143,421	0.53 %	180,000	0.08 %	—	—	Ph.D., Purdue University, College of Pharmacy Founder and CEO, Watson Pharmaceuticals (now Allergan)	<ul style="list-style-type: none"><li>• CEO and Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>• Chairman, Tanvex Biologics Corp.</li><li>• Chairman, Tanvex Biologics Inc.</li><li>• Chairman, Ansun BioPharma Inc.</li><li>• Board Director, Arbor Pharmaceuticals, LLC</li><li>• Board Director, Mithra Biotechnology Inc.</li><li>• Turst Director, Taipei Medical University</li></ul>	Direct or	Hsia, David	Brother- in-law
Director	Hsia Family Trust	U.S.A.		05/15/ 2015	Three Year	05/15/ 2015	2,354,430	1.42 %	2,442,430	1.13 %	—	—	—	—	—	—	—	—	—
	Repre-sentati ve: David Hsia	U.S.A.	Male	05/15/ 2015	Three Year	05/15/ 2015	—	—	—	—	—	—	—	—	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)	<ul style="list-style-type: none"><li>• Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>• Board Director, Tanvex Biologics Inc.</li><li>• Member of Consulting committee, Allianz Pharmascience Ltd.</li></ul>	Direct or	Allen Chao	Brother- in-law

TITLE (NOTE 1)	NAME	NATIONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		SPOUSE AND MINORS SHAREHOLDING		SHARES HELD IN ANOTHER'S NAME		WORK (AND EDUCATION) 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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATIONS HIP
Director	Yen, Yun	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	05/15/ 2015	24,000	0.14 %	273,748	0.13 %	—	—	—	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 Pharmacol-ogy 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	<ul style="list-style-type: none"><li>• Board Director, Tanvex BioPharma, Inc.</li><li>• Professor, Ph.D. Program for Cancer Molecular Biology and Drug Discovery, Taipei Medical University</li><li>• Chairman, Sino American Cancer Foundation</li><li>• Chief Science Advisor, Stembls</li><li>• Chief Science Advisor, Fulgent</li><li>• Member of Consulting committee, Alliantz Pharmascience Ltd.</li><li>• Chairman, Calgent Biotechnology Co. Ltd.</li></ul>	—	—	—	

TITLE (NOTE 1)	NAME	NATIONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		SPOUSE AND MINORS SHAREHOLDING		SHARES HELD IN OTHERS NAME		WORK (AND EDUCATION) 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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATION-S HIP
Independent Director	Tsai, Jin-Pau	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	05/15/ 2015	—	—	—	—	—	—	—	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	<ul style="list-style-type: none"><li>• Independent Board Director, Tanvex BioPharma, Inc</li><li>• Adjunct Associate Professor, Department of Accounting, National Chengchi University</li><li>• Chairman, Jia Guang Development Industry Co., Ltd.</li><li>• Chairman, Wanshida Development, Ltd.</li><li>• Board Director, Global Life Insurance Co. Ltd.</li><li>• Board Director, Oriental Recreation and Development Corp.</li><li>• Board Director, Tuntex Incorporation</li><li>• Board Director, FCB Leasing Co., Ltd.</li><li>• Board Director, FCB International Leasing Co., Ltd.</li><li>• Board Director, FCB International Leasing (Xiamen) Co., Ltd.</li><li>• Independent Director, Sunny Friend Environmental Technology Co., Ltd.</li><li>• Independent Board Director, Zenitron Corporation</li><li>• Independent Board Director, KD Holding Corporation</li></ul>				

TITLE (NOTE 1)	NAME	NATIONALITY OR PLACE OF REGISTRATION	GENDER	DATE ELECTED	TERM EXPIRES	DATE FIRST ELECTED (NOTE 2)	SHAREHOLDING UPON ELECTION		CURRENT SHAREHOLDING		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 UNITY TO THE MEMBER		
							NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%			TITLE	NAME	RELATION-S HIP
Independent Director	Chang, Lee-Chiou	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	05/15/ 2015	—	—	—	—	—	—	—	NCCU Department of Risk Management and Insurance Department of Public Finance, National Chengchi University Chairman, Yunta Securities Finance Co., Ltd. • CEO, Sun Ten Group • Board Director, Sun Ten Natureceutica Co., Ltd. • Chairman, Board Director, Herbiotek Co., Ltd. • Independent Board Director, Compensations Committee member, Taya Telecom Cable Co. Ltd. • Independent Board Director, Audit Committee member, Compensations Committee member Acme Electronics Corporation • Independent Board Director, Compensations Committee member, T3EX Global Holding Inc. • Chief onsulant, Yunta Securities Co., Ltd.	• Independent Board Director, Tanvex BioPharma, Inc • Chairman, Board Director, Panion & BF Biotech Inc. • Chairman, Board Director, FOCI Fiber Optic Communications, Inc. • CEO, Sun Ten Group • Board Director, Sun Ten Natureceutica Co., Ltd. • Chairman, Board Director, Herbiotek Co., Ltd. • Independent Board Director, Compensations Committee member, Taya Telecom Cable Co. Ltd. • Independent Board Director, Audit Committee member, Compensations Committee member Acme Electronics Corporation • Independent Board Director, Compensations Committee member, T3EX Global Holding Inc. • Chief onsulant, Yunta Securities Co., Ltd.				
Independent Director	Shih, Chuan	Taiwan R.O.C.	Male	05/15/ 2015	Three Year	05/15/ 2015	—	—	—	—	—	—	—	National Chung-Hsing University, BS The Ohio State University, M.S/Ph.D.	• Independent Board Director, Tanvex BioPharma, Inc • Venture Partner, Venture Partner • Visiting professor, Institute of Biotechnology and Pharmaceutical Research (IBPR), National Health Research Institutes (NHRRI) • Member of Science Consulting Committee, Crown Bioscience Inc. • Independent Board Director, TaiRx Inc. • Professor, Chemistry Department, National Chung Hsing University				
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.																			

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.

### 3.2.2 Major Institutional Shareholders with Representation on the Board

As of December 31, 2017

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	David Hsia and Phylis Hsia (100%)
<p>Note 1: Where a supervisor is a representative of an institutional shareholder, the name of institutional shareholder shall be specified.</p> <p>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.</p>	

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

As of December 31, 2017

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%)
<p>Note 1: If shareholder is a corporate/institutional entity, the name of the entity shall be specified.</p> <p>Note 2: Top 10 shareholders shall be listed with their shareholding percentage.</p>	

## As of December 31, 2017

Note 1: The numbers of columns depends on the actual numbers.

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

3.2.5 Remuneration Paid to Directors (Including Independent Director)  
2017 Remuneration paid to directors (Including independent directors)

As of December 31, 2017; Unit: NT\$ in thousands

TITLE	NAME(NOTE1)	REMUNERATION TO DIRECTORS					TOTAL REMUNERATION (A+B+C+D) AS A % OF 2017 NET INCOME (NOTE 8)	REMUNERATION TO DIRECTORS AS CONCURRENT EMPLOYEES					TOTAL REMUNERATION (A+B+C+D+E+G) AS A % OF 2017 NET INCOME (NOTE 9)			REMUNERATION FROM INVESTED ENTERPRISES OTHER THAN A SUBSIDIARY (NOTE 10)		
		REWARD		PENSION		SEVERANCE PAY AND PENSION (B)		REMUNERATION ALLOCATED FROM EARNINGS (C) (NOTE 3)		BUSINESS EXECUTION EXPENSES (D) (NOTE 4)		SALARY, BONUS & ALLOWANCES (E) (NOTE 5)	RETIREMENT PENSION (F)	REMUNERATION (G) (NOTE 6)				
		ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)			ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)			ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)		ALL COMPANIES CONSOLIDATED IN BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)	TANVEX BIO-PHARMA MA FINANCIAL REPORTS (NOTE 7)
Director	Peng Lin Investment Co., Ltd. Representative: Chen, Chi-Chuan	—	—	—	—	—	30	30	(0.002)	—	—	—	—	—	(0.003)	(0.003)	—	—
Director	Peng Lin Investment Co., Ltd. Representative: Cho, Lung-Yeh	—	—	—	—	—	15	15	(0.001)	—	—	—	—	—	(0.002)	(0.002)	—	—
Director	Delos Capital Fund, LP Representative: Chen, Lin-Cheng	—	—	—	—	—	10	10	(0.001)	—	—	—	—	—	(0.001)	(0.001)	—	—
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Allen Chao	—	—	—	—	—	25	25	(0.002)	—	—	—	—	—	(0.003)	(0.003)	—	—
Director	Hsia Family Trust Representative: Hsia, David	—	—	—	—	—	15	15	(0.001)	—	—	—	—	—	(0.002)	(0.002)	—	—
Director	Yen, Yun	—	—	—	—	—	10	10	(0.001)	—	—	—	—	—	(0.002)	(0.002)	—	—
Independent Director	Tsai, Jin Pau	612	612	—	—	—	75	75	(0.05)	—	—	—	—	—	(0.06)	(0.06)	—	—
Independent Director	Chang, Lee-Chiou	612	612	—	—	—	75	75	(0.05)	—	—	—	—	—	(0.06)	(0.06)	—	—
Independent Director	Shih, Chuan	612	612	—	—	—	25	25	(0.05)	—	—	—	—	—	(0.06)	(0.06)	—	—

The current year (2017) supervisor remuneration does not apply as Tanvex BioPharma has no supervisor.

Except disclosed above, the Company's directors did not receive any compensation or pay for the services they provided in year 2017 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, termination payment, bonus, etc).

Note 3: Refer to most recent year apportioned remuneration approved by Board Meeting

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.

Note 5: Refer to most recent year remuneration for a director who is also an employee, including salary, allowance, termination payment, bonus, transportation, accommodation, company car usage, 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. 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, vice General Manager, other managers or staff) gets remuneration (including stocks and cash), shall disclose most recent year apportioned compensation approved by Board Meeting. If the amount can't be predicted, the previous year's apportion rate can be used as reference.

Note 7: Total remuneration shall include all entities within the consolidated financial report.

Note 8: Names of directors shall be disclosed in Payment Range table.

Note 9: Total remuneration from invested enterprises other than subsidiaries shall be disclosed. b. The remuneration in a. shall be disclosed in Payment Range table 1<sup>st</sup> column named "all invested enterprises". c. Remuneration refers to amount a director earned from position as direct, supervisor, managers in the invested enterprises.

Note 10: Net profit after tax refers to the most recent year amount. If IFRS adopted, net profit after tax shall be most recent year individual entity's net profit after tax.

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

### 3.3 Management Team

#### 3.3.1 Information Regarding Management Team

As of December 31, 2017																
TITLE	NAME	NATIONALITY	GENDER	START DATE	SHAREHOLDING		SPOUSE AND MINORS SHAREHOLDING		SHARES HELD IN ANOTHER'S NAME		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
					NO.OF SHARES	%	NO.OF SHARES	%	NO.OF SHARES	%			TITLE	NAME	RELATION-SHIP	
Director	Allen Chao	U.S.A.	Male	12/17/2014	1,143,421	0.53 %	—	—	180,000	0.08 %	Ph.D., Purdue University, College of Pharmacy Founder and CEO, Watson Pharmaceuticals (now Allergan)	<ul style="list-style-type: none"><li>• CEO and Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>• Chairman, Tanvex Biologics Corp.</li><li>• Chairman, Tanvex Biologics Inc.</li><li>• Chairman, Ansun BioPharma Inc.</li><li>• Board Director, Arbor Pharmaceuticals, LLC</li><li>• Board Director, Mithra Biotechnology Inc.</li><li>• Turst Director, Taipei Medical University</li></ul>	Direc-tor	Hsia, David	Brother-in-law	Note
Director	David Hsia	U.S.A.	Male	12/17/2014	—	—	—	—	—	—	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)	<ul style="list-style-type: none"><li>• Representative of Corporate Board Director, Tanvex BioPharma, Inc.</li><li>• Board Director, Tanvex Biologics Inc.</li><li>• Member of Consulting committee, Allianz Pharmascience Ltd.</li></ul>	Direc-tor	Allen Chao	Brother-in-law	Note
Corporate Controller and Chief Accountant	Wu, Yiching	R.O.C.	Female	10/01/2014	75,000	0.03%	—	—	—	—	Master in Finance, City University of New York - Baruch College Chief of Finance, Tanvex Biologics, Inc. Chief of Finance, DesignRx Pharmaceutical, Inc.	—	—	—	—	Note
Vice President, Business Development & Investor Relations	Chu, Pei-Lan	R.O.C.	Female	01/15/2015	654,691	0.3%	—	—	—	—	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.	<ul style="list-style-type: none"><li>• Director, Tanvex Biologics Corporation</li></ul>	—	—	—	Note
Note: Please refer to section 4.5 of this annual report on employee stock option plan status.																



### 3.3.2 Remuneration Paid to CEO, General Manager, President and Vice Presidents in 2017

NT\$ in thousands

TITLE	NAME (NOTE 1)	SALARY (A) (NOTE 2)		SEVERANCE PAY AND PENSION (B)		BONUSES AND ALLOWANCES (C) (NOTE 3)		EMPLOYEE REMUNERATION (D) (NOTE 4)				SUM OF A, B, C, AND D AS % OF 2017 NET INCOME (NOTE 8)		REMUNERATION RECEIVED FROM NON-CONSOLIDATED AFFILIATES (NOTE 9)
		TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)	TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)		TANVEX BIOPHARMA	ALL CONSOLIDATED ENTITIES (NOTE 5)				
							Cash dividend	Stock dividend			Cash dividend	Stock dividend		
CEO	Allen Chao													
Chief Scientific Officer	Hsia, David													
Vice President M&TS, LJB	Helena Makagiansar,													
Vice President R&D, LJB	Wu, Yongjian	8,028	28,008	108	455	7,623	37,302	—	—	—	(1.11)	(4.67)	Nil	
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	NAMES OF PRESIDENTS AND VICE PRESIDENTS	
	TANVEX BIOPHARMA (NOTE 6)	ALL CONSOLIDATED ENTITIES (NOTE 7) (E)
Below \$2,000,000	Allen Chao; David Hsia	Allen Chao; David Hsia
\$2,000,000 (inclusive) ~ \$5,000,000 (exclusive)	—	Helena Makagiansar (NOTE 10)
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	Chu, Pei-Lan	Chu, Pei-Lan
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)	—	Yang, Kaiwen
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	—	—
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)	—	Yongjian Wu
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)	—	—
Above \$100,000,000	—	—
Total	3	6

<p>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.</p> <p>Note 2: Includes most recent year's salary, raise and severance payment.</p> <p>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.</p> <p>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.</p> <p>Note 5: Includes remuneration from all consolidated entities. Name of the CEO, Vice Presidents and Officers shall be disclosed.</p> <p>Note 6: Names of CEO and Vice Presidents shall be disclosed in the table of Payment Range.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Note 10: Employee resigned in October 2017.</p> <p>*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.</p>	
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**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 Policies, 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.

ITEM	2017				2016			
	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	2,115	2,115	(0.15)	(0.15)	2,165	2,165	(0.17)	(0.17)
CEO, Vice Presidents and Officers	15,759	65,873	(1.11)	(4.67)	6,550	54,526	(0.53)	(4.38)
<p>Policies, standards and composition, procedures and linkage on business performance and future risks.</p> <p>(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.</p> <p>(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.</p>								

### 3.4 Corporate Governance Implementation Status

#### 3.4.1 Board of Directors Meeting Implementation Status

Five Board meetings were convened in 2017 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	1	80 %	—
Director	Allen Chao and Lee Hwa Chao Family Trust Representative: Dr. Allen Chao	5	0	100 %	—
Director	Hsia Family Trust Representative: Hsia, David	3	0	60 %	—
Director	Delos Capital Fund, LP Representative: Chen, Lin Cheng	2	2	40 %	—
Director	Yen, Yun	5	0	100 %	—
Independent Director	Tsai, Jin-Pau	5	0	100 %	—
Independent Director	Chang, Lee-Chiou	5	0	100 %	—
Independent Director	Shih, Chuan	3	2	60 %	—
<p>Others notes to be specified:</p> <ol style="list-style-type: none"> <li>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. <ol style="list-style-type: none"> <li>What is listed in Article 14-3 of the Securities and Exchange Act: <b>None.</b></li> <li>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: <b>None.</b></li> </ol> </li> <li>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: <b>None.</b></li> <li>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.</li> </ol>					

### 3.4.2 Audit Committee Meeting Implementation Status

Five audit committee meetings were convened in 2017, 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	3	2	60 %	—
<p>Others notes to be specified:</p> <p>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.</p> <p>(1) What is indicated in Article 14-5 of the Securities and Exchange Act: <b>None</b>.</p> <p>(2) Other than above, any resolution which was not approved by Audit Committee but passed by more than two third of Board members: <b>None</b>.</p> <p>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: <b>None</b>.</p> <p>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.</p>					

### 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 ( NOTE )			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, has these procedures been implemented accordingly?	✓		(1) To protect shareholders' interest, the company assigns spokespersons and deputy spokespersons to handle shareholders' suggestions and disputes.	No material divergence
(2) Does the company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(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) Has the company built and executed a risk management system and "firewall" between the company and its affiliates?	✓		(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) Has the company established internal rules prohibiting insider trading on undisclosed information?	✓		(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?	✓		(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	No material divergence

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			NON-COMPLIANCE AND REASONS
	YES	NO	EXPLANATION	
			relevant industries or in operation and finance.  (a) master of Business Administration School of National Taiwan University, bachelor of Accounting Department of National Taipei University, doctor of Pharmacy School of Purdue University, doctor of Law School of Harvard University, and doctor of Pathology and Cytology School of Thomas Jefferson University as the general directors;  (b) master of Insurance School of National Chengchi University, master of Accounting School of National Chengchi University, and doctor of Organic Chemistry School of Ohio State University as the independent directors; and  (c) in addition to directors of Taiwanese nationality, there are more directors residing in the USA of different nationalities and with different cultural backgrounds.	
(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?	✓		(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.	No material divergence
(3) Has the company established regulations for evaluating the performance of its board of directors, and conducted such evaluation on an annual basis?	✓		(3) The company's board of directors adopted the "Board Performance Evaluation Rules" on November 14, 2017 and issued a self-evaluation questionnaire to each of the directors in every December from 2017 so as to evaluate the overall operation of the board of directors and to have each director perform self-evaluation. The completion rate of self-evaluation of the board directors was 95% in 2017; provided that the synergy of the good mutual communications between the board of directors and the management team should be more actively achieved in the future.	No material divergence
(4) Does the company regularly evaluate its external auditors' independence?	✓		(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 CEO Office is in charge of corporate governance matters, including the following:  (1) company registration and amendment to registration (2) manage 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 supervisor 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) Shareholders: The company annually convenes a shareholders' meeting, issues annual reports, and periodically discloses the relevant information on the Market Observation Post System or on its own website as required by law.  (2) Employees: The company convenes a labor-management meeting on a regular basis and an employees' meeting on an irregular basis.  (3) Suppliers: The company conducts evaluation of applicable suppliers to ensure that all suppliers comply with the laws and regulations of the jurisdiction in which the company operates its business and have no materially wrongful act.	No material divergence

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			NON-COMPLIANCE AND REASONS
	YES	NO	EXPLANATION	
			The company has spokespersons and deputy spokespersons and designates a specific section for stakeholders on its website so as to respond to the comments from stakeholders.	
6. Has the company appointed a professional registrar for its shareholders' meetings?	✓		The company has appointed CTBC Bank to handle its shareholders' meetings.	None
7. Information Disclosure				
(1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		(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.	No material divergence
(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.)?	✓		(2) The company has assigned personnel to collect and disclose company information and has also appointed spokespersons and deputy spokespersons. The company maintains an English-language website and webcasts investors' conferences onto its website.	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)?	✓		<p>(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.</p> <p>(2) Investor relations: The company has regularly disclosed financial and business information according to related regulations to protect investors' interest.</p> <p>(3) Supplier relations: the company maintains relations with both suppliers on a good and equal basis.</p> <p>(4) Stakeholders' relations: the company upholds the principle of good faith, maintains excellent communication channel with stakeholders to protect their legal interest.</p> <p>(5) Implementation of risk management policies and risk evaluation measures: The company has established and complies with various bylaws to control risks and audited by internal auditor regularly.</p> <p>(6) Implementation of customer relations policies: Products are still in the R&amp;D stage. Relevant customer policies will be established in future as needed.</p> <p>(7) Liability insurances for directors and supervisors: the company has taken out liability insurance for directors and evaluates the coverage regularly.</p>	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: <b>Not applicable.</b>				
Note: Implementation status should be specified when check "yes" or "no".				

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

#### 1. Compensation Committee Members

TITLE (NOTE 1)	QUALIFICATIONS		AT LEAST FIVE YEARS' WORK EXPERIENCE, AND THE FOLLOWING PROFESSIONAL QUALIFICATIONS			INDEPENDENCE CRITERIA (NOTE 2)								NO. OF OTHER PUBLIC COMPANIES OF WHICH THE MEMBER ACTS AS AN INDEPENDENT DIRECTOR/COMPENSATION COMMITTEE MEMBER CONCURRENTLY	NOTES
			RANK OF LECTURER OR ABOVE IN BUSINESS, LAW, FINANCE, ACCOUNTING OR OTHER DEPARTMENT RELATED TO COMPANY BUSINESS, OF A PUBLIC OR PRIVATE COLLEGE OR UNIVERSITY	JUDGE, PROSECUTOR, LAWYER, ATTORNEY, CPA, OR OTHER PROFESSIONAL AND TECHNICAL PERSONNEL HAVING PASSED A NATIONAL EXAMINATION WITH A CERTIFICATE GRANTED, AS REQUIRED BY COMPANY BUSINESS	WORK EXPERIENCE IN BUSINESS, LAW, FINANCE, ACCOUNTING, OR OTHERWISE REQUIRED BY COMPANY BUSINESS	1	2	3	4	5	6	7	8		
Independent Director	NAME	Tsai, Jin-Pau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director		Chang, Lee-Chiou	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director		Shih, Chuan	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

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

- (1) The Compensation Committee includes three members.
- (2) Term: May 25th, 2015 to May 24th, 2018. Four (A) meetings were convened in 2017
- (3) Eligibility and attendance of members:

TITLE	NAME	NO. OF ATTENDANCE IN PERSON	NO. OF ATTENDANCE BY PROXY	ACTUAL ATTENDANCE RATE (B/A) (%) (NOTE)	NOTES
Convener	Tsai, Jin-Pau	4	0	100 %	—
Member	Chang, Lee-Chiou	4	0	100 %	—
Member	Shih, Chuan	2	2	50 %	—
<p>Others notes to be specified:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> <p>Notes:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>					

## 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 ( NOTE )			DIVERGENCE FROM CORPORATE SOCIAL RESPONSIBILITY (CSR) CODE OF PRACTICE OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
<b>1. Implementation of corporate governance</b>				
(1) Does the company have a corporate social responsibility policy or system and evaluate its implementation?	✓		(1) The company established a "Corporate Social Responsibility Policy" on August 5, 2016, has implemented the policy and reviewed the result continuously.	No material divergence
(2) Does the company hold regular CSR training?	✓		(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?	✓		(3) The company has a non-dedicated CSR office to be served by the CEO office to facilitate the company's continuous CSR fulfillment.	No material divergence
(4) Does the company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?		✓	(4) The company has made the remuneration and reward/discipline policy. However, as the products of the company are still under RD and the company has not yet had revenue, the Company will integrate its CSR policy as the reference for reward and discipline depending on the actual need in the future.	The policies will be made after assessed as needed in the future.
<b>2. Environmentally sustainable development</b>				
(1) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		(1) As a biopharmaceutical company, the company does not use any renewable materials with high environmental impact and always encourages employees to have two sides of paper used so as to maximize the use of paper and make repeated use of files, and thus improve resource efficiency and reduce unnecessary waste.	No material divergence
(2) Has the company set an Environmental management system designed to industry characteristics?	✓		(2) As a biopharmaceutical company, the company has organized a toxic chemical substance team and accepted training and education on toxic chemical substances according to the characteristics of the industry, with its laboratory wastes to be disposed of by an engaged company certified by the government so as to prevent any environmental pollution. Also, the company's decoration has been approved in respect of fire prevention as required by the government and conforms to the laws and regulations for environmental protection, sanitation and fire prevention of each jurisdiction in which the company operates its business.	No material divergence
(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?	✓		(3) As a biopharmaceutical company, 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
<b>3. Promotion of social welfare</b>				
(1) Does the company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(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.	No material divergence
(2) Has the company established appropriately managed employee complaint procedures and avenues?	✓		(2) The company's employees are able to submit complaint and suggestion through internal meeting, emails, phone call or verbally, and the department head and Human Resource will process or coordinate the matters promptly.	No material divergence
(3) Does the company provide employees with a safe and healthy working environment, with regular	✓		(3) The company has had its office decoration approved in respect of fire prevention and engaged a company	No material divergence

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			DIVERGENCE FROM CORPORATE SOCIAL RESPONSIBILITY (CSR) CODE OF PRACTICE OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
safety and health training?			certified by the government to dispose of the laboratory wastes. Also, the company provides its employees with the welfare of annual physical examination and enhances employees' ability to respond to emergencies and concept of safety through continuing education, training, and promotion of awareness, in an effort to provide employees with a safe and healthy working environment.	
(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?	✓		(4) The company communicates major operational policies and objectives to employees through regular and irregular strategic meetings and department meetings.	No material divergence
(5) Has the company established effective career development training plans?	✓		(5) The company encourages continuing education and training subject to individual situations, and has effective career development training plans.	No material divergence
(6) Has the company set polices and consumer complaint procedures in its R&D, purchasing, production, operations, and service processes?		✓	(6) The company has not engaged in product sales yet, and will set consumer interest protection and consumer complaint processing procedures. The company designates a special section on its website for stakeholders' communication, wherein stakeholders, such as suppliers, shareholders and employees, may provide their complaints or suggestions at any time.	No material divergence
(7) Does the company follow regulations and international standards in the marketing and labelling of its products and services?		✓	(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.	No material divergence
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	✓		(8) Before engaging a potential supplier, the company will have its procurement department conduct a proper evaluation and will only engage an ethical supplier with no record of materially causing environmental and social harm so as to keep a long-term commercial relationship.	No material divergence
(9) Do the company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	✓		(9) The company has not engaged in a contract with any major supplier since the company's product is still in R&D stage.	No material divergence
<b>4. Enhanced information disclosure</b>				
(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
<b>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:</b>				
The company has adopted its own "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Practice Principles for TWSE/GTSM Listed Companies" and has been performing its corporate governance and social responsibility in compliance with the laws and regulations of the jurisdictions in which it operates business, with no material divergence between the company's corporate social responsibility and the applicable practice principles as assessed.				
<b>6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:</b>				
(1) 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.				
(2) Other Social Responsibilities: The company is dedicated to provide high quality, affordable biosimilar drug to benefit people and society.				
<b>7. Other information regarding "Corporate Responsibility Report" which is verified by certification bodies:</b>				
The company has so far not produced a Corporate Social Responsibility Report and not engaged an certification agency for certification.				

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			DIVERGENCE FROM CORPORATE SOCIAL RESPONSIBILITY (CSR) CODE OF PRACTICE OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
Note : Implementation status should be specified when check “yes” or “no”.				

### 3.4.6 Ethical Management

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			DIVERGENCE FROM ETHICAL MANAGEMENT CODE OF PRACTICE OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
<b>1. Establish ethical management policies and plans</b>				
(1) Are the company's guidelines, practices, and board of directors' and management's commitments to implement the policies provided in its bylaws and disclosed publicly?	✓		(1) The company has made "Ethical Management Principles" and "Ethical Operating Procedures and Guidelines for Conduct" in accordance with applicable laws, while the board of directors and the management have fulfilled their obligations as good administrators to supervise the implementation of the ethical management policies.	No material divergence
(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?	✓		(2) The company has made "Ethical Management Principles" and "Ethical Operating Procedures and Guidelines for Conduct", while the board of directors and the management have fulfilled their obligations as good administrators to supervise the implementation of the ethical management policies, and the auditing office has conducted audit on an irregular basis.	No material divergence
(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?	✓		(3) The company has made "Ethical Management Principles" and "Ethical Operating Procedures and Guidelines for Conduct" and has given anti-corruption instructions to its board directors and employees so as for them to understand the company's determination to implement ethical management and the consequence of any unethical conduct.	No material divergence
<b>2. Ethical management</b>				
(1) Does the company evaluate trading counterparts' ethical records and incorporate ethics related clauses in the contracts executed with them?	✓		(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
(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 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 made "Rules of Procedure for Board Meetings" to provide that, if a director or the legal entity that the director represents has an interest in a proposal that is likely to prejudice the interests of the company, the director shall excuse himself or herself from the discussion or voting on the proposal and may not exercise the voting right as proxy for another director. Also, the company has made "Guidelines for Prevention of Insider Trading" and "Procedures for Handling Material Inside Information", under which no staff may disclose any unpublished information of the company, and the company promotes the awareness thereof at employees' meetings so as to ensure the faithful implementation of the relevant policies.	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 the awareness of matters relating to ethical management at employees' and supervisors' meetings.	No material divergence

ITEM FOR ASSESSMENT	IMPLEMENTATION ( NOTE )			DIVERGENCE FROM ETHICAL MANAGEMENT CODE OF PRACTICE OF TAIWAN STOCK EXCHANGE AND TAIPEI EXCHANGE LISTED COMPANIES, AND REASONS
	YES	NO	EXPLANATION	
<b>3. Implementation of Compliance Procedures</b>				
(1) Has the company established specific report and incentive systems, set up convenient avenues for reports to be made, and assigned appropriate personnel to entertain reports against accused parties?	✓		(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
<b>4. Enhanced information disclosure</b>				
(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 Ethical Management in its annual report and on its website.	No material divergence
<b>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:</b>				
The company has established "Ethical Management Principles", takes social responsibilities, constantly follows ethical management principle.				
<b>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):</b>				
The company keeps track of development on related rules and regulations domestically and internationally, update and promote ethical management policies accordingly, to improve the implementation results.				
Note : Implementation status should be specified when check "yes" or "no"				

#### 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

#### 2017 Statement of Internal Control System

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

Date: March 26, 2018

Tanvex's self-assessment results for 2017 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, 2017, 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. To comply with the Taiwan Stock Exchange Corporation Rules for Regulating Primary Listed Foreign Issuers, the Company has retained a CPA to conduct a special audit of the internal control system in connection with the reliability of financial reporting and safeguarding of asset security (prevention of unauthorized acquisition, use, or disposition of assets) for the aforementioned period pursuant to Article 28 of the Regulations. As indicated above, such systems have been designed and implemented effectively, with no material deficiency affecting the reliability of the recording, processing, compilation, and reporting of financial information, and no material deficiency affecting the safeguarding of asset security resulting in any unauthorized acquisition, use, or disposition of assets.
7. 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.
8. This Statement has been approved by the Board of Directors in the meeting held on March 26, 2018, where none of the eight attending directors expressing any dissenting opinion and the remainder all affirming the content of this Statement.

Tanvex BioPharma, Inc.

Chairman: Chi-Chuan Chen

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 2017 and as of the Date of This Annual Report  
**None.**

3.4.11 Important Resolutions of Shareholders' Meetings and Board of Directors' Meetings in 2017 and as of the Date of This Annual Report

DATE OF MEETING	TYPE	IMPORTANT RESOLUTIONS
03.28.2017	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. Approved 2016 annual consolidated financial report, final statement and business report.</li> <li>2. Approved the proposal of loss make-up for year 2016.</li> <li>3. Approved the issuance of employee stock option for year 2017.</li> <li>4. Approved the compensation and employee stock options to CEO.</li> <li>5. Approved the 2016 Internal Control Declaration.</li> <li>6. Amendment to the Operational Procedures for Acquisition and Disposal of Assets.</li> <li>7. Approved to release the prohibition on directors form participation in competitive business.</li> <li>8. Amendment to the Rules of Procedures for Board of Directors Meeting.</li> <li>9. Amendment to the company's Memorandum and Articles of Association.</li> <li>10. Approve the time, venue and proposals of annual general meeting.</li> </ol>
05.11.2017	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. The 1<sup>st</sup> quarter of 2017 Financial Reports and the execution status of the Sound Business Plan.</li> </ol>
06.15.2017	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal for a Share Capital Increase for this Company to be Primary Listed on TWSE.</li> <li>2. Approved the proposal for the Plan to Strengthen Business Operation of this Company.</li> <li>3. Approved the proposal to establish the Performance Evaluation and Review Rules for Officers.</li> <li>4. Approved the proposal to change the position and promote the Corporate Controller, Evelyn Wu.</li> <li>5. Approved the proposal to increase the merit of officers of the Company and its subsidiaries in the year of 2017.</li> <li>6. Approved the grant/issue of employee stock options to officers.</li> </ol>
08.14.2017	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. Approved the ratification of Amendment to Stock Option Plan for Employees and 2017 (first) Employee Stock Option Plan.</li> <li>2. Approved the amendment of the Procedural Rules of Board Meeting.</li> <li>3. Approved the amendment of the Rules of Audit Committee.</li> </ol>
11.14.2017	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. Approved the Board Performance Evaluation Rules.</li> <li>2. Approval of operation and budget plan of 2018.</li> <li>3. Approved the audit plan of 2018.</li> <li>4. Approved the evaluation of CPA's independence.</li> <li>5. Approved the appointment of CPA for consolidated financial statements audit of 2018</li> <li>6. Approved the rights issue by USA subsidiary, La Jolla Biologics, Inc.</li> <li>7. Approved the rights issue by Taiwan subsidiary, Tanvex Biologics Corporation.</li> <li>8. Approved the rights issue by new USA subsidiary.</li> <li>9. Approved the amendment of the Rules Governing the Scope of Powers of Independent Directors.</li> <li>10. Approved to appoint a senior vice president of the Company.</li> </ol>
03.26.2018	Board of Directors' meeting	<ol style="list-style-type: none"> <li>1. Approved the 2017 annual Consolidated Financial Report, Final Statement and Business Reports.</li> <li>2. Approved the proposal for loss make-up of 2017.</li> <li>3. Approved the change to the plan of capital injection into the Company's subsidiaries.</li> <li>4. Approval of the 2017 Internal Control Declaration.</li> <li>5. Approved the amendment to the Rules of Remuneration Committee.</li> <li>6. Approved the amendment to the Salaries and Remunerations Policy for Directors and Officers.</li> <li>7. Approved the amendment to the Performance Evaluation and Review Rules for Officers.</li> <li>8. Approved the Amendment to Company's Memorandum and Articles of Association.</li> <li>9. Approved the re-election for Company's Board of Directors.</li> <li>10. Approved the acceptance of the list of director candidates' nomination, review standards and relevant process.</li> <li>11. Approved the list of director candidates, including independent director candidates, to be nominated by the Board of Directors.</li> <li>12. Approval of the issuance of Employee Stock Option for 2018.</li> <li>13. Approved the ratification to the appointment of the new officers.</li> <li>14. Approved the compensation to officers.</li> <li>15. Approved the time, venue, and agenda of the 2018 shareholders' annual general meeting.</li> </ol>

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 2017 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 2017 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

*Unit: NT\$ in thousands*

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	4,479	0	64	122	818	1,003	2017	—
	Teng, Sheng-Wei								

3.5.2 Discussion of Replacement of Accounting Firm when the Audit Fees Paid in the Year of Replacement are Less Than the Audit Fees of the Previous Year

**None.**

3.5.3 Discussion of Audit Fees if Current Year Fees are Less Than the Previous Year by 15% or More

**None.**

### 3.6 Replacement of Auditors

**None.**

3.7 Discussion of Circumstances if the Company's Chairman, CEO, or Officers Responsible for Finance and Accounting Operations Have Held Positions at the CPA Firm or Its Affiliates within recent year

**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 2017 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	2017		APRIL 15TH, 2018	
		INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED	INCREASE OR DECREASE IN SHAREHOLDING	INCREASE OR DECREASE IN SHARES PLEDGED
Director and Major shareholder	Peng Lin Investment Co., Ltd.	(250,000)	—	—	—
	Representative: Chen, Chi-Chuan	—	—	—	—
Director and Major shareholder	Peng Lin Investment Co., Ltd.	(250,000)	—	—	—
	Representative: Cho, Lung-Yeh	—	—	—	—
Director	Allen Chao and Lee Hwa Chao Family Trust	(125,000)	—	—	—
	Representative: Allen Chao	1,143,421	—	—	—
Director	Hsia Family Trust	—	—	—	—
	Representative: David Hsia	—	—	—	—
Director	Delos Capital Fund, LP	—	—	—	—
	Representative: Chen, Lin-Cheng	—	—	—	—
Director	Yen, Yun	—	—	—	—
Independent Director	Tsai, Jin-Pau	—	—	—	—
Independent Director	Chang, Lee-Chiou	—	—	—	—
Independent Director	Shih, Chuan	—	—	—	—
CEO	Allen Chao	—	—	—	—
Chief Technology Officer	David Hsia	—	—	—	—
CFO	Wu, Yiching	25,000	—	—	—
Vice President, Business Development Office & Investor Relations	Chu, Pei-Lan	5,000	—	—	—
10% Major shareholder	Tanvex Biologics, Inc.	(125,000)	—	—	—
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

April 15, 2018 / Unit: Shares; %

NAME (NOTE 1)	SHAREHOLDING IN SHAREHOLDER'S OWN NAME		SPOUSE AND MINOR SHAREHOLDING		SHAREHOLDING IN ANOTHER'S NAME		NAME AND RELATIONSHIP OF ANY OF THE TOP 10 SHAREHOLDERS BEING A RELATED PARTY, SPOUSE, OR WITHIN A SECOND-DEGREE RELATIONSHIP OF CONSANGUINITY TO THE MEMBER		NOTES
	SHARES	SHARE-HOL DING	SHARES	SHARE-HOL DING	SHARES	SHARE-HOL DING	NAME	RELATION-SHIP	
Peng Lin Investment Co., Ltd.	70,566,999	32.52	—	—	—	—	—	—	
Representative: Chen, Chi-Chuan	49,046	0.02	56,000	0.03	—	—	—	—	
Representative: Cho, Lung-Yeh	—	—	—	—	—	—	—	—	
Tanvex Biologics, Inc.	37,451,668	17.26	—	—	—	—	—	—	
Representative: Allen Chao	1,143,421	0.53	18,000	0.08	—	—	—	—	
Allen Chao and Lee Hwa Chao Family Trust	16,888,022	7.78	—	—	—	—	Allen Chao Interests, Ltd. MAL Investment Company Hsia Family Trust	The directors are within a second-degree relationship of consanguinity to one another.	
Representative: Allen Chao	1,143,421	0.53	18,000	0.08	—	—	—	—	
Delos Capital Fund, LP	14,400,000	6.64	—	—	—	—	—	—	
Representative: Chen, Lin-Cheng	—	—	—	—	—	—	—	—	
Cathay Life Insurance C.o, Ltd.	6,750,000	3.11	—	—	—	—	—	—	
Representative:Huang, Tieou-Guwei	—	—	—	—	—	—	—	—	
Allen Chao Interests, Ltd.	4,865,625	2.24	—	—	—	—	Allen Chao and Lee Hwa Chao Family Trust MAL Investment Company Hsia Family Trust	The directors are within a second-degree relationship of consanguinity to one another.	
Representative:Michael Chao	—	—	—	—	—	—	—	—	
ARCH Healthcare Fund, LLC	4,601,578	2.12	—	—	—	—	—	—	
Representative:Michael Chao	—	—	—	—	—	—	—	—	
Standard Chartered Fidelity International	3,130,000	1.44	—	—	—	—	—	—	
MAL Investment Company	3,073,392	1.42	—	—	—	—	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:Michael Chao	—	—	—	—	—	—	—	—	
Hsia Family Trust	2,442,430	1.13	—	—	—	—	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: David Hsia	—	—	—	—	—	—	—	—	

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

**3.10 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 (NOTE)	TANVEX BIOPHARMA SHAREHOLDING		SHAREHOLDING OF DIRECTORS, SUPERVISORS, OFFICERS, AND DIRECTLY OR INDIRECTLY CONTROLLED ENTERPRISES		CONSOLIDATED SHAREHOLDING	
	SHARES	SHAREHOLDING	SHARES	SHAREHOLDING	SHARES	SHAREHOLDING
Tanvex Biologics Corporation	211,419	100%	0	0	211,419	100%
Tanvex BioPharma USA, Inc.	1,000	100%	0	0	1,000	100%

Note: Adopt Equity Method Investment

## 4. Financing

### 4.1 Capital and Shares

#### 4.1.1 Capitalization

##### 1. Changes in capital in recent years and up to the date of this annual report

As of April 15, 2018

MONTH/ YEAR	ISSUE PRICE (\$)	AUTHORIZED SHARE CAPITAL		PAID-IN CAPITAL		NOTES		
		SHARES (IN 1,000 SHARES)	AMOUNT	SHARES (IN 1,000 SHARES)	AMOUNT (NT\$ in Thousands, unless expressed in US\$)	SOURCES OF CAPITAL (NT\$ in Thousands, unless expressed in US\$)	STOCK PAYMENT PAID WITH ASSETS OTHER THAN CASH	OTHERS
05/2013	US\$ 0.0001	500,000	US\$ 50,000	0.001	US\$ 0.0001	Seed capital	None	
09/2013	-	-	-	-	-	Buy-back and deregistration	None	
09/2013	US\$ 0.2	500,000	US\$ 50,000	80,000	US\$ 8,000	Cash capital increase US\$8,000	None	
10/2014	US\$ 0.4	500,000	US\$ 50,000	130,000	US\$ 13,000	Cash capital increase US\$5,000	None	
03/2015	US\$ 1.5	500,000	US\$ 50,000	163,333	US\$ 16,333	Cash capital increase US\$3,333	None	
03/2015	US\$ 1.5	500,000	US\$ 50,000	164,418	US\$ 16,642	Face value of conversion of stock options US\$109	None	
04/2015	US\$ 1.5	500,000	US\$ 50,000	165,665	US\$ 16,567	Face value of conversion of stock options US\$125	None	
05/2015	NT\$10	500,000	5,000,000,000	165,665	1,656,651	Capital conversion \$518,540	None	Note 2
						Conversion of capital surplus to capital stock \$1,656,132		Note 3
06/2015	US\$ 0.2~0.4	500,000	5,000,000,000	166,408	1,664,084	Conversion of stock options \$7,434	None	
02/2016	NT\$128	500,000	5,000,000,000	192,408	1,924,084	Cash capital increase NT\$3,328	None	Note 4
02/2016	US\$ 0.2~0.4	500,000	5,000,000,000	192,445	1,924,445	Conversion of stock options \$361	None	
03/2016	US\$ 0.2~1.5	500,000	5,000,000,000	192,557	1,925,569	Conversion of stock options \$1,124	None	
04/2016	US\$ 0.2~0.4	500,000	5,000,000,000	192,630	1,926,299	Conversion of stock options \$730	None	
06/2016	US\$ 0.4~1.5	500,000	5,000,000,000	192,725	1,927,251	Conversion of stock options \$953	None	
07/2016	US\$ 0.4~1.5	500,000	5,000,000,000	192,758	1,927,576	Conversion of stock options \$325	None	
08/2016	US\$ 0.2~1.5	500,000	5,000,000,000	192,872	1,928,716	Conversion of stock options \$1,140	None	
10/2016	US\$ 0.4~1.5	500,000	5,000,000,000	192,888	1,928,875	Conversion of stock options \$159	None	
11/2016	US\$ 0.2~1.5	500,000	5,000,000,000	192,965	1,929,652	Conversion of stock options \$777	None	
12/2016	US\$ 0.2~1.5	500,000	5,000,000,000	192,993	1,929,927	Conversion of stock options \$275	None	
01/2017	US\$ 0.2~1.5	500,000	5,000,000,000	193,065	1,930,645	Conversion of stock options \$718	None	
02/2017	US\$ 0.2~0.4	500,000	5,000,000,000	193,117	1,931,167	Conversion of stock options \$523	None	
03~09/2017	US\$ 0.4~1.5	500,000	5,000,000,000	193,543	1,935,432	Conversion of stock options \$4,265	None	
10/2017	NT\$72	500,000	5,000,000,000	216,543	2,165,432	Cash capital increase NT\$230	None	Note 5
11~12/2017	US\$ 0.2~1.5	500,000	5,000,000,000	216,636	2,166,364	Conversion of stock options \$93	None	
01~04/2018	US\$ 0.2~1.5	500,000	5,000,000,000	216,992	2,169,921	Conversion of stock options \$3,557	None	

Note 1: With regard to the stock capital of the Company, no stock payment has been paid with assets other than cash up to the date of the annual report.  
Note 2: For the purposes of applying for primary listing on the Taipei Stock Exchange or Taipei Exchange, Tanvex resolved in the shareholders' meeting of May 15, 2015 on the change of capital, where US\$0.0001 per share and the paid-in capital of US\$16,566.51 were to be converted as NT\$10 per share and a paid-in capital of NT\$518,540, at the average US\$:NT\$ spot rate of 1:31.30 of the Bank of Taiwan as at March 31, 2015.  
Note 3: Tanvex resolved in the shareholders' meeting of May 15, 2015 on the conversion of capital surplus as common shares at \$1,656,131,960.  
Note 4: Approval date on cash capital increase: January 7<sup>th</sup>, 2016. Approval certificate Ginguanzhengfazi no. 1040053944  
Note 5: Approval date on cash capital increase: October 3<sup>rd</sup>, 2017. Approval certificate Taizhengshangerhfazi no. 1060018129

## 2. Types of shares in recent year and up to the date of this annual report

As of April 15, 2018; unit: share

TYPE	AUTHORIZED NUMBER OF SHARES			NOTES
	OUTSTANDING	NOT YET ISSUED	TOTAL	
Common stock	216,992,061	283,007,939	500,000,000	Listed stock

### 4.1.2 Composition of Shareholders

As of April 15, 2018

COMPOSITION NUMBER OF SHARES	GOVERNMENT INSTITUTIONS	FINANCIAL INSTITUTIONS	OTHER JURISTIC PERSONS	INDIVIDUALS	FOREIGN INSTITUTIONS AND INDIVIDUALS	TOTAL
Number of shareholders	—	4	47	3,759	46	3,856
Shares	—	10,998,000	81,585,911	26,334,194	98,073,956	216,992,061
Shareholding	—	5.07%	37.60%	12.14%	45.19%	100.00%

### 4.1.3 Distribution Profile of Share Ownership

As of April 15, 2018; unit: share

SHAREHOLDER OWNERSHIP	NO. OF SHAREHOLDERS	SHARES	SHAREHOLDING (%)
1~999	180	32,133	0.01%
1,000~5,000	2,859	5,171,898	2.38%
5,001~10,000	355	2,872,547	1.32%
10,001~15,000	130	1,695,336	0.78%
15,001~20,000	73	1,340,829	0.62%
20,001~30,000	57	1,403,649	0.65%
30,001~40,000	44	1,571,101	0.72%
40,001~50,000	37	1,741,983	0.80%
50,001~100,000	46	3,283,852	1.51%
100,001~200,000	24	3,555,616	1.64%
200,001~400,000	17	4,731,463	2.18%
400,001~600,000	7	3,215,051	1.48%
600,001~1,000,000	5	3,772,880	1.74%
800,001~1,000,000	1	837,000	0.39%
Over 1,000,001	21	181,766,723	83.78%
<b>Total</b>	<b>3,856</b>	<b>216,992,061</b>	<b>100.00%</b>

#### 4.1.4 Major Shareholders (Names, and Shareholdings Either with up to 5% of Equity or among the Top Ten Shareholders)

As of April 15, 2018

SHARE S MAJOR SHAREHOLDERS	SHARES	SHAREHOLDING %
Peng Lin Investment Co., Ltd.	70,566,999	32.52%
Tanvex Biologics, Inc.	37,451,668	17.26%
Allen Chao and Lee Hwa Chao Family Trust	16,888,022	7.78%
Delos Capital Fund, LP	14,400,000	6.64%

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

Unit: NT\$

ITEM		YEAR	2016 (NOTE 1)	2017 (NOTE 1)	2018 UP TO 3/31 (NOTE 2)
Market Price per share	Highest		Not listed on Taiwan Stock Exchange or Taipei Exchange	101.5	115.00
	Lowest		Not listed on Taiwan Stock Exchange or Taipei Exchange	73.5	72.20
	Average		Not listed on Taiwan Stock Exchange or Taipei Exchange	81.15	93.28
Net Worth per share	Before distribution		18.5	17.3	15.65
	After distribution		18.5	17.3	15.65
Earnings per share	Weighted average (1,000 shares)		188,357	193,358	216,735s
	Earnings (losses) per share		(6.61)	(7.29)	(1.52)
Dividends per share	Cash dividends		—	—	—
	Stock grants	Stock Dividend from Retained Earnings	—	—	—
		Stock Dividend from Capital Reserve			
	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		(Note 3)	(Note 3)	Not listed on Taiwan Stock Exchange or Taipei Exchange
	Cash dividend yield		(Note 3)	(Note 3)	Not listed on Taiwan Stock Exchange or Taipei Exchange
Note 1: The financial data of 2016 and 2017 are from pro forma consolidated financial reports duly audited and certified by CPAs					
Note 2: The financial data of 2018 are from consolidated financial reports duly audited and certified by CPAs					
Note 3: No distribution of dividend in 2016 and 2017					
Note 4: Listed stock on Taiwan Stock Exchange (TWSE) on October 26, 2017					

#### 4.1.6 Dividend Policy and Distribution of Earnings

Dividend policy set out in the Articles of Association:

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

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

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

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

Material changes anticipated to the dividend policy: None.

#### 4.1.7 Impact of 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 Articles of Association:

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

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

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

2. Accounting treatment on difference between estimate base and actual payment:

The company had a net loss in 2016, therefore no estimate and actual payment.

3. Distribution approved by Board of Directors' meeting:

Not applicable.

4. Distribution (including number of shares, amount and share price) in previous year, difference, reason and treatment:

Not applicable.

**4.1.9 Buyback of Common Stock**

**None.**

**4.2 Issuance of Corporate Bonds**

**None.**

**4.3 Preferred Stocks**

**None.**

**4.4 Overseas Depository 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 this Annual Report

As of April 15, 2018

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	2017 FIRST ISSUANCE OF EMPLOYEE STOCK OPTIONS
Effective date of registration	Not applicable (Note 1)	Not applicable (Note 1)	Not applicable (Note 1)	10/8/2015	07/04/2016	08/03/2016
Issue date	2013/12/17 (Note 2)	2014/09/11 (Note 2)	2015/05/15 (Note 2)	2015/12/14 2016/06/14 2016/09/16	2016/07/04 2016/12/15 2017/01/01 2017/03/15 2017/06/15	2017/10/26 2017/12/15 2018/03/15
Option Duration	10 years	10 years	10 years	10 years	10 years	10 years
No. of options granted	802,000 shares (of which 155,000 shares are invalidated)	11,260,384 shares (of which 2,771,313 shares are invalidated)	1,000,000 shares (of which 133,000 shares are invalidated)	596,000 shares (596 units) 918,000 shares (918 units) 160,000 shares (160 units) (of which 578,000 shares are invalidated)	3,014,000 shares (3,014 units) 686,000 shares (686 units) 200,000 shares (200 units) 320,000 shares (320 units) 416,000 shares (of which 723,000 shares are invalidated)	3595,300 shares (3595 units) 359,000 shares (359 units) 1,614,000 shares (1,614 units) (of which 49,200 shares are invalidated)
Percentage of shares exercisable to outstanding common shares	0.37%	5.19%	0.46%	0.77%	2.14%	2.57%
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	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	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%	(1) 2nd year: up to 50% (2) 3rd year: up to 75% (3) 4th year: up to 100%
Shares exercised	545,000	3,972,729	141,000	0	0	0
Value of shares exercised	US\$109,000	US\$1,860,792	US\$211,500	US\$0	US\$0	US\$0
Shares unexercised	102,000	4,516,342	726,000	1,096,000	3,913,000	5,519,100
Exercise price per share on unexercised shares	US\$0.20	US\$0.40~1.50	US\$1.50	US\$4.45 US\$3.88 US\$5.07	US\$4.60 US\$4.48 US\$4.57 US\$4.10 US\$3.81	US\$3.21 US\$2.51 US\$3.56
Percentage of shares unexercised to outstanding common shares ( % )	0.05%	2.08%	0.33%	0.51%	1.80%	2.54%
Impact on shareholders' equity	Retain and attract talent, strengthen cohesiveness of employees, increase shareholder's value. Dilution to shareholder's 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 non-public company at the time of the issuance.						
Note 2: The board of directors will authorize 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 this Annual Report

As of April 15, 2018

TITLE ( NOTE 1 )	NAME	GRANT SHARES	RATIO OF SHARES GRANT TO TOTAL ISSUED SHARES(NOTE 4)	EXERCISED (NOTE 2)			UNEXERCISED (NOTE 2)			RATIO OF SHARES EXERCISED TO TOTAL ISSUED SHARES (%) (NOTE 4)	
				# 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\$)
Officer	CEO	Allen Chao									
	Chief Scientific Officer(Corporate)	David Hsia									
	Vice President, Business Development & Investor Relations (Corporate)	Chu, Pei-Lan	1.9%	930,000	0.48	446,250	0.43%	3,189,000	2.66	8,467,590	1.47%
	Corporate Controller	Wu, Yiching									
Top 10 Employees (Note 3)	Vice President, R&D, LIB	Wu, Yongjian									
	Vice PresidentMSAT,LIB	Helena Makagiansar (Notr 7)									
	Director of IT Department	Chen, Frank									
	Vice President, Manufacturing	Yang, Kaiwen									
	Director of Project Management	Liu, Qi	3.79%	717,500	0.51	369,500	0.33%	7,510,252	2.48	18,604,138	3.46%
	Director, Business Development (Corporate)	Unkrich, Matthew									
	Director of R&D (Cell Culture)	Tao, Yiwen									
	Director of R&D (Purification)	Hopp, Jennifer									
	Director of Sales	Grillo, Linda									
	Director of Frug Product and Facility	Rahimi, Reza									
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 October 13 <sup>th</sup> , 2017.											
Note 8: Includes expired 1,230 shares of resigned employees.											

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 October 13<sup>th</sup>, 2017.

Note 8: Includes expired 1,230 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

### 5.1 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 is mainly responsible for cell line development and owns intellectual property (IP) rights. Our U.S. subsidiary is responsible for process development, scale-up production, product analysis, and manufacturing. We expect to become a biopharmaceutical company rooted in Taiwan with a prominent presence in the global market.

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

#### 5.1.2 Industry Overview

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

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

The molecule characteristics of biosimilar medicines 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 up to the date of this annual report:

ITEMS	INDICATION	DEVELOPMENT PROGRESS
TX01	Neutropenia, caused by chemotherapy for cancer	· Initiated Phase III clinical trials in October 2016 · Completed Phase III clinical trials in August 2017, the pre-specified endpoints are met
TX05	Breast cancer	· Completed Phase I clinical trial in 2016 · Initiated Phase III clinical trial in October 2017
TX16	Metastatic colorectal cancer	Completed Phase I clinical trial in December 2017
TX17	Rheumatoid arthritis	Cell line development

**R&D investment in 2017 and as of up to the date of this annual report:***NT\$ in thousands*

ITEM \ YEAR	2017	Q1 2018
R&D expenses	1,084,425	259,003
Paid in Capital	3,749,221	3,394,151
R&D as % of Paid in Capital	28.92	7.63

**5.1.5 Long-Term, Mid-Term and Near-Term Business Strategies****1. Near-Term Development Strategies:**

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

**2. Mid- And Long-Term Development Strategies:**

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

**5.2 Market, Production and Sales****5.2.1 Market Analysis****1. Major market**

Our TX01 have completed Phase III human clinical trial in August 2017 and TX05 initiated Phase III human clinical trial in October 2017. Since the U.S. is the single largest pharmaceutical market in the world, it is the primary market we are targeting in our initial plan. We are optimistic about the potential of the U.S. market, and plan to seize the opportunity to become a world-class biopharmaceutical company.

**2. Market share**

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

**3. Market supply, demand and growth in the future**

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

**4. Core competency**

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

**5. Advantages and Disadvantages****Advantages:**

- (1) The approval of the first biosimilar medicine in 2015 opened the door and paved the way for other manufacturers.
- (2) U.S. is the largest single biologics market.
- (3) An extensively experienced R&D team, capability of cell line development, and IP are housed in Taiwan.

**Disadvantages:**

- (1) As of December 31, 2017, the US FDA had approved a total of nine biosimilar products, but when US FDA reviews the BLA submission, there will be different requirements due to different products.
- (2) Competitive information is not sufficiently available due to the emerging market in the U.S.

Our strategy:

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

#### 5.2.2 Product 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), 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.

#### 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 2016 and 2017

We do not have any business income, customers, nor manufacturing or raw materials vendors in 2016 and 2017, as our products are in the R&D stage.

#### 5.2.5 Production in 2016 and 2017

We do not have any commercial production in 2016 and 2017, 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 2016 and 2017, 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	2016	2017	AS OF MARCH 31, 2018
R&D staff headcount	67	71	71
Other employees headcount	20	22	22
Managerial position and above (R&D) headcount	22	21	24
Managerial position and above (Other) headcount	16	17	19
Total headcounts	125	131	136
Average age	40.21	41.64	42.23
Average service years	2.37	2.76	2.77
Ph.D. (%)	15	14	13
Master's degree (%)	26	21	24
College/Bachelor degree (%)	49	47	47
High school diploma (%)	10	18	16
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

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

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
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
Lease 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
Master Collaboration Agreement and SOW	Tanvex TW and Tanvex BioPharma USA, Inc.	01/01/2018-12/31/2022	Collaboration on the biosimilar products development	None

## 6. Financial Highlights

### 6.1 Condensed Financial Statements in Most Recent Five Years– IFRS

#### 6.1.1 Condensed Consolidated Balance Sheet –IFRS

Unit: NTD\$ in thousands

YEAR		MOST RECENT FIVE YEARS (NOTE 1,2)					AS OF MARCH 31, 2018 (NOTE 3)
		2013	2014	2015	2016	2017	
Current Assets		182,766	218,425	780,472	2,953,236	3,176,125	2,790,882
Property, Plant and Equip.		246,849	385,741	704,701	832,549	747,168	736,351
Intangible Assets		42,501	46,476	59,749	57,665	24,626	22,773
Other Assets		15,156	4,097	24,492	28,902	25,084	23,588
Total Assets		487,272	654,739	1,569,414	3,872,352	3,973,003	3,573,594
Current Liabilities	Before Distribution	62,587	44,875	102,402	233,147	164,704	123,305
	After Distribution	62,587	44,875	102,402	233,147	164,704	123,305
Non-Current Liabilities		21,041	20,220	19,012	66,098	59,078	56,138
Total Liabilities	Before Distribution	83,628	65,095	121,414	299,245	223,782	179,443
	After Distribution	83,628	65,095	121,414	299,245	223,782	179,443
Equity attributable to owners of the parent		151,044	589,644	1,448,000	3,573,107	3,749,221	3,394,151
Capital Stock		240	392	1,664,084	1,929,927	2,166,364	2,168,158
Capital Surplus		227,921	912,610	563,412	3,776,397	5,375,881	5,424,982
Retained Earnings	Before Distribution	(72,150)	(336,708)	(835,255)	(2,079,701)	(3,489,501)	(3,818,683)
	After Distribution	(72,150)	(336,708)	(835,255)	(2,079,701)	(3,489,501)	(3,818,683)
Other Equity		(4,967)	13,350	55,759	(53,516)	(303,523)	(380,306)
Equity under former common control		252,600	—	—	—	—	—
Total Equity	Before Distribution	403,644	589,644	1,448,000	3,573,107	3,749,221	3,394,151
	After Distribution	403,644	589,644	1,448,000	3,573,107	3,749,221	3,394,151
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 2013 to 2014 above is based on Proforma data.							
Note 2: Independent Auditor's Report for year 2013 to 2017.							
Note 3: Q1, 2018 financial report reviewed by Auditors of PWC Taiwan.							

## 6.1.2 Condensed Consolidated Statement of Comprehensive Income – IFRS

Unit: NT\$ in thousands

ITEM \ YEAR	MOST RECENT FIVE YEARS (NOTE 1, 2)					AS OF MARCH 31, 2018 (NOTE 3)
	2013	2014	2015	2016	2017	
Net Revenue	—	—	—	—	—	—
Gross Profit	—	—	—	—	—	—
Income (Loss) from Operations	(433,597)	(464,897)	(831,952)	(1,351,518)	(1,403,168)	(338,140)
Non-Operating Income(Expenses)	2,041	(7,564)	(3,278)	107,098	(6,607)	8,958
Net Loss before Tax	(431,556)	(472,461)	(835,230)	(1,244,420)	(1,409,775)	(329,182)
Continued Operation -Net Loss	(431,580)	(472,485)	(835,255)	(1,244,446)	(1,409,800)	(329,182)
Discontinued Operation-Net Loss	—	—	—	—	—	—
Net Loss	(431,580)	(472,485)	(835,255)	(1,244,446)	(1,409,800)	(329,182)
Other Comprehensive Income (net of tax)	(11,444)	22,807	42,423	(109,275)	(250,007)	(76,783)
Total Comprehensive Income (Loss)	(443,024)	(449,678)	(792,832)	(1,353,721)	(1,659,807)	(405,965)
Basic Earnings per Share	(5.39)	(5.11)	(5.95)	(6.61)	(7.29)	(1.52)

Note 1: The company was established in May 2013. It acquired two subsidiaries in September 2013 and September 2014. To ensure consistency in reporting, the financial information above is based on Proforma data.  
Note 2: Independent Auditor's Report for year 2013 to 2017  
Note 3: Q1, 2018 financial report reviewed by Auditors of PWC Taiwan

## 6.2 Condensed Financial Statements In Most Five Years – 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 2013-2017

#### 1. Auditors name and opinions in most recent five years

YEAR	CPA FIRM NAME	AUDITORS	AUDIT 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
2017	PricewaterhouseCoopers Taiwan	Teng, Sheng-Wei; Tseng, Hui-Chin	An unqualified opinion

#### 2. If there is any change of auditors in most recent five years, predecessors, successors and reasons shall be listed: None.

**None.**

### 6.3 Financial Analysis In Most Recent Five Years (Consolidated) –IFRS

ITEM		YEAR	Most Recent Five Years (Note 1, 2)					As of March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017		
Capital Structure	Debt Ratio (%)	17.16	9.94	7.74	7.73	5.63	5.02	
	Long-term Fund to Fixed Assets Ratio (%)	172.02	158.1	208.18	437.12	509.70	468.57	
Liquidity Analysis	Current Ratio (%)	292.05	486.74	762.16	1,266.68	1,928.38	2,263.4	
	Quick Ratio (%)	270.4	453.44	740.88	1,252.69	1,860.64	2,148.65	
	Times Interest Earned (Times)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	
Operating Performance Analysis	Average Collection Turnover (Times)	—	—	—	—	—	—	
	Days Sales Outstanding	—	—	—	—	—	—	
	Average Inventory Turnover (Times)	—	—	—	—	—	—	
	Average Inventory Turnover Days	—	—	—	—	—	—	
	Average Payment Turnover (Times)	—	—	—	—	—	—	
	Fixed Assets Turnover (Times)	—	—	—	—	—	—	
	Total Assets Turnover (Times)	—	—	—	—	—	—	
Profitability Analysis	Return on Total Assets (%)	(107.20)	(82.75)	(75.11)	(45.74)	(35.94)	(34.90)	
	Return on Equity (%)	(134.17)	(95.14)	(81.98)	(49.57)	(38.51)	(36.87)	
	Operating Income to Paid-in Capital Ratio (%) (Note 4)	(287.07)	(78.84)	(49.99)	(70.03)	(64.77)	(62.38)	
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 4)	(285.72)	(80.13)	(50.19)	(64.48)	(65.08)	(60.73)	
	Net Margin (%)	—	—	—	—	—	—	
	Earnings Per Share (NT\$)	(5.39)	(5.11)	(5.95)	(6.61)	(7.29)	(1.52)	
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)	
Capital Structure	Debt Ratio (%)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	
	Long-term Fund to Fixed Assets Ratio (%)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	
Analysis of deviation of 2016 vs. 2017 over 20% : 1. Capital Structure : Total Equity and Cash increased due to equity financing in October 2017. Part of the cash has been used to facility expansion and equipment purchase, therefore, capital structure has changed significantly from 2016 to 2017. 2. Liquity Analysis : Increased significantly due to the cash increase from equity financing in October 2017. 3. Profitability Analysis : Net loss increased due to continuous investment in research and development.								

Note 1: The company was established in May 2013. It acquired two subsidiaries in September 2014 and September 2015. To ensure consistency in reporting, the financial information above is based on Proforma data.

Note 2: Independent Auditor's Report for year 2013 to 2017

Note 3: Reviewed by Auditors of PWC Taiwan

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Solvency Analysis

(1) Current Ratio = Current Assets / Current Liabilities

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

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

3. Operating Ability

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

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

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

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

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

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

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

4. Profitability Analysis

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

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

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

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

5. Cash Flow

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

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

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

6. Leveraging

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

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

Note 2: Not calculated since operating cash has outflow only

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

Note 4: 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 26, 2018

The Board of Directors has prepared the Company's 2017 business report, Financial Statements and proposal for loss make-up. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit Tanvex BioPharma, Inc.'s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Reports, Financial Statements, and proposal for Loss make-up have been reviewed and determined to be correct and accurate by the Audit Committee members of Tanvex BioPharma, Inc. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this Report.

Annual General Meeting of Tanvex BioPharma, Inc.

Chairman of the Audit Committee

Lee-Chiou Chang

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

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

#### **6.6 Parent Company Only Statements and Independent Auditor's Report**

None.

#### **6.7 Financial Difficulties of the Company and Its Subsidiaries in Recent year and as of the Date of This Annual Report, and Impact on the Company's Financial**

None.

## 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.

Unit: NT\$ in thousands; %

ITEM	YEAR	2017	2016	DIFFERENCE	
				AMOUNT	%
Current Assets		3,176,125	2,953,236	222,889	7.55
Property, Plant and Equipment		747,168	832,549	(85,381)	(10.26)
Intangible Assets		24,626	57,665	(33,039)	(57.29)
Other Assets		25,084	28,902	(3,818)	(13.21)
Total Assets		3,973,003	3,872,352	100,651	2.60
Current Liabilities		164,704	233,147	(68,443)	(29.36)
Non-Current Liabilities		59,078	66,098	(7,020)	(10.62)
Total Liabilities		223,782	299,245	(75,463)	(25.22)
Share Capital		2,166,364	1,929,927	236,437	12.25
Capital Surplus		5,375,881	3,776,397	1,599,484	42.35
Retained Earnings		(3,489,501)	(2,079,701)	(1,409,800)	67.79
Other Equities		(303,523)	(53,516)	(250,007)	467.16
Equity attributable to owners of the parent company		3,749,221	3,573,107	176,114	4.93
Total Shareholders' Equity		3,749,221	3,573,107	176,114	4.93

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

- (1) Decrease in Intangible Assets: mainly due to the recognition of impairment loss on patent and expertise based on the company's current product development strategy.
- (2) Decrease in Current Liabilities: mainly due to pay off of accounts payables on purchase of equipment and R&D supplies in 2017.
- (3) Increase in Capital Surplus: Mainly consists of the amount the company raises on the issue of shares in excess of their par value.
- (4) Decrease in Retained Earnings: mainly due to the fact that the Company is at an R&D stage and R&D expenses continue to grow, resulting in larger losses to be compensated.
- (5) Decrease in Other Equities: Continuous depreciation of the USD in 2017 resulted in an increased amount of accumulated translation adjustments

### 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

Unit: NT\$ in thousands

ITEM	YEAR	2017	2016	Amount of Increase/Decrease	Change in percentage (%)
Revenue		—	—	—	—
Cost of Goods Sold		—	—	—	—
Gross Profits		—	—	—	—
Operating Expenses		(1,403,168)	(1,351,518)	(51,650)	3.82
Net Operating Losses		(1,403,168)	(1,351,518)	(51,650)	3.82
Non-Operating Incomes And Expenses		(6,607)	107,098	(113,705)	(106.17)
Net Losses before Tax		(1,409,775)	(1,244,420)	(165,355)	13.29
Income Tax Expenses		(25)	(26)	1	(3.85)
Net Losses		(1,409,800)	(1,244,446)	(165,354)	13.29
Other Comprehensive Income (loss after tax)		(250,007)	(109,275)	(140,732)	128.79
Total Comprehensive Income (loss)		(1,659,807)	(1,353,721)	(306,086)	22.61

Description and analysis of main reason for changes of more than 20% and difference of over NT\$10 million from previous year:

- (1) Increase in Non-Operating Incomes and Expenses: Mainly due to the recognized impairment loss on patents and expertises based on the company's current product development strategy. Foreign exchange gain on fund raising also decreased comparing with 2016 due to the depreciation of the USD.
- (2) Increase in Total Comprehensive Income (Loss): mainly due to the increase of R&D expenses and R&D headcounts based on product development plan and progress in the year.



### 7.2.2 Projected Sales

As our products are in the R&D stage, we do not expect any significant sales volume during 2018.

### 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 2018.

## 7.3 Cash Flow

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

Unit: NT\$ in thousands

ITEM	YEAR	2017	2016	DIFFERENCE	
		AMOUNT	AMOUNT	AMOUNT	%
Net Cash Flow from Operating Activities (Outflow)		(1,212,016)	(833,426)	(378,590)	45.43
Net Cash Flow from Investing Activities (Outflow)		339,834	(1,863,414)	2,203,248	118.24
Net Cash Flow from financing Activities (Outflow)		1,663,838	3,342,346	(1,678,508)	(50.22)
Description of analysis of increase/decrease in percentage:					
(1) Operating Activities: Increase of net cash outflow due to products are still in R&D stage, no revenue has been generated yet.					
(2) Investing Activities: mainly due to capital expenditure on research, facility expansion and equipment procurement, offsetting by cash inflow resulted from around NT\$450 million cash out of CD matured in 2017.					
(3) Financing Activities: mainly from equity financing of NT\$3.3 billion in 2016 and NT\$1.6 billion equity financing in 2017 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 for next year

Unit: NT\$ in thousands

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
3,063,104	0	(1,846,335)	1,216,769	—	—
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: Got IPO on Taiwan Stock Exchange (TWSE) and raised US\$55M in October 2017.					

## 7.4 Major Capital Expenditures Which Significantly Impacted Financials of The Company in 2017

The company's capital expenditures in 2017 were mainly for capacity expansion and equipment purchases to accommodate the product R&D and to speed up the development progress. All expenditures are within budget. Therefore, there is no major impact to our financials in 2017.

## 7.5 Reinvestment Policies in 2017, Main Reason for Profits or Losses, Improvement and Investment Plan in 2018

### 1. Reinvestment policies:

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

### 2. Main reason for profits or losses from reinvestment in 2016 and improvement plan:

December 31, 2017; (Unit: NT\$ in thousands)

REINVESTED COMPANY	BUSINESS ACTIVITIES	INVESTMENT GAINS/LOSSES IN 2017	REASON OF LOSSES AND IMPROVEMENT PLAN
Tanvex BioPharma USA, Inc.	Process development and manufacturing of biosimilars and new drugs	(868,134)	The product development is still at the early R&D stage, thus losses incurred. The company expects to start to earn profits after commercialization in the market.
Tanvex Biologics Corporation	Research and development of biosimilars and new drugs	(385,773)	The business activities are focused on early R&D, thus losses incurred.

### 3. Investment plan for next year:

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

## 7.6 Risk Assessment for 2017 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 Major Reasons and Countermeasures for Gain and Losses on High-risk/High-leverage Investments; Loans to a Third Party, Making

#### Endorsements and Guarantees and Financial Derivatives

We did not make high-risk or highly-leveraged financial investments, lending, endorsements, guarantees for other parties, or financial derivative transactions during 2017 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:

##### 1. TX01

We Completed Phase III clinical trials in August 2017, the pre-specified endpoints are met and currently is in preparation for BLA submission.

##### 2. TX05

The Phase III clinical trial kicked off in October 2017 and continues to progress its Phase III clinical programs in 2018.

##### 3. TX16

Successfully completed Phase I clinical trial in December 2017, the pre-specified endpoints are met. Phase III protocols for TX16 is in planning process in 2018.

##### 4. TX17

The process development is in progress.

Based on the above development plan, our budgeted Research and Development costs are approximately NTD 1,817,598 thousand in 2018. 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 2017 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 2017 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

We have completed a plant expansion to fulfill the capability of preliminary commercialized production up to the date of the annual report. 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 2016, 2017 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, "Tanvex BioPharma USA, Inc." 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 1,974 trillion USD as of 2017, which constituted one-fifth of the world economy with the GDP per capita of 59,495 USD, which ranked eighth in the world in 2017. 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. Bureau of Economic Analysis (BEA) estimated in March, 2018 that gross domestic product (GDP) is expected to reach 2.5% in the first quarter of 2018, lower than the fourth quarter in 2017 of 2.9%. The deceleration in 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 20-21, 2018 decided to raise the target range for the federal funds rate to 1.25 to 1.5 percent and forecasted that 2018 GDP forecast to 2.5% to 3.0%; the unemployment rate edged down to 3.6% to 4.0%; personal consumption expenditure inflation rate was revised from 1.8% to 2.1%.

Economists predict that the global economy in 2018 has 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 15th out of 137 countries for the global competition according to the World Economic Forum ("WEF") Global Competitiveness Report 2017–2018 issued in September 2017. Additionally, Taiwan also ranked the fourth, after Singapore and Switzerland and Germany, 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 second quarter of 2017. Moreover, Taiwan ranked 14th, and third in the Asia Pacific region, out of 63 countries for the world competition according to the "World Competitiveness Report 2017" 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 2018 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 13th, in the Asia-Pacific 43 countries and economies, Taiwan ranked 5th, followed by Hong Kong, Singapore, Australia and New Zealand.

According to the press releases issued by the Executive Yuan in February 2018, the economy is expected to grow by 2.42% in 2018, which is 0.13% 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**

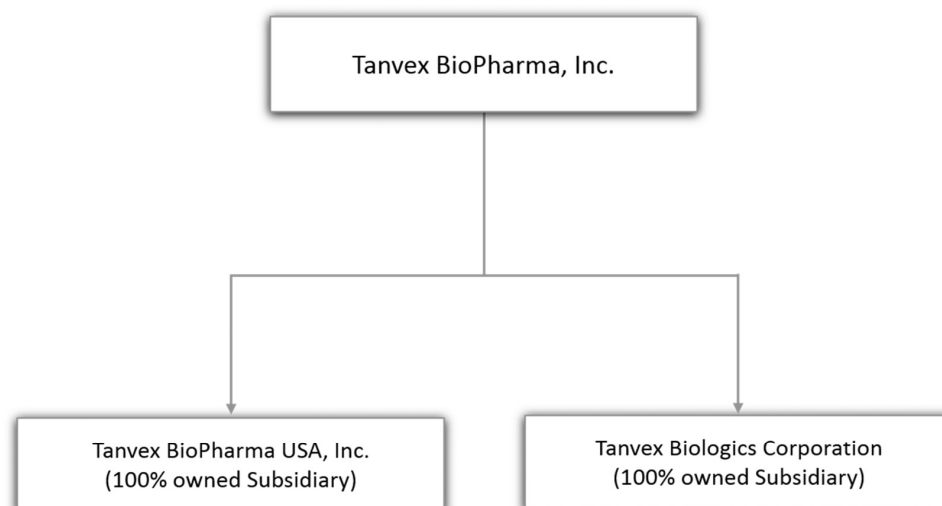
None.



## 8. Other Special Notes

### 8.1 Information on Subsidiaries

#### 8.1.1 Subsidiaries Chart



#### 8.1.2 Basic Information of Subsidiaries

December 31, 2017; Unit: in thousands

COMPANY	DATE OF INCORPORATION	PLACE OF REGISTRATION	PAID-IN CAPITAL	MAJOR BUSINESS
La Jolla Biologics, Inc. (Tanvex BioPharma USA, Inc.)	01/01/2011	10394 Pacific Center Court, San Diego, CA 92121, U. S. A.	US\$ 112,601	Process development and production of Biosimilar drugs and new drugs
Tanvex Biologics Corporation	04/07/2009	33F, No.99, Sec.1, Xintai No.5 Road, Xizhi District, New Taipei City, Taiwan R.O.C	NT\$ 2,114,190	Research and development of Biosimilar drugs and new drugs

Note: La Jolla Biologics, Inc was renamed as Tanvex BioPharma USA, Inc on January 1<sup>st</sup>, 2018.

#### 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

December 31, 2017

COMPANY	TITLE	NAME OR THE REPRESENTATIVE	SHAREHOLDING	
			SHARE(S)	%
La Jolla Biologics, Inc. (Tanvex BioPharma USA, Inc.)	Chairman and CEO	Allen Chao	1,000,000	100%
Tanvex Biologics Corporation	Chairman and CEO	Allen Chao	211,419,000	100%

### 8.1.5 Operational Highlights of Subsidiaries

December 31, 2017; Unit: in thousands

COMPANY	PAID-IN CAPITAL	ASSETS	LIABILITIES	NET WORTH	REVENUE	OPERATING EXPENSE	NET LOSS AFTER TAXES
La Jolla Biologics, Inc. (Tanvex BioPharma USA, Inc.) (Note)	USD112,601	USD28,183	USD4,999	USD23,184	USD3,130	USD(31,559)	USD(28,557)
Tanvex Biologics Corporation	NTD2,114,190	NTD551,989	NTD60,351	NTD491,638	-	NTD(358,395)	NTD(385,773)

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

### 8.1.6 Consolidated Financial Statements Covering the Subsidiaries:

Incorporated in the consolidated financial statements.

### 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 of, and Held by Subsidiaries in 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 Protection Checking List for foreign issuer amended by Taiwan Stock Exchange Corporation on September 19, 2017, 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 the Memorandum and Articles of Association of the Company ("M&AA"), 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 M&AA. 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 shareholder's meeting.	The Cayman Companies Law has no special provisions regarding extemporary motion; as such, the Paragraph 5 is stipulated in Article 50 of M&AA. 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	There is no special provision regarding Paragraph 3 under Cayman Companies Law.	There is no special provision regarding the first paragraph of this Paragraph 3 under Cayman Companies Law; thus the first paragraph of this Paragraph 3 is stipulated in Article 68 of the M&AA. 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, thus the latter paragraph of this Paragraph 3 is stipulated in Article 68 of the M&AA. (i.e., shareholders who exercise the voting power in writing or by way of electronic

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY'S ARTICLES AND THE EXPLANATION
of the original proposal.		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 extemporaneous 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).
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 5 under Cayman Companies Law.	There is no special provision regarding Paragraph 5 under Cayman Companies Law; as such, the first paragraph of this Paragraph 5 is stipulated in Article 70 of the M&AA. 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 5 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 M&AA. 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.
The following proposals involving significant interests of shareholders shall be adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, it may be adopted by two thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares: 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. 2. Amend the Articles of Incorporation.	With regard to 1, 4 and 5 (the split part) there is no special provision of requirement or prohibition under the Cayman Companies Law. With regard to 2 and 3, Article 24 of the Cayman Companies Law provides that any amendment to the M&AA shall be adopted by the special resolution. With regard to 5 (the dissolution part), the company shall be voluntarily dissolved by the special resolution pursuant to Article 116 the Cayman Companies Law, 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. In addition, with regard to 5 (the consolidation	1. There is no special or prohibition provisions regarding subparagraph 1, 4 and the split-up part of subparagraph 5 under the Cayman Companies Law; as such subparagraph 1, 4 and the split-up part of subparagraph 5 are separately provided in Article 32(a)(b)(c)(d)(g) of the M&AA 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

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY'S ARTICLES AND THE EXPLANATION
<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>or merger part), according to the Cayman legal consultant's suggestion, the Article 233(6) of the Cayman Companies Law provides that it shall be adopted by special resolution. However, it should be pursuant to the M&amp;AA in the case that there are other provisions regarding the resolutions provided in the M&amp;AA.</p>	<p>means that the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required by the 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 outstanding 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 M&amp;AA shall be adopted by Special Resolution at a shareholders' meeting; as such, subparagraph 2 is provided in Article 157 of the M&amp;AA, which means that the company may at any time amend the memorandum and/or M&amp;AA. 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>3. According to Article 24 of the Cayman Companies Law, any amendments to the M&amp;AA shall be adopted by the Special Resolution at a shareholders' meeting; as such, subparagraph 3 is provided in Article 18 of M&amp;AA, which means that any amendment to the M&amp;AA 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 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>4. With regard to subparagraph 5 (the dissolution part), the company shall be voluntarily dissolved by the special resolution pursuant to Article 116 of the Cayman Companies Law, 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 M&amp;AA, such higher threshold shall prevail; as such, the dissolution part of subparagraph 5 is provided in Article 33 of the M&amp;AA, if the company is voluntarily</p>

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY'S ARTICLES AND THE EXPLANATION
		<p>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 Cayman Companies Law provides that it shall be adopted by special resolution. However, it should be pursuant to the M&amp;AA in the case that there are other provisions regarding the resolutions provided in the M&amp;AA; as such, the consolidation or merger part of subparagraph 5 is provided in the Article 31(c) of the M&amp;AA. 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 M&AA are made.
<p>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.</p> <p>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.</p>	<p>There is no special provision of requirements or prohibitions under the Cayman Companies Law.</p> <p>According to the Law of the Cayman Islands, the circumstances in which the shareholder may institute an action for the company: (A) the act is in violation of the laws or beyond the purview of the company and cannot be ratified by the shareholders; or (B) the act constitutes fraud to the minority shareholders (that is, the instituted action requesting relief is against the major shareholders, such major shareholders may not allow the company to let the plaintiff institute the action. It is required to prove the fact of fraud and that the actor engaged in wrongdoing has the controlling power over the company.) As for the act within the purview of the company or beyond the purview of the company but can be ratified by the shareholders and is in line with the will of the majority of shareholders, the court of the Cayman Islands is inclined not to interfere in</p>	<p>There is no special provision of requirements or prohibitions under the Cayman Companies Law, and the company sets up the audit committee rather than supervisors; referring to the provisions regarding the responsibility to replace the supervisors by independent directors of the audit committee in 27 July 2012 Letter No. Taiwan-Securities-listed 1011702189 of Taiwan Stock Exchange Corporation, thus replacing the supervisors part of the paragraph 1 and 2 by the independent directors of the audit committee provided in the Article 123 of the M&amp;AA 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 M&amp;AA 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</p>

DIFFERENCE	CAYMAN LAWS AND THE EXPLANATION	THE COMPANY'S ARTICLES AND THE EXPLANATION
	the internal act of the company.	with 3% or more holding of the company in the case that the director considers it is not beneficial to company to institute the action.
<p>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.</p> <p>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.</p> <p>3. When performing their duties, the Company's officers and supervisors shall have the same damage liability as the Directors.</p>	<p>According to the Cayman Companies Law, the Directors have the fiduciary duties to the company and may be held liable for damages resulting from violation of the above by court decisions; in the event the Director violates the fiduciary duties and has the interest for him/herself or another person, the court may order the Director to return such interest by a court decision.</p> <p>According to the laws of 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 M&amp;AA 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.</p>	<p>In light of the comments by the Cayman lawyer (please refer to the left column), set forth the content of Paragraph 1, 2 and 3 in the Article 97B of the M&amp;AA; provided the Cayman lawyer indicates that even though the M&amp;AA 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.</p>

- 9. Any Events in 2017 and up to the Date of this Annual Report that Had Significant Impact on Shareholder's 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, 2017 AND 2016**

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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.



**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2017 AND 2016**

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## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Tanvex BioPharma, Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Tanvex BioPharma, Inc. (the “Company”) and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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 (“ROC GAAS”). Our responsibilities under those standards are further described in the *Independent accountant’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion

thereon, we do not provide a separate opinion on these matters.

## **The key audit matters of consolidated financial statements of 2017 described as below:**

### **Indicators of impairment of property, plant and equipment**

#### Description

As of December 31, 2017, the Group's property, plant and equipment amounted to NT\$747,168 thousand, accounting for 19% of the consolidated total assets. Please refer to Notes 4(10) and (13) for the related accounting policy, also Notes 5 and 6(3) for the details of impairment of property, plant and equipment in the consolidated financial statements.

The Group is currently engaged in conducting research and development of biosimilar product, so the property, plant and equipment are mainly used for the purposes of research and development and are highly relevant to the outcome of biosimilar drugs' development. In addition, the balance of property, plant and equipment at December 31, 2017 was significant. Thus, we consider indicators of impairment of property, plant and equipment as a key audit matter.

#### How our audit addressed the matter

Our procedures performed in respect of the above key audit matter included:

- Evaluating the reasonableness of identifying indicators of impairment by reviewing the assessment of impairment indicators provided by management as follows:
  1. Main research and development technology has not lost competition in the market.
  2. There is no major delay in the major research and development projects.
  3. The main research and development equipment is in normal use and has not been damaged or outdated.
  4. The market value of the Group is higher than its book value at the balance sheet date.

### **Existence of bank deposits**

#### Description

As of December 31, 2017, the Group's cash and cash equivalents amounted to NT\$2,010,071 thousand, and the time deposits that do not meet the definition of cash equivalents (listed under "other current

financial assets”) amounted to NT\$1,053,033 thousand, constituting 77% of the total consolidated assets. Please refer to Note 4(6) for the related accounting policy and Notes 6(1) and (2) for the details of cash and cash equivalents in the consolidated financial statements and report of 2017.

As cash constitutes a significant percentage of total consolidated assets, and has the inherent risk of misstatement, we consider the existence of bank deposits as a key audit matter.

#### How our audit addressed the matter

Our procedures performed in respect of the above key audit matter included:

1. Confirming bank accounts and special arrangements with financial institutions to verify the existence and rights and obligations of the bank deposits;
2. Verifying the authenticity of the necessary information for the bank confirmations;
3. Reviewing all the reconciling items in the bank reconciliation at the balance sheet date; and
4. Inspecting the source documents of significant cash receipts and payments to verify whether the transactions are for business needs.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group’s financial reporting process.

#### ***Independent accountant’s responsibilities for the audit of the consolidated financial***

## ***statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the

- underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2017 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Tseng, Hui-Chin

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Teng, Sheng-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2018

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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**  
**DECEMBER 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,010,071	51	\$ 1,301,659	33
1200	Other receivables		1,445	-	5,170	-
1410	Prepayments		111,576	3	32,620	1
1476	Other current financial assets	6(2)	1,053,033	26	1,613,787	42
11XX	Total current assets		3,176,125	80	2,953,236	76
Non-current assets						
1600	Property, plant and equipment	6(3)	747,168	19	832,549	22
1780	Intangible assets	6(4)	24,626	1	57,665	1
1920	Guarantee deposits paid		22,971	-	25,233	1
1990	Other non-current assets		2,113	-	3,669	-
15XX	Total non-current assets		796,878	20	919,116	24
1XXX	Total assets		\$ 3,973,003	100	\$ 3,872,352	100

(Continued)

**TANVEX BIOPHARMA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2017		December 31, 2016			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2150	Notes payable		\$	1,395	-	\$	1,934	-
2200	Other payables	6(5)		158,101	4		231,213	6
2300	Other current liabilities	6(6)		5,208	-		-	-
21XX	Total current liabilities			164,704	4		233,147	6
2600	Net defined benefit liability - non-current	6(6)		59,078	2		66,098	2
2XXX	Total Liabilities			223,782	6		299,245	8
Share capital		6(9)						
3110	Share capital - common stock			2,166,364	54		1,929,927	50
Capital surplus		6(10)						
3200	Capital surplus			5,375,881	136		3,776,397	97
Retained earnings		6(11)						
3350	Accumulated deficit		(	3,489,501)	( 88)	(	2,079,701)	( 54)
Other equity interest		6(12)						
3400	Other equity interest		(	303,523)	( 8)	(	53,516)	( 1)
31XX	Equity attributable to owners of the parent			3,749,221	94		3,573,107	92
3XXX	Total equity			3,749,221	94		3,573,107	92
Significant contingent liabilities and unrecognized contract commitments		9						
Events after the reporting period		11						
3X2X	Total liabilities and equity		\$	3,973,003	100	\$	3,872,352	100

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 loss per share data)

Items	Notes	Year ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 <b>Sales revenue</b>		\$ -	-	\$ -	-
5000 <b>Operating costs</b>		-	-	-	-
5900 <b>Net operating margin</b>		-	-	-	-
<b>Operating expenses</b>					
6100 Selling expenses	6(15)(16)	( 10,541)	-	-	-
6200 General and administrative expenses	6(15)(16)	( 308,202)	-	( 243,529)	-
6300 Research and development expenses	6(15)(16) and 7	( 1,084,425)	-	( 1,107,989)	-
6000 <b>Total operating expenses</b>		( 1,403,168)	-	( 1,351,518)	-
6900 <b>Operating loss</b>		( 1,403,168)	-	( 1,351,518)	-
<b>Non-operating income and expenses</b>					
7010 Other income	6(13) and 7	21,783	-	25,648	-
7020 Other gains and losses	6(4)(14)	( 28,390)	-	81,450	-
7000 <b>Total non-operating income and expenses</b>		( 6,607)	-	107,098	-
7900 <b>Loss before income tax</b>		( 1,409,775)	-	( 1,244,420)	-
7950 Income tax expense	6(17)	( 25)	-	( 26)	-
8200 <b>Loss for the year</b>		( \$ 1,409,800)	-	( \$ 1,244,446)	-
<b>Other comprehensive loss</b>					
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations	6(12)	( \$ 250,007)	-	( \$ 109,275)	-
8500 <b>Total comprehensive loss for the year</b>		( \$ 1,659,807)	-	( \$ 1,353,721)	-
<b>Loss attributable to:</b>					
8610 Owners of the parent		( \$ 1,409,800)	-	( \$ 1,244,446)	-
<b>Comprehensive loss attributable to:</b>					
8710 Owners of the parent		( \$ 1,659,807)	-	( \$ 1,353,721)	-
<b>Loss per share</b>					
9750 <b>Basic loss per share</b>	6(18)	(\$ 7.29)		(\$ 6.61)	
9850 <b>Diluted loss per share</b>		(\$ 7.29)		(\$ 6.61)	

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, except loss per share data)

	Equity attributable to owners of the parent						
	Notes	Capital Reserves				Financial statements translation differences of foreign operations	Total Equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Employee stock options	Others		
<u>Year ended December 31, 2016</u>							
Balance at January 1, 2016		\$ 1,664,084	\$ 514,769	\$ 48,047	\$ 596	\$ 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	6(8)	-	4,420	-	-	-	4,420
Compensation cost of employee stock options	6(8)	-	-	132,062	-	-	132,062
Forfeiture of employee stock options	6(8)	-	-	( 226)	226	-	-
Exercise of employee stock 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	6(12)	-	-	-	-	( 109,275)	( 109,275)
Balance at December 31, 2016		<u>\$ 1,929,927</u>	<u>\$ 3,601,803</u>	<u>\$ 173,772</u>	<u>\$ 822</u>	<u>(\$ 2,079,701)</u>	<u>\$ 3,573,107</u>
<u>Year ended December 31, 2017</u>							
Balance at January 1, 2017		\$ 1,929,927	\$ 3,601,803	\$ 173,772	\$ 822	\$ 53,516)	\$ 3,573,107
Issuance of shares	6(9)	230,000	1,421,000	-	-	-	1,651,000
Compensation cost of employee stock options	6(8)	-	-	172,083	-	-	172,083
Exercise of employee stock options		6,437	12,539	( 6,138)	-	-	12,838
Loss for the year		-	-	-	-	( 1,409,800)	( 1,409,800)
Other comprehensive loss for the year	6(12)	-	-	-	-	( 250,007)	( 250,007)
Balance at December 31, 2017		<u>\$ 2,166,364</u>	<u>\$ 5,035,342</u>	<u>\$ 339,717</u>	<u>\$ 822</u>	<u>(\$ 3,489,501)</u>	<u>\$ 3,749,221</u>

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)

		Years ended December 31,	
	Notes	2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 1,409,775 )	( \$ 1,244,420 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	117,404	104,205
Amortization	6(15)	15,301	13,370
Compensation cost of employee stock options	6(8)	172,083	136,482
Interest income	6(13)	( 21,651 )	( 10,652 )
Loss on disposal of property, plant and equipment	6(14)	5,116	3,207
Property, plant and equipment transferred to expense		12	792
Impairment loss	6(14)	30,908	-
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		3,725	( 4,770 )
Other receivables - related parties		-	56
Prepayments		( 78,956 )	( 10,829 )
Changes in operating liabilities			
Notes payable		( 539 )	1,934
Other payables		( 58,995 )	122,239
Other current liabilities		5,208	( 2,752 )
Net defined benefit liability - non-current		( 7,020 )	47,086
Cash outflow generated from operations		( 1,227,179 )	( 844,052 )
Interest income		15,188	10,652
Income tax paid	6(17)	( 25 )	( 26 )
Net cash flows used in operating activities		( 1,212,016 )	( 833,426 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property and equipment	6(19)	( 104,402 )	( 238,149 )
Proceeds from disposal of property, plant and equipment		2,756	4,239
Increase in intangible assets	6(4)	( 12,194 )	( 10,413 )
Acquisition of other current financial assets		-	( 1,613,787 )
Decrease in other current financial assets		455,225	-
Increase in refundable deposits		-	( 4,138 )
Decrease in refundable deposits		562	465
Increase in other assets - others		( 2,113 )	( 1,631 )
Net cash flows from (used in) investing activities		339,834	( 1,863,414 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Issuance of shares	6(9)	1,651,000	3,328,000
Exercise of employee stock options		12,838	14,346
Net cash flows from financing activities		1,663,838	3,342,346
Effect of exchange rate changes on cash and cash equivalents		( 83,244 )	( 102,072 )
Net increase in cash and cash equivalents		708,412	543,434
Cash and cash equivalents at beginning of year		1,301,659	758,225
Cash and cash equivalents at end of year		<u>\$ 2,010,071</u>	<u>\$ 1,301,659</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, 2017 AND 2016  
(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 engaged in conducting research and development of biosimilar products, biological process development and new drugs, and has not yet generated revenues. On October 26, 2017, the Company was listed on the Taiwan Stock Exchange (TWSE).

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 26, 2018.

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”)

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

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

New standards, amendments and interpretations endorsed by the FSC effective from 2018 are as follows:

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
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 financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of financial 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 recognize 12-month expected credit losses ("ECL") or lifetime ECL (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).

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge The Group expects to adopt IFRS 9 using the modified retrospective approach. The adopting of effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

The Group expects to adopt IFRS 9 using the modified retrospective approach. The adoption of the new standards effective January 1, 2018 has no significant impact on the Group's financial statements.

B. 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.



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

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

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize 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.

B. Amendments to IAS 28, 'Long-term interests in associates and joint ventures'

The amendment clarifies that, for any long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture, an entity should apply IFRS 9 to such interests before it applied IAS 28 to recognize losses.

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 (%)		Discription
			December 31, 2017	December 31, 2016	
Tanvex BioPharma, Inc.	Tanvex Biologics, Corp.	Research and development of biosimilar products and new drugs	100%	100%	
Tanvex BioPharma, Inc.	La Jolla Biologics, Inc. (LJB) (Note)	Formulation and manufacturing of biosimilar products and new drugs	100%	100%	

Note: In January 2018, La Jolla Biologics, Inc. has been renamed as Tanvex BioPharma USA, Inc.

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 Taiwan Stock Exchange, 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 definitions of cash equivalents, measured at investment amounts due to the short holding period and insignificant effect of discount, state at other current financial assets in financial statements.

(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 recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(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 reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, for financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset's book value 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 expired.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply to cost model and are depreciated using the straight-line method to allocate their cost over the 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 amortized on a straight-line basis over their estimated useful life of 16 years.

B. Computer software

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

(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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell or value in use whichever is higher. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(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 expired.

(15) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' remuneration and Directors' and Supervisors' remuneration

Employees' remuneration and Directors' and Supervisors' remuneration are recognized as

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

(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. And 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 recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred 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 realized or the deferred tax liability is settled.
- C. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- E. Deferred tax assets are recognized 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 utilized.

(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.

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. The critical accounting estimates and key sources of assumption uncertainty are addressed below:

Critical accounting estimates and assumptions

Impairment assessment of tangible and intangible assets

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 110	\$ 72
Checking accounts and demand deposits	2,009,961	1,301,587
	<u>\$ 2,010,071</u>	<u>\$ 1,301,659</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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Time deposits	<u>\$ 1,053,033</u>	<u>\$ 1,613,787</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

	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	Construction in Progress	Total
<u>At January 1, 2017</u>							
Cost	\$ 40,234	\$ 251,839	\$ 374,200	\$ 333,890	\$ 513	\$ 67,323	\$ 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>\$ 67,323</u>	<u>\$ 832,549</u>
<u>2017</u>							
Balance at January 1,							
2017	\$ 30,174	\$ 198,961	\$ 270,461	\$ 265,271	\$ 359	\$ 67,323	\$ 832,549
Additions	2,527	2,847	30,379	3,595	—	50,937	90,285
Disposals	( 521)	—	( 3,343)	( 4,008)	—	—	( 7,872)
Transfer	744	41,676	26,795	1,215	—	( 68,812)	1,618
Depreciation charge	( 6,169)	( 41,783)	( 37,976)	( 31,379)	( 97)	—	( 117,404)
Net exchange differences	( 1,931)	( 13,619)	( 14,346)	( 19,404)	( 25)	( 2,683)	( 52,008)
Balance at December 31,							
2017	<u>\$ 24,824</u>	<u>\$ 188,082</u>	<u>\$ 271,970</u>	<u>\$ 215,290</u>	<u>\$ 237</u>	<u>\$ 46,765</u>	<u>\$ 747,168</u>
<u>At December 31, 2017</u>							
Cost	\$ 40,087	\$ 278,178	\$ 403,445	\$ 306,760	\$ 475	\$ 46,765	\$ 1,075,710
Accumulated depreciation and impairment	( 15,263)	( 90,096)	( 131,475)	( 91,470)	( 238)	—	( 328,542)
	<u>\$ 24,824</u>	<u>\$ 188,082</u>	<u>\$ 271,970</u>	<u>\$ 215,290</u>	<u>\$ 237</u>	<u>\$ 46,765</u>	<u>\$ 747,168</u>
	Office equipment	Leasehold improvements	Testing equipment	Machinery equipment	Transportation equipment	Construction in Progress	Total
<u>At January 1, 2016</u>							
Cost	\$ 28,147	\$ 191,550	\$ 313,228	\$ 244,478	\$ 519	\$ 69,709	\$ 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>\$ 69,709</u>	<u>\$ 704,701</u>
<u>2016</u>							
Balance at January 1,							
2016	\$ 22,789	\$ 168,112	\$ 239,552	\$ 204,072	\$ 467	\$ 69,709	\$ 704,701
Additions	11,143	68,082	41,141	60,255	—	66,852	247,473
Disposals	( 131)	( 2,799)	( 2,336)	( 2,180)	—	—	( 7,446)
Transfer	1,855	4,471	26,169	34,826	—	( 68,509)	( 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)	( 729)	( 6,786)
Balance at December 31,							
2016	<u>\$ 30,174</u>	<u>\$ 198,961</u>	<u>\$ 270,461</u>	<u>\$ 265,271</u>	<u>\$ 359</u>	<u>\$ 67,323</u>	<u>\$ 832,549</u>
<u>At December 31, 2016</u>							
Cost	\$ 40,234	\$ 251,839	\$ 374,200	\$ 333,890	\$ 513	\$ 67,323	\$ 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>\$ 67,323</u>	<u>\$ 832,549</u>

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

(4) Intangible assets

	<u>Patent and expertise</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2017</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>
<u>2017</u>			
Balance at January 1, 2017	\$ 32,163	\$ 25,502	\$ 57,665
Additions	–	12,194	12,194
Amortization charge	( 3,159)	( 11,519)	( 14,678)
Impairment loss	( 29,004)	–	( 29,004)
Net exchange differences	–	( 1,551)	( 1,551)
Balance at December 31, 2017	<u>\$ –</u>	<u>\$ 24,626</u>	<u>\$ 24,626</u>
<u>At December 31, 2017</u>			
Cost	\$ 51,650	\$ 52,178	\$ 103,828
Accumulated amortization and impairment	( 51,650)	( 27,552)	( 79,202)
	<u>\$ –</u>	<u>\$ 24,626</u>	<u>\$ 24,626</u>
	<u>Patent and expertise</u>	<u>Computer software</u>	<u>Total</u>
<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>			
Balance at January 1, 2016	\$ 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)
Balance at December 31, 2016	<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>

Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2017	2016
General and administrative expenses	\$ 2,870	\$ 1,737
Research and development expenses	11,808	10,953
	<u>\$ 14,678</u>	<u>\$ 12,690</u>

- A. Patent and expertise are essential for the research and process development of biological products.
- B. In the fourth quarter of 2017, the Group considered the patent and expertise applied to current research projects which have gradually been replaced by other new technologies, developed by the Group in order to improve the product's quality and yields. In addition, after considering the future direction of the Group's strategic development, the Group recognized impairment loss amounting to \$30,908 (shown under other gains and losses), including the losses from patent and expertise amounting to \$29,004 and other non-current assets amounting to \$1,904.

(5) Other payables

	December 31, 2017	December 31, 2016
Wages and salaries payable	\$ 56,935	\$ 52,167
Accrued research material	6,465	39,431
Accrued research expense	47,116	72,861
Payable on equipment	14,325	28,442
Accrued professional fee	7,459	10,676
Accrued tax	10,236	11,244
Others	15,565	16,392
	<u>\$ 158,101</u>	<u>\$ 231,213</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, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Current (shown as other current liabilities)	\$ 5,208	\$ -
Non-current (shown as other non-current liabilities)	59,078	66,098
	<u>\$ 64,286</u>	<u>\$ 66,098</u>

(7) Pensions

- A. Effective July 1, 2005, Tanvex Biologics, Corp., the subsidiary of the Company, 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.

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

B. The pension costs under the above pension plans of the Group for the years ended December 31, 2017 and 2016 were \$5,940 and \$5,498, respectively.

(8) Share-based payment

A. As at December 31, 2017 and 2016, 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	3,640,000	10 years	1~4 years of service
Employee stock options F		2015.1~6	2,272,500	10 years	1~4 years of service
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
Employee stock options M		2017.1	200,000	10 years	2~4 years of services
Employee stock options N		2017.3	320,000	10 years	2~4 years of services
Employee stock options O		2017.6	416,000	10 years	2~4 years of services
Cash capital increase reserved for employee preemption		2017.10	2,300,000	NA	Immediately vested
Employee stock options P		2017.10	3,595,300	10 years	2~4 years of services
Employee stock options Q		2017.12	359,000	10 years	2~4 years of services

Type of arrangement	Description	Grant date	Quantity granted (number of shares)		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

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

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

	2017		2016	
	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	12,806,450	\$ 2.30	9,205,219	\$ 1.02
Options granted	4,890,300	3.34	4,778,000	4.59
Options forfeited	( 1,482,250)	2.86	( 592,469)	1.60
Options exercised	( 643,706)	0.67	( 584,300)	0.76
Options outstanding at end of the year	<u>15,570,794</u>	2.68	<u>12,806,450</u>	2.30
Options exercisable at end of the year	<u>4,541,619</u>		<u>3,151,950</u>	

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

		December 31, 2017		December 31, 2016	
			Exercise Price (US\$)		Exercise Price (US\$)
Issuance date	Expiration date	No. of shares		No. of shares	
Employees:					
2013.10	2023.10	80,750	\$ 0.2	97,000	\$ 0.2
2014.4~7	2024.4~7	25,000	0.2	50,000	0.2
2013.10 (Note)	2024.10	1,834,744	0.4	2,357,900	0.4
2014.10~12	2024.10~12	2,258,000	0.4	2,699,800	0.4
2015.1~6	2025.1~6	1,671,000	1.5	1,836,250	1.5
2015.7	2025.7	530,000	1.5	607,500	1.5
2015.12	2025.12	470,000	4.8	560,000	4.8
2016.6	2026.6	700,000	4.0	838,000	4.0
2016.7	2026.7	2,503,000	4.8	2,914,000	4.8
2016.9	2026.9	120,000	5.2	160,000	5.2
2016.12	2026.12	666,000	4.6	686,000	4.6
2017.1	2027.1	200,000	4.7		
2017.3	2027.3	200,000	4.2		
2017.6	2027.6	358,000	3.9		
2017.10	2027.10	3,595,300	3.2		
2017.12	2027.12	359,000	2.5		

Note: Please refer to Note 6(8) A. for the details of employee stock option E.

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
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
Cash capital increase reserved for employee preemption	2016.2	NT\$107 (US\$3.20)	NT\$128 (US\$3.80)	54.96%	0.1	0%	0.74%	NT\$1.7 (US\$0.05)
Employee stock options I	2016.6	US\$4.00	US\$4.00	48.93%~52.17%	6~7	0%	1.28%~1.42%	US\$1.90~2.15
Employee stock options J	2016.7	US\$5.30	US\$4.80	49.27%~52%	6~7	0%	1.13%~1.26%	US\$2.69~2.98
Employee stock options K	2016.9	US\$4.90	US\$5.20	48.7%~50.83%	6~7	0%	1.35%~1.50%	US\$2.25~2.52
Employee stock options L	2016.12	US\$4.60	US\$4.60	44.71%~46.81%	6~7	0%	2.25%~2.42%	US\$2.11~2.36
Employee stock options M	2017.1	US\$4.80	US\$4.70	44.61%~46.71%	6~7	0%	2.09%~2.25%	US\$2.20~2.46
Employee stock options N	2017.3	US\$4.20	US\$4.20	44.54%~46.19%	6~7	0%	2.15%~2.30%	US\$1.89~2.10
Employee stock options O	2017.6	US\$3.80	US\$3.90	44.03%~45.22%	6~7	0%	1.88%~1.99%	US\$1.66~1.83
Cash capital increase reserved for employee preemption	2017.10	NT\$49 (US\$1.60)	NT\$72 (US\$2.40)	33.64%	0.01	0%	0.60%	NT\$0 US\$0.00
Employee stock options P	2017.10	US\$3.20	US\$3.20	43.79%~45.32%	6~7	0%	2.19%~2.30%	US\$1.43~1.58
Employee stock options Q	2017.12	US\$2.50	US\$2.50	42.36%~43.25%	6~7	0%	2.22%~2.28%	US\$1.10~1.22

Information regarding Employee stock options E 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

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

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

E. Aforementioned expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2017	2016
Equity-settled	\$ 172,083	\$ 136,482

#### (9) Common stock

- A. On December 14, 2015, the Board of Directors adopted a resolution to increase capital by issuing 26,000,000 new shares with a par value of NT\$10 per share at a premium issuance price of NT\$128 per share. The capital increase has been completed in February 2016.
- B. As of December 31, 2017, the Company's authorized capital was \$5,000,000, and the paid-in capital was \$2,166,364 with a par value of NT\$10 per share, consisting of 216,636,409 shares.
- C. On June 15, 2017, in line with the Company's application for initial public offering with the Taiwan Stock Exchange, the Board of Directors adopted a resolution to increase capital by issuing 23,000,000 new shares with a par value of NT\$10 per share at a premium issuance price of NT\$72 per share. The record date for capital increase was on October 24, 2017.

D. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2017	2016
At January 1	192,992,703	166,408,403
Employee stock options exercised	643,706	584,300
Issuance of common stocks by cash	23,000,000	26,000,000
At December 31	<u>216,636,409</u>	<u>192,992,703</u>

(10) Capital reserve

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

(11) Retained earnings (Accumulated deficit)

A. Under the Company's Memorandum and Articles, 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 are 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, 2017 and 2016, 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

	2017	2016
	Currency Translation	
At January 1	(\$ 53,516)	\$ 55,759
Currency translation differences - Group	( 250,007)	( 109,275)
At December 31	(\$ 303,523)	(\$ 53,516)

(13) Other income

	Years ended December 31,	
	2017	2016
Interest income	\$ 21,651	\$ 10,652
Insurance claims revenue	-	14,449
Others	132	547
	\$ 21,783	\$ 25,648

(14) Other gains and losses

	Years ended December 31,	
	2017	2016
Net currency exchange gains	\$ 7,802	\$ 84,657
Loss on disposal of property, plant and equipment	( 5,116)	( 3,207)
Impairment loss	( 30,908)	-
Others	( 168)	-
	(\$ 28,390)	\$ 81,450

(15) Additional information for expenses by nature

	Years ended December 31,	
	2017	2016
Employee benefit expense	\$ 606,222	\$ 528,497
Depreciation on property, plant and equipment	117,404	104,205
Amortization expense (Note)	15,301	13,370

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

(16) Employee benefit expense

	Years ended December 31,	
	2017	2016
Wages and salaries	\$ 557,857	\$ 487,288
Labor and health insurance fees	38,554	33,599
Pension costs	5,940	5,498
Other personnel expenses	3,871	2,112
	<u>\$ 606,222</u>	<u>\$ 528,497</u>

- A. According to the Memorandum and Articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The Company had an accumulated deficit as of December 31, 2017 and 2016, thus, the Company did not accrue employees' compensation and directors' remuneration.
- C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(17) Income tax

A. Income tax expense

	Years ended December 31,	
	2017	2016
Current tax:		
Current tax for the period	<u>\$ 25</u>	<u>\$ 26</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2017	2016
Income tax calculated based on loss before tax and statutory tax rate	(\$ 267,593)	(\$ 252,839)
Taxable loss not recognized as deferred tax assets	267,593	252,839
Effect from alternative minimum tax	25	26
Income tax expense	<u>\$ 25</u>	<u>\$ 26</u>

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

Year ended December 31, 2017				
Year incurred	Unused tax credit	Unrecognized deferred tax assets	Tax credit of investment usable until expiration	
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	
2017	26,354	26,354	2037	

Year ended December 31, 2016				
Year incurred	Unused tax credit	Unrecognized deferred tax assets	Tax credit of investment usable until expiration	
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	

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

Year ended December 31, 2017					
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiration	
2009	\$ 39,478	\$ 39,478	\$ 39,478	2019	
2010	57,497	57,497	57,497	2020	
2011	44,385	44,385	44,385	2021	
2012	60,554	60,554	60,554	2022	
2013	211,795	211,795	211,795	2023	
2014	146,854	146,854	146,854	2024	
2015	204,012	204,012	204,012	2025	
2016	477,979	477,979	477,979	2026	
2017	379,907	379,907	379,907	2027	
	<u>\$ 1,622,461</u>	<u>\$ 1,622,461</u>	<u>\$ 1,622,461</u>		

Year ended 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>	

E. Tanvex Biologics, Corp.'s income tax returns through 2015 have been assessed and approved by the Tax Authority.

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

Year ended December 31, 2017				
Year incurred	Amount		Unrecognized	
	filed/assessed	Unused amount	deferred tax assets	Expiration (Note)
2011	\$ 159,085	\$ 159,085	\$ 159,085	Unlimited
2012	251,522	251,522	251,522	Unlimited
2013	315,056	315,056	315,056	Unlimited
2014	371,941	371,941	371,941	Unlimited
2015	623,872	623,872	623,872	Unlimited
2016	715,192	715,192	715,192	Unlimited
2017	715,866	715,866	715,866	Unlimited
	<u>\$ 3,152,534</u>	<u>\$ 3,152,534</u>	<u>\$ 3,152,534</u>	

Year ended December 31, 2016				
Year incurred	Amount		Unrecognized	
	filed/assessed	Unused amount	deferred tax assets	Expiration (Note)
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>	

Note: The expiration of the loss carryforward of the US subsidiary was removed due to the US tax law reform in December, 2017.

(18) Loss per share

Year ended December 31, 2017			
	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	(\$ 1,409,800)	193,358	(\$ 7.29)

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	(\$ 1,244,446)	188,357	(\$ 6.61)

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

(19) Supplemental cash flow information

A. Investing activities with partial cash payments

Years ended December 31,		
	2017	2016
Acquisition of property, plant and equipment	\$ 90,285	\$ 247,473
Add: Opening balance of equipment payable	28,442	19,118
Less: Ending balance of equipment payable	( 14,325)	( 28,442)
Cash paid during the year	<u>\$ 104,402</u>	<u>\$ 238,149</u>

B. Investing activities with no effect on cash flows:

Years ended December 31,		
	2017	2016
Prepaid equipment (shown as non-current assets-others) transferred into PPE	<u>\$ 1,630</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Name of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Tanvex Biologics, Inc.	Entity with significant influence over the Group
Mithra Biotechnology Inc.	Some of the Board directors of the company are the same as the Board directors of the Group

(2) Significant related party transactions

A. Other income

	Years ended December 31,	
	2017	2016
Tanvex Biologics, Inc.	\$ -	\$ 33

This 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,	
	2017	2016
Mithra Biotechnology Inc.	\$ -	\$ 2,000

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 33,545	\$ 29,830
Post-employment benefits	563	583
Share-based payments	33,880	26,861
	<u>\$ 67,988</u>	<u>\$ 57,274</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

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

	December 31, 2017	December 31, 2016
No later than one year	\$ 80,475	\$ 77,045
Later than one year but not later than five years	306,001	363,924
Over five years	117,100	178,375
	<u>\$ 503,576</u>	<u>\$ 619,344</u>

(2) In line with the purchase of facilities and decoration of the laboratory by the Group's subsidiaries, the subsidiaries entered into contracts for the acquisition of property and equipment amounting to \$18,008 which have not yet been paid as of December 31, 2017.

(3) One of the subsidiaries, Tanvex Biologics, Corp., entered into licensing agreement with Taipei Medical University in May 2016, and the aggregated license fee was US\$6,000,000. As of December

- 31, 2017, Tanvex Biologics, Corp. has accumulatively paid US\$200,000. 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) The subsidiary, Tanvex Biologics, Corp., has entered into agreements with contract service providers in performing CRO activities. As of December 31, 2017, the services which have not yet been incurred is US\$13,006,000 (the pass-through reimbursement of the drugs and materials used is not included).

#### 10. SIGNIFICANT DISASTER LOSS

None.

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

Under the amendments of Taiwan Income Tax Law which was promulgated in February 2018, the corporate income tax rate will be raised from 17% to 20%. The Group evaluated the change of income tax rate has no significant impact to Tanvex Biologics Corp., the subsidiary of the Company.

#### 12. OTHERS

##### (1) Capital management

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

The Group maintains the strategy in 2017 as same as 2016 to maintain the gearing ratio under 50%. As of December 31, 2017 and 2016, 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 policy focuses on the unpredictability of financial markets and seeks to minimize

potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	Year ended December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	\$ 8,865	29.82	\$ 266,688
Financial liabilities			
Monetary items			
USD : NTD	\$ 1,348	29.82	\$ 39,874
	Year ended December 31, 2016		
	Foreign currency amount	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	\$ 248	32.25	\$ 7,612
Financial liabilities			
Monetary items			
USD : NTD	\$ 2,723	32.25	\$ 86,661

- 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, 2017 and 2016 amounted to \$7,802 and \$84,657, respectively.



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

Year ended December 31, 2017				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<b>(Foreign currency: functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 2,667	\$	–
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 399	\$	–
Year ended December 31, 2016				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<b>(Foreign currency: functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 76	\$	–
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 867	\$	–

(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 based on internal or external ratings in accordance with limits set by the Board of directors. The utilisation of credit limits is regularly monitored. Major 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 2017 and 2016, and management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

i. Cash flow projection is performed in the operating entities of the Group and consolidated 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:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Over 2 years
Notes payable	\$ 1,396	\$ -	\$ -
Other payables	158,101	-	-
	<u>\$ 159,497</u>	<u>\$ -</u>	<u>\$ -</u>

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 and 2 years	Over 2 years
Notes payable	\$ 1,934	\$ -	\$ -
Other payables	231,213	-	-
	<u>\$ 233,147</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, affiliates 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 more than 20% of paid-in capital: None.

F. Disposal of real estate reaching \$300 million or more than 20% of paid-in capital: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods (disclosures for transactions over \$20 million): None.

(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 Chief Executive Officer 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, 2017 and 2016 is as follows (Financial assets are not included in non-current assets):

	As of and for the year ended December 31, 2017		As of and for the year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 136,638	\$ -	\$ 174,070
United States	-	637,269	-	719,813
Cayman Islands	-	-	-	-
	<u>\$ -</u>	<u>\$ 773,907</u>	<u>\$ -</u>	<u>\$ 893,883</u>

(5) Major customer information

Details of sales to individual customers reaching 10% of the Group's revenue for the years ended December 31, 2017 and 2016: 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, 2017

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account Investments accounted for under equity method	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition Number of shares	Disposal Selling price	Gain (loss) on disposal	Balance as at December 31, 2017	
					Number of shares	Amount				Number of shares	Amount
Tanvex BioPharma, Inc.	La Jolla Biologics, Inc.	Investments accounted for under equity method	Not applicable	Subsidiary	-	-	-	-	-	-	-
Tanvex BioPharma, Inc.	Tanvex Biologics, Corp.	Investments accounted for under equity method	Not applicable	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 period

Year ended December 31, 2017

Table 2

Number	Company name	Counterparty	Relationship	General ledger account	Transaction		Expressed in thousands of NTD (Except as otherwise indicated)
					Amount	Transaction terms Based on mutual agreement	
1	Tanvex Biologics, Corp.	La Jolla Biologics, Inc.	Subsidiary to subsidiary	Research & Development expense	\$	94,467	Percentage of consolidated total operating revenues or total assets (Note) -

Note : 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 sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Tanvex BioPharma, Inc. and Subsidiaries

Information on investees  
Year ended December 31, 2017

Note: The exchange rate applied in this table for net profit (loss) is the average of the whole year (USD1:TWD30.40); others is based on the end date of reporting period (USD1:TWD29.82).



泰福生技股份有限公司

Tanvex BioPharma, Inc.

董事長：陳志全





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