PHARMAENGINE, INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2018 AND 2017

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

REPORT ON REVIEW OF FINANCIAL STATEMENTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of PharmaEngine, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of PharmaEngine, Inc. and its subsidiary (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three months and nine months the ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Teng, Sheng-Wei

Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

November 7, 2018

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 review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and review 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.

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

			September 30, 2018		December 31, 2017		September 30, 2017	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 87,412	2	$ 575,364	14	$ 1,208,158	36
1170	Accounts receivable, net	6(2) and 12(4)	21,583	1	763,898	19	15,450	-
1200	Other receivables		25,142	1	11,259	-	17,252	-
130X	Inventories	6(3)	6,605	-	16,154	-	17,719	1
1410	Prepayments		2,631	-	1,066	-	3,446	-
1476	Other current financial assets	6(4)	3,598,159	95	2,702,661	66	2,094,853	62
1479	Other current assets, others		526	-	797	-	693	-
11XX	Total current assets		3,742,058	99	4,071,199	99	3,357,571	99
	Non-current assets							
1600	Property, plant and equipment, net	6(5)	5,436	-	7,410	-	8,101	-
1780	Intangible assets		646	-	678	-	408	-
1840	Deferred income tax assets		21,066	1	27,839	1	30,293	1
1900	Other non-current assets	6(6)	2,404	-	3,805	-	3,803	-
15XX	Total non-current assets		29,552	1	39,732	1	42,605	1
1XXX	Total assets		$ 3,771,610	100	$ 4,110,931	100	$ 3,400,176	100

(Continued)

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

	Liabilities and Equity	Notes	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
	Current liabilities							
2150	Notes payable		$ 964	-	$ 632	-	$ 651	-
2200	Other payables	6(7)	35,811	1	68,520	2	24,888	1
2230	Current tax liabilities		8,269	-	126,216	3	20,029	-
2300	Other current liabilities		1,977	-	4,531	-	784	-
21XX	Total current liabilities		47,021	1	199,899	5	46,352	1
2XXX	Total liabilities		47,021	1	199,899	5	46,352	1
	Share capital	6(10)						
3110	Common stock		1,471,538	39	1,471,288	36	1,471,288	43
	Capital surplus	6(11)						
3200	Capital surplus		1,632,553	44	1,619,927	39	1,614,300	48
	Retained earnings	6(12)						
3310	Legal reserve		159,429	4	120,723	3	120,723	4
3320	Special reserve		108	-	295	-	295	-
3350	Unappropriated retained earnings		461,082	12	698,907	17	147,273	4
	Other equity interest							
3400	Other equity interest		(121)	-	(108)	-	(55)	-
3XXX	Total equity		3,724,589	99	3,911,032	95	3,353,824	99
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		$ 3,771,610	100	$ 4,110,931	100	$ 3,400,176	100

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE DATA)
(REVIEWED, NOT AUDITED)

			Three months ended September 30,				Nine months ended September 30,			
			2018		2017		2018		2017	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue**	6(13) and 12(5)	$ 139,081	100	$ 28,992	100	$ 215,131	100	$ 69,086	100
5000	**Operating costs**	6(3)(14)	(3,619)	(3)	(688)	(2)	(6,439)	(3)	(2,095)	(3)
5900	Gross profit		135,462	97	28,304	98	208,692	97	66,991	97
	Operating expenses	6(17)(18)								
6100	Selling expenses		(8,509)	(6)	(6,033)	(21)	(25,192)	(12)	(25,432)	(37)
6200	General and administrative expenses		(23,321)	(17)	(11,961)	(41)	(61,632)	(28)	(40,687)	(59)
6300	Research and development expenses		(33,657)	(24)	(15,306)	(53)	(91,814)	(43)	(71,721)	(104)
6000	**Total operating expenses**		(65,487)	(47)	(33,300)	(115)	(178,638)	(83)	(137,840)	(200)
6900	**Operating income (loss)**		69,975	50	(4,996)	(17)	30,054	14	(70,849)	(103)
	Non-operating income and expenses									
7010	Other income	6(15)	17,106	13	11,422	39	49,502	23	32,522	47
7020	Other gains and losses	6(16)	5,731	4	(10,527)	(36)	41,538	19	(128,869)	(186)
7000	**Total non-operating income and expenses**		22,837	17	895	3	91,040	42	(96,347)	(139)
7900	**Income (loss) before income tax**		92,812	67	(4,101)	(14)	121,094	56	(167,196)	(242)
7950	Income tax (expense) benefit	6(19)	(18,586)	(14)	540	2	(25,863)	(12)	2,625	4
8200	**Income (loss) for the period**		$ 74,226	53	($ 3,561)	(12)	$ 95,231	44	($ 164,571)	(238)
	Other comprehensive (loss) income, net									
	Components of other comprehensive (loss) income that will be reclassified to profit or loss (after tax)									
8361	Exchange differences on translation		$ 11	-	$ 134	-	($ 13)	-	$ 240	-
8300	**Other comprehensive (loss) income for the period, net**		$ 11	-	$ 134	-	($ 13)	-	$ 240	-
8500	**Total comprehensive income (loss) for the period**		$ 74,237	53	($ 3,427)	(12)	$ 95,218	44	($ 164,331)	(238)
	Profit (loss) attributable to:									
8610	Owners of the parent		$ 74,226	53	($ 3,561)	(12)	$ 95,231	44	($ 164,571)	(238)
	Comprehensive income (loss) attributable to:									
8710	Owners of the parent		$ 74,237	53	($ 3,427)	(12)	$ 95,218	44	($ 164,331)	(238)
	Earnings (loss) per share	6(20)								
9750	Basic earnings (loss) per share		$ 0.50		($ 0.02)		$ 0.65		($ 1.12)	
9850	Diluted earnings (loss) per share		$ 0.50		($ 0.02)		$ 0.64		($ 1.12)	

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent								
			Capital surplus			Retained earnings			Other equity interest	
	Notes	Common stock	Additional paid-in capital	Capital surplus-treasury shares	Capital surplus-employee stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference on translation of foreign financial statements	Total equity
Nine months ended September 30, 2017										
Balance at January 1, 2017		$ 1,224,592	$ 1,682,975	$ 26,197	$ 64,698	$ 51,761	$ -	$ 748,850	($ 295)	$ 3,798,778
Loss after income tax for the nine months ended September 30, 2017		-	-	-	-	-	-	(164,571)	-	(164,571)
Other comprehensive income		-	-	-	-	-	-	-	240	240
Total comprehensive income (loss)		-	-	-	-	-	-	(164,571)	240	(164,331)
Amortization of compensation cost of employee stock options	6(9)	-	-	-	11,683	-	-	-	-	11,683
Exercise of employee stock options converted to shares	6(9)(10)	1,530	20,104	-	(7,482)	-	-	-	-	14,152
Expired employee stock options		-	2,513	-	(2,513)	-	-	-	-	-
Appropriation and distribution of 2016 retained earnings	6(12)									
Legal reserve		-	-	-	-	68,962	-	(68,962)	-	-
Special reserve		-	-	-	-	-	295	(295)	-	-
Cash dividends		-	-	-	-	-	-	(245,166)	-	(245,166)
Stock dividends		122,583	-	-	-	-	-	(122,583)	-	-
Cash dividends from capital surplus	6(12)	-	(61,292)	-	-	-	-	-	-	(61,292)
Stock dividends from capital surplus	6(12)	122,583	(122,583)	-	-	-	-	-	-	-
Balance at September 30, 2017		$ 1,471,288	$ 1,521,717	$ 26,197	$ 66,386	$ 120,723	$ 295	$ 147,273	($ 55)	$ 3,353,824

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PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent								
			Capital surplus			Retained earnings			Other equity interest	
	Notes	Common stock	Additional paid-in capital	Capital surplus-treasury shares	Capital surplus-employee stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference on translation of foreign financial statements	Total equity
Nine months ended September 30, 2018										
Balance at January 1, 2018		$ 1,471,288	$ 1,521,717	$ 26,197	$ 72,013	$ 120,723	$ 295	$ 698,907	($ 108)	$ 3,911,032
Effect of retrospective application		-	-	-	-	-	-	(229)	-	(229)
Equity at beginning of period after restatement		1,471,288	1,521,717	26,197	72,013	120,723	295	698,678	(108)	3,910,803
Profit after income tax for the nine months ended September 30, 2018		-	-	-	-	-	-	95,231	-	95,231
Other comprehensive loss		-	-	-	-	-	-	-	(13)	(13)
Total comprehensive income(loss)		-	-	-	-	-	-	95,231	(13)	95,218
Amortization of compensation cost of employee stock options	6(9)	-	-	-	11,481	-	-	-	-	11,481
Exercise of employee stock options converted to shares	6(9)(10)	250	1,610	-	(465)	-	-	-	-	1,395
Appropriation and distribution of 2017 retained earnings	6(12)									
Legal reserve		-	-	-	-	38,706	-	(38,706)	-	-
Special reserve		-	-	-	-	-	(187)	187	-	-
Cash dividends		-	-	-	-	-	-	(294,308)	-	(294,308)
Balance at September 30, 2018		$ 1,471,538	$ 1,523,327	$ 26,197	$ 83,029	$ 159,429	$ 108	$ 461,082	($ 121)	$ 3,724,589

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flows from operating activities			
Profit (loss) before income tax for the period		$ 121,094	($ 167,196)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	2,040	2,037
Amortization	6(17)	142	243
Amortization of compensation cost of employee stock options	6(9)	11,481	11,683
Interest income	6(15)	(45,658)	(32,494)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		742,086	(10,986)
Other receivables		323	900
Inventories		9,549	(7,534)
Prepayments		(1,565)	(1,775)
Other current assets, others		271	(144)
Net changes in liabilities relating to operating activities			
Notes payable		332	352
Other payables		(32,709)	(49,579)
Other current liabilities		(2,554)	(214)
Cash provided by (used in) operations		804,832	(254,707)
Interest received		31,452	24,358
Income taxes paid		(137,037)	(84,368)
Net cash provided by (used in) operating activities		699,247	(314,717)
Cash flows from investing activities			
Increase in other current financial assets		(3,266,527)	(1,427,893)
Decrease in other current financial assets		2,371,029	1,400,771
Acquisition of property, plant and equipment	6(5)	(68)	(138)
Increase in cost of computer software		(110)	-
Decrease in other non-current assets		1,401	1,154
Net cash used in investing activities		(894,275)	(26,106)
Cash flows from financing activities			
Employees stock options exercised		1,395	14,152
Cash dividends from capital surplus		-	(61,292)
Cash dividends distributed to shareholders		(294,308)	(245,166)
Net cash used in financing activities		(292,913)	(292,306)
Effect of exchanges rate changes		(11)	170
Net decrease in cash and cash equivalents		(487,952)	(632,959)
Cash and cash equivalents at beginning of period		575,364	1,841,117
Cash and cash equivalents at end of period		$ 87,412	$ 1,208,158

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

PharmaEngine, Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in August 2002. On September 18, 2012, the Company's common stock was officially listed on the GreTai Securities Market. The Company and its subsidiary (collectively referred herein as the "Group") are primarily engaged in the development of new medicine and therapeutic drugs for cancer. The Company focuses on building effective corporate governance structure to enhance the Board of Directors' function, to maximize audit committees function and improve management's principles and communication. Information transparency, stakeholders' interest and social responsibility are enhanced to ensure the shareholders' equity interest. The Company has received a Certificate of Corporate Governance System CG6009 General Assessment issued by the Taiwan Corporate Governance Association on September 30, 2014.

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

These consolidated financial statements were reported to the Board of Directors on November 7, 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, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	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 unrealized losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and 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 subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always 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 Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
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.

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.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the third quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and the third quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	September 30, 2018	December 31, 2017	September 30, 2017
PharmaEngine, Inc.	PharmaEngine Europe SARL	Development and promotion of new drugs	100	100	100

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

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

E. Significant restrictions: None.

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

(4) Accounts receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(5) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(6) Revenue recognition

A. Sales of goods

The Group sells new medicine. Revenue from the sale of goods is recognized when the Group sells a product to the customer.

B. Revenue from licensing intellectual property

(a) The Group entered into a contract with a customer to grant a license of development and sale of new medicine. Given that the license is distinct from other promised goods or services in the contract, the Group recognizes the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The nature of granting a license is a promise to provide a right to access the Group’s intellectual property. If the Group undertakes activities that significantly affect the development and sale of new medicine to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. Then, the royalties are recognized as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when the license is transferred to a customer at a point in time. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(b) Some contracts require a sales-based royalty in exchange for a license of development and sale of new medicine. The Group recognizes revenue when the performance obligation has been satisfied and the subsequent sale occurs.

(7) 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. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred 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 balance sheet.

D. 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 utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

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

F. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pre-tax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognised in profit or loss.

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

There was no significant change as of September 30, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and revolving funds	$ 200	$ 200	$ 200
Checking accounts and demand deposits (including foreign currency)	87,212	113,659	105,659
Time deposits (including foreign currency)	-	461,505	1,102,299
	$ 87,412	$ 575,364	$ 1,208,158

A. The Group transacts 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) Accounts receivable

	September 30, 2018
Accounts receivable	$ 21,812
Less: Loss allowance for bad debts	(229)
	$ 21,583

A. The Group has no accounts receivable pledged to others as collateral.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	September 30, 2018
Without past due	$ 21,812

The above ageing analysis was based on past due date.

C. For details of the significant accounts as of December 31, 2017 and September 30, 2017, please refer to Note 12(4).

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Goods	$ 8,396	($ 1,791)	$ 6,605

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Goods	$ 16,154	$ -	$ 16,154

	September 30, 2017		
	Cost	Allowance for valuation loss	Book value
Goods	$ 17,719	$ -	$ 17,719

The cost of inventories recognized as expense for the period:

	Three months ended September 30,	
	2018	2017
Cost of goods sold	$ 2,940	$ 688
Loss on decline in market value	679	-
	$ 3,619	$ 688

	Nine months ended September 30,	
	2018	2017
Cost of goods sold	$ 4,648	$ 2,095
Loss on decline in market value	1,791	-
	$ 6,439	$ 2,095

(4) Other financial assets

Item	September 30, 2018	December 31, 2017	September 30, 2017
Current item:			
Other current financial assets - time deposits	$ 3,598,159	$ 2,702,661	$ 2,094,853

The Group has no other current financial assets pledged to others.

(5) Property, plant and equipment, net

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Total
At January 1, 2018					
Cost	$ 1,349	$ 180	$ 3,046	$ 9,621	$ 14,196
Accumulated depreciation	(577)	(63)	(1,421)	(4,725)	(6,786)
	$ 772	$ 117	$ 1,625	$ 4,896	$ 7,410
2018					
Opening net book amount	$ 772	$ 117	$ 1,625	$ 4,896	$ 7,410
Additions	68	-	-	-	68
Depreciation charge	(165)	(22)	(370)	(1,483)	(2,040)
Effects of foreign exchange	-	-	-	(2)	(2)
Closing net book amount	$ 675	$ 95	$ 1,255	$ 3,411	$ 5,436
At September 30, 2018					
Cost	$ 1,322	$ 180	$ 2,958	$ 9,616	$ 14,076
Accumulated depreciation	(647)	(85)	(1,703)	(6,205)	(8,640)
	$ 675	$ 95	$ 1,255	$ 3,411	$ 5,436

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Total
At January 1, 2017					
Cost	$ 1,330	$ 180	$ 3,046	$ 9,599	$ 14,155
Accumulated depreciation	(438)	(33)	(918)	(2,837)	(4,226)
	$ 892	$ 147	$ 2,128	$ 6,762	$ 9,929
2017					
Opening net book amount	$ 892	$ 147	$ 2,128	$ 6,762	$ 9,929
Additions	102	-	-	36	138
Depreciation charge	(163)	(22)	(381)	(1,471)	(2,037)
Effects of foreign exchange	-	-	-	71	71
Closing net book amount	$ 831	$ 125	$ 1,747	$ 5,398	$ 8,101
At September 30, 2017					
Cost	$ 1,350	$ 180	$ 3,046	$ 9,631	$ 14,207
Accumulated depreciation	(519)	(55)	(1,299)	(4,233)	(6,106)
	$ 831	$ 125	$ 1,747	$ 5,398	$ 8,101

(6) Other non-current assets

	September 30, 2018	December 31, 2017	September 30, 2017
Refundable deposits	$ 2,404	$ 3,805	$ 3,803

(7) Other payables

	September 30, 2018	December 31, 2017	September 30, 2017
Employees' salary and bonus payable	$ 13,033	$ 14,589	$ 10,796
Accrued directors' and supervisors' remuneration and employees' compensation	9,334	45,536	8,129
Payable for commissioned research	3,464	-	-
Others	9,980	8,395	5,963
	$ 35,811	$ 68,520	$ 24,888

(8) Pensions

Defined contribution plans

A. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company 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.

B. The pension costs under the defined contribution pension plan of the Company for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017 were $562, $478, $1,606 and $1,433, respectively.

C. The subsidiary, PharmaEngine Europe SARL, was established on November 13, 2015 and had no employee as of September 30, 2018.

(9) Share-based payment

A. For the nine months ended September 30, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Third employee stock options plan	2011.05.27	680	8 years	1.59~3.59 years' service
Fourth employee stock options plan	2012.09.17	1,150	8 years	2~4 years' service
Fifth employee stock options plan	2014.06.18	450	8 years	2~4 years' service
Fifth employee stock options plan	2014.12.26	60	8 years	2~4 years' service
Fifth employee stock options plan	2015.03.19	490	8 years	2~4 years' service
Sixth employee stock options plan	2016.08.11	1,000	8 years	2~4 years' service

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Treasury shares transferred to employees	2016.08.11	540	N/A	Vested immediately
Sixth employee stock options plan	2017.06.22	500	8 years	2~4 years' service

The abovementioned share-based payment arrangements are equity-settled.

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

	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,720	$ 166.31	2,526	$ 162.06
Options granted	-	-	500	167.50
Options exercised	(25)	55.75	(153)	77.08
Options forfeited	-	-	(153)	189.28
Options outstanding at September 30	2,695	167.34	2,720	166.31
Options exercisable at September 30	1,618		956	

Due to capitalization of earnings in 2017, the above weighted-average exercise price had been adjusted.

C. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2018 and 2017 was $133.5 and $193.67 (in dollars), respectively. For the three months ended September 30, 2018 and 2017, no stock options were exercised.

D. As of September 30, 2018, December 31, 2017 and September 30, 2017, the range of exercise prices of stock options outstanding were all $10.42~$218.75 (in dollars), and the weighted-average remaining contractual period was 0.25~6.16 years, 1~6.91 years and 1.25~7.16 years, respectively. Exercise prices of stock options had been adjusted due to capitalization of earnings in 2017.

E. The fair values of the Company’s stock options are all measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars) (Note)	Exercise price (in dollars) (Note)	Expected price volatility	Expected option life	Expected dividends (in dollars)	Risk-free interest rate	Fair value per unit (in dollars) (Note)
Third employee stock options plan	2011.05.27	$ 13.93	$ 10.4	48.8%	8 years	$ 0	0.32%	$ 6.06~7.73
Fourth employee stock options plan	2012.09.17	80.9	81.3	39.7%	8 years	0	1.08%	15.26~26.82
Fifth employee stock options plan	2014.06.18	218.75	218.8	33.9%	8 years	0	1.43%	42.73

Type of arrangement	Grant date	Stock price (in dollars) (Note)	Exercise price (in dollars) (Note)	Expected price volatility	Expected option life	Expected dividends (in dollars)	Risk-free interest rate	Fair value per unit (in dollars) (Note)
Fifth employee stock options plan	2014.12.26	$ 191.32	$ 191.3	40.9%	8 years	0	1.43%	$44.63
Fifth employee stock options plan	2015.03.19	197.92	197.9	30.1%	8 years	0	1.35%	34.58
Sixth employee stock options plan	2016.08.11	175.42	175.4	31.6%	8 years	0	0.62%	31.75
Treasury stock transferred to employees	2016.08.11	210.5	135	N/A	N/A	N/A	N/A	N/A
Sixth employee stock options plan	2017.06.22	167.5	167.5	22.7%	8 years	0	0.94%	22.13

Note: Due to capitalization of earnings in 2017, exercise price had been adjusted.

F. Expenses incurred on share-based payment transactions are shown below:

For the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017 expenses incurred on share-based payment transactions were accrued at $3,766, $2,046, $11,481 and $11,683, respectively.

(10) Share capital

As of September 30, 2018, the Company's authorized capital was $1,800,000, consisting of 180 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was $1,471,538, with a par value of NT$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands):

	2018	2017
At January 1	147,128	122,459
Employee stock options exercised	25	153
Stock dividends	-	12,258
Stock dividends from capital surplus	-	12,258
At September 30	147,153	147,128

(11) Capital surplus

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

B. Details of distribution of cash and stock dividends from capital surplus-additional paid-in capital as resolved by the Company are provided in Note 6(12) E.

(12) Unappropriated retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve; if necessary, an amount drawn from the special reserve can be added to the remaining amount. The Board of Directors is authorized to propose the appropriation of the entire or a portion the remainder, if any, as dividends or retained earnings, which shall be approved by the stockholders at the stockholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of earnings for 2017 and 2016 were resolved by the stockholders during their meeting on June 12, 2018 and June 13, 2017, respectively. Details are summarized below:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 38,706	$ -	$ 68,962	$ -
Special reserve	-	-	295	-
Cash dividends	294,308	2	245,166	2
Stock dividends	-	-	122,583	1
	$ 333,014	$ 2	$ 437,006	$ 3

The appropriations of 2017 and 2016 earnings as resolved by the shareholders were in agreement with the appropriations as resolved by the Board of Directors.

E. On June 13, 2017, the stockholders resolved to distribute cash and stock dividends from capital surplus in the amount of $61,292 and $122,583, respectively. The above distributions as resolved by the shareholders were in agreement with the distributions as resolved by the Board of Directors.

F. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The debit balance on other equity items has decreased for the year ended December 31, 2017, therefore $187 was reversed from the special reserve and included in distributable earnings.

G. For information on employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(18).

(13) Operating revenue

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Revenue from contracts with customers	$ 139,081	$ 215,131

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following contract categories:

Three months ended September 30, 2018

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 118,307	$ 20,774	$ 139,081
Revenue from external customer contracts	$ 118,307	$ 20,774	$ 139,081
Timing of revenue recognition			
At a point in time	$ 118,307	$ 20,774	$ 139,081

Nine months ended September 30, 2018

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 170,860	$ 44,271	$ 215,131
Revenue from external customer contracts	$ 170,860	$ 44,271	$ 215,131
Timing of revenue recognition			
At a point in time	$ 170,860	$ 44,271	$ 215,131

Royalty revenue for the nine months ended September 30, 2018 was accrued as the Company was entitled to collect a certain percentage of sales from Merrimack Pharmaceuticals, Inc. from its sales in the European region pursuant to the supplementary agreement of Cooperation Contract in 2011, and Ipsen S.A. has generally assumed all the rights and obligations in relation to the Cooperation Contract since April 3, 2017. For the nine months ended September 30, 2018, the Company recognized USD 2,663 thousand as royalty revenue, which had been collected. In accordance with the supplementary agreement of Cooperation Contact, Ipsen S.A. shall pay the royalty of USD 3,000 thousand to the Company when it starts selling the product ONIVYDE® in a third major country in Europe. For the nine months ended September 30, 2018, the Company recognised royalty in the amount of USD 3,000 thousand, which has been fully collected.

B. For the nine months ended September 30, 2017, related disclosures for operating revenue are provided in Note 12(5) B.

(14) Operating costs

	Three months ended September 30,	
	2018	2017
Cost of sales		
- Cost of goods sold	$ 2,940	$ 688
Other operating cost	679	-
	$ 3,619	$ 688

	Nine months ended September 30,	
	2018	2017
Cost of sales		
- Cost of goods sold	$ 4,648	$ 2,095
Other operating cost	1,791	-
	$ 6,439	$ 2,095

(15) Other income

	Three months ended September 30,	
	2018	2017
Interest income from bank deposits	$ 17,106	$ 11,396
Other income	-	26
	$ 17,106	$ 11,422

	Nine months ended September 30,	
	2018	2017
Interest income from bank deposits	$ 45,658	$ 32,494
Government grants revenue	3,718	-
Other income	126	28
	$ 49,502	$ 32,522

(16) Other gains and losses

	Three months ended September 30,	
	2018	2017
Net currency exchange gain (loss)	$ 5,734	($ 10,524)
Others	(3)	(3)
	$ 5,731	($ 10,527)

	Nine months ended September 30,	
	2018	2017
Net currency exchange gain (loss)	$ 41,807	($ 128,862)
Others	(269)	(7)
	$ 41,538	($ 128,869)

(17) Expenses by nature

	Three months ended September 30,	
	2018	2017
Employee benefit expense	$ 30,731	$ 3,798
Depreciation charges on property, plant and equipment	$ 680	$ 683
Amortisation charges on intangible assets	$ 44	$ 81

	Nine months ended September 30,	
	2018	2017
Employee benefit expense	$ 83,695	$ 56,912
Depreciation charges on property, plant and equipment	$ 2,040	$ 2,037
Amortisation charges on intangible assets	$ 142	$ 243

(18) Employee benefit expense (All are operating expenses)

	Three months ended September 30,	
	2018	2017
Wages and salaries	$ 21,917	($ 405)
Employee stock options	3,766	2,046
Labour and health insurance fees	1,019	911
Pension costs	562	478
Other personnel expenses	3,467	768
	$ 30,731	$ 3,798

	Nine months ended September 30,	
	2018	2017
Wages and salaries	$ 61,480	$ 38,435
Employee stock options	11,481	11,683
Labour and health insurance fees	2,933	2,654
Pension costs	1,606	1,433
Other personnel expenses	6,195	2,707
	$ 83,695	$ 56,912

A. In accordance with the Articles of Incorporation of the Company, if there are distributable profits of the current year, the Board of Directors shall resolve to allocate between 2% and 8% of profit to employees and an amount to directors which shall not exceed 2% of the profit. However, if the Company has accumulated losses, the distributable profit should cover such losses first, and this should be reported in the stockholders' meeting.

B. For the three months ended September 30, 2018, and nine months ended September 30, 2018, employees' compensation were accrued at $4,989 and $6,510; while directors' and supervisors' remuneration were accrued at $1,996 and $2,604, respectively. The aforementioned amounts were recognized in salary expenses and other expenses.

For the nine months ended September 30, 2017, employees' compensation and directors' and supervisors' remuneration were not accrued due to the accumulated deficit.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors on March 22, 2018 were in agreement with those amounts recognized in the 2017 financial statements. However, employees' compensation for 2017 was reduced from $26,720 to $21,376 as resolved by the Board of Directors on May 2, 2018, and the difference had been adjusted in the first quarter of 2018. The employees' compensation for 2017 has been distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2016 as resolved by the Board of Directors on March 7, 2017 were in agreement with those amounts recognised in the 2016 financial statements, and reported to shareholders during their meeting on June 13, 2017. However, employees' compensation for 2016 had been decreased from $35,652 to $20,322 as re-resolved by the Board of Directors on August 3, 2017, and the difference had been adjusted in the 2017 profit (losses). The employees' compensation for 2016 has been distributed in the form of cash.

Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of Taiwan Stock Exchange.

(19) Income tax

A. Income tax expense (benefit)

Components of income tax expense (benefit):

	Three months ended September 30, 2018	Three months ended September 30, 2017
Current tax:		
Current tax on profits for the period	$ 13,183	$ -
Total current tax	$ 13,183	$ -
Deferred tax:		
Origination and reversal of temporary differences	5,403	(540)
Total deferred tax	5,403	(540)
Income tax expense (benefit)	$ 18,586	($ 540)

	Nine months ended September 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 13,183	$ -
10% tax on undistributed surplus earnings	5,424	25,262
Prior year income tax underestimation	483	4,860
Total current tax	$ 19,090	$ 30,122
Deferred tax:		
Origination and reversal of temporary differences	11,686	(32,747)
Impact of change in tax rate	(4,913)	-
Total deferred tax	6,773	(32,747)
Income tax expense (benefit)	$ 25,863	($ 2,625)

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(20) Earnings (loss) per share

	Three months ended September 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net profit	$ 74,226	147,154	$ 0.50
Diluted earnings per share			
Net profit	$ 74,226	147,154	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' stock options	-	422	
Employees' compensation	-	39	
	$ 74,226	147,615	$ 0.50

	Three months ended September 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands) (Note 2)	Loss per share (in dollars)
Basic loss per share			
Net loss	($ 3,561)	147,128	($ 0.02)
Diluted loss per share			
Net loss	($ 3,561)	147,128	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' stock options (Note 1)	-	-	
	($ 3,561)	147,128	($ 0.02)

	Nine months ended September 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net profit	$ 95,231	147,146	$ 0.65
Diluted earnings per share			
Net profit	$ 95,231	147,146	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' stock options	-	429	
Employees' compensation	-	94	
	$ 95,231	147,669	$ 0.64

	Nine months ended September 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands) (Note 2)	Loss per share (in dollars)
Basic loss per share			
Net loss	($ 164,571)	147,090	($ 1.12)
Diluted loss per share			
Net loss	($ 164,571)	147,090	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' stock options (Note 1)	-	-	
	($ 164,571)	147,090	($ 1.12)

Note 1: If anti-dilutive effect will arise when adopting treasury stock method, anti-dilutive shares are not included in the computation.

Note 2: For the year ended December 31, 2017, the weighted average number of shares outstanding was adjusted to reflect the capitalization of earnings.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

For the nine months ended September 30, 2018 and 2017, the Group has no significant transactions made with related parties.

(2) Key management compensation

	Three months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	$ 9,955	($ 1,397)
Post-employment benefits	81	81
Share-based payments	700	998
	$ 10,736	($ 318)

	Nine months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	$ 29,268	$ 14,275
Post-employment benefits	243	243
Share-based payments	2,125	2,505
	$ 31,636	$ 17,023

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

The Group's significant commitments as of September 30, 2018 were as follows:

(1) The Company has signed a license and collaboration contract for NBTXR3 in Asia-Pacific region with Nanobiotix S.A. on August 6, 2012, and promised to pay license fee and a certain percentage of royalties based on the stage of completion and sales of products. The maximum license fee payable is USD56 million. The Company has paid upfront payment of approximately USD1 million, the first milestone payment of USD1 million and the second milestone payment of USD1 million in the third quarter of 2012, fourth quarter of 2014 and second quarter of 2016, respectively.

(2) As of September 30, 2018, the Company entered into drug research commissioned contract amounting to $74,030, of which $37,333 had been paid.

(3) Operating lease agreements

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

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than one year	$ 10,427	$ 11,011	$ 11,282
Later than one year but not later than five years	7,149	10,668	13,234
Over five years	1,404	-	-
	$ 18,980	$ 21,679	$ 24,516

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There is no significant change in reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	$ 87,412	$ 575,364	$ 1,208,158
Accounts receivable, net	21,583	763,898	15,450
Other receivables	25,142	11,259	17,252
Refundable deposits	2,404	3,805	3,803
Other financial assets	3,598,159	2,702,661	2,094,853
	$ 3,734,700	$ 4,056,987	$ 3,339,516
Financial liabilities			
Financial liabilities at amortized cost			
Notes payable	$ 964	$ 632	$ 651
Other payables	35,811	68,520	24,888
	$ 36,775	$ 69,152	$ 25,539

B. Financial risk management policies

There is no significant change in reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. The Group's businesses involve some non-functional currency operations (the

Company's functional currency: NTD; overseas subsidiaries' functional currency: local currencies). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 67,824	30.53	$ 2,070,328
Non-monetary items			
EUR:NTD	127	35.48	4,498

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 67,142	29.76	$ 1,998,150
Non-monetary items			
EUR:NTD	115	35.57	4,090

	September 30, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 66,376	30.26	$ 2,008,534
Non-monetary items			
EUR:NTD	132	35.75	4,718

As of September 30, 2018, December 31, 2017 and September 30, 2017, there was no significant monetary financial liability denominated in foreign currency.

ii. The unrealized exchange gain (loss) arising from foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017 amounted to $4,289, ($10,323), $51,491 and ($128,459), respectively.

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

	Nine months ended September 30, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 20,703	$ -
Non-monetary items			
EUR:NTD	1%	-	45

	Nine months ended September 30, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 20,085	$ -
Non-monetary items			
EUR:NTD	1%	-	47

(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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of optimal are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vi. The Group used the forecastability of business indicators issued by National development council to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2018, the provision matrix is as follows:

	Not past due	Total
September 30, 2018		
Expected loss rate	0.03%	
Total book value	$ 21,812	$ 21,812
Loss allowance	$ 229	$ 229

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Nine months ended September 30, 2018
At January 1_IAS 39	$ -
Adjustments under new standards	229
At January 1_IFRS 9	229
Provision for impairment	-
At September 30	$ 229

viii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury along with Administrative Management Department. Group treasury along with Administrative Management Department monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The Group's notes payable and other payables are due within 12 months, therefore, the Group expects no significant liquidity risk.

(3) Fair value information

Management considered that the carrying amounts of financial assets and financial liabilities not measured at fair value are approximate to their fair values, including cash and cash equivalents (including other financial assets), accounts receivable, other receivables, accounts payable and other payables.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017 and the third quarter of 2017

A. Summary of significant accounting policies adopted in 2017 and the third quarter of 2017 is described below:

(a) Loans and receivables

Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They 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.

(b) Impairment of financial assets

i. 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.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) 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;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) 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;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortized cost

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

B. The reconciliations of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Accounts receivable
IAS 39/IAS 37	$ -
Impairment loss adjustment	229
IFRS 9	$ 229

C. Credit risk information for the year ended December 31, 2017 and the third quarter of 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, the Group is responsible for managing and analyzing 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, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

(b) For the year ended December 31, 2017 and the third quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	September 30, 2017
Group 1 (Note)	$ 760,870	$ 10,286

Note: The only counterparty with optimal credit.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	September 30, 2017
1 to 30 days	$ 3,028	$ 5,164
31 to 90 days	-	-
	$ 3,028	$ 5,164

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017 and the third quarter of 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and the third quarter of 2017 are as follows.

(a) Sales of goods

Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to customers on the balance sheet date when the outcome of sales provided can be estimated reliably. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) Sales of services are recognized as follows:

i. Sales is recognized based on the percentage of actual services performed when the outcome of services provided can be estimated reliably.

ii. When the outcome of services cannot be estimated reliably, recoverability of costs incurred is considered for revenue recognition. If the costs are likely to be recoverable, revenue is recognized to the extent of costs incurred. If the costs are unlikely to be recoverable, revenue is not recognized and costs incurred are recognized as expense.

iii. When the outcome of services result in a loss, loss is immediately recognized. However, if loss is estimated to decrease in the following years, the decrease is reversed and recognized as revenue for the year.

(c) Revenue is recognized when the license agreements meet all of the following criteria for revenue recognition:

i. Royalties are fixed or cannot be refunded;

ii. Contracts are irrevocable;

iii. Licensee has the latitude in dealing with the related license; and

iv. Licensor has no other obligation after giving the license.

If license agreements do not meet the above conditions, royalties are recognized as revenue using a reasonable and systematic method. The recognition should not be a one-time recognition. In certain circumstances, the probability of receivables in license fee or royalties depend on the occurrence of future events. In this case, only when the fee or royalty is likely to be received, generally referred to as the event occurs, revenue is recognized.

B. The revenue recognized by using above accounting policies for the third quarter 2017 are as follows:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Royalty revenue	$ 19,196	$ 39,264
Sales revenue	9,796	29,822
	$ 28,992	$ 69,086

C. There is no significant effect to current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

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

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

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

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

J. Significant inter-company transactions during the reporting periods: There was no transaction amounting to $100 million or exceeding 20% of paid-in capital.

(2) Information on investees

Please refer to table 1.

(3) Information on investments in Mainland China

None.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Company and its subsidiary are mainly engaged in the research of new medicine. The Company and its subsidiary operate business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Segment information

The Group has one reportable operating segment, thus, the reportable information was in agreement with the financial statements.

(3) Reconciliation for segment (loss) income

Consolidated segment operating losses reported to the chief operating decision-maker is measured in a manner consistent with revenue and expense in the statement of comprehensive income. The Group did not provide total assets and liabilities to the chief operating decision-maker, thus, the report provided to the chief operating decision-maker for deciding management of segments is in agreement with the statements of comprehensive income. No reconciliation is needed.