PHARMAENGINE, INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2019 AND 2018

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.

REVIEW REPORT 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 March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three 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 March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three 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

May 2, 2019

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 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 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
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31. 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

			March 31, 2019		December 31, 2018		March 31, 2018	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 834,785	22	$ 358,348	9	$ 133,300	4
1170	Accounts receivable, net	6(2)	28,671	1	31,666	1	10,829	-
1200	Other receivables		19,022	1	18,487	-	18,613	1
1220	Current tax assets		89,691	2	86,260	2	2,818	-
130X	Inventories	6(3)	10,109	-	19,552	1	11,466	-
1410	Prepayments		1,132	-	1,061	-	1,386	-
1476	Other current financial assets	6(4)	2,735,350	73	3,304,512	86	3,817,933	94
1479	Other current assets		23	-	214	-	206	-
11XX	Total current assets		3,718,783	99	3,820,100	99	3,996,551	99
	Non-current assets							
1600	Property, plant and equipment, net	6(5)	4,339	-	5,055	-	6,738	-
1755	Right-of-use assets	6(6)	10,857	-	-	-	-	-
1780	Intangible assets		558	-	602	-	620	-
1840	Deferred income tax assets		16,789	1	18,626	1	45,709	1
1900	Other non-current assets	6(7)	2,397	-	2,402	-	3,808	-
15XX	Total non-current assets		34,940	1	26,685	1	56,875	1
1XXX	Total assets		$ 3,753,723	100	$ 3,846,785	100	$ 4,053,426	100
	Liabilities and Equity							
	Current liabilities							
2150	Notes payable		$ 483	-	$ 1,151	-	$ 342	-
2170	Accounts payable		-	-	20,081	1	-	-
2200	Other payables	6(8)	116,819	3	118,905	3	59,219	2
2230	Current tax liabilities		15,794	1	11,748	-	126,216	3
2280	Current lease liabilities		2,763	-	-	-	-	-
2300	Other current liabilities		826	-	786	-	697	-
21XX	Total current liabilities		136,685	4	152,671	4	186,474	5
	Non-current liabilities							
2580	Non-current lease liabilities		8,105	-	-	-	-	-
2XXX	Total liabilities		144,790	4	152,671	4	186,474	5
	Share capital	6(11)						
3110	Common stock		1,466,668	39	1,473,028	38	1,471,538	36
	Capital surplus	6(12)						
3200	Capital surplus		1,617,241	43	1,640,135	43	1,624,938	40
	Retained earnings	6(13)						
3310	Legal reserve		159,429	4	159,429	4	120,723	3
3320	Special reserve		108	-	108	-	295	-
3350	Unappropriated retained earnings		480,671	13	495,213	13	649,533	16
	Other equity interest							
3400	Other equity interest		(353)	-	(154)	-	(75)	-
3500	Treasury stocks	6(11)	(114,831)	(3)	(73,645)	(2)	-	-
3XXX	Total equity		3,608,933	96	3,694,114	96	3,866,952	95
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		$ 3,753,723	100	$ 3,846,785	100	$ 4,053,426	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 ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)
(REVIEWED, NOT AUDITED)

			Three months ended March 31,			
			2019		2018	
	Items	Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(14)	$ 77,908	100	$ 33,807	100
5000	**Operating costs**	6(3)(15)	(7,595)	(10)	(3,242)	(10)
5900	Gross profit		70,313	90	30,565	90
	Operating expenses	6(18)(19)				
6100	Selling expenses		(6,198)	(8)	(6,402)	(19)
6200	General and administrative expenses		(18,226)	(23)	(19,376)	(57)
6300	Research and development expenses		(35,107)	(45)	(33,899)	(100)
6000	**Total operating expenses**		(59,531)	(76)	(59,677)	(176)
6900	**Operating income (loss)**		10,782	14	(29,112)	(86)
	Non-operating income and expenses					
7010	Other income	6(16)	17,354	22	16,861	50
7020	Other gains and losses	6(17)	6,329	8	(54,764)	(162)
7050	Financial costs		(21)	-	-	-
7000	**Total non-operating income and expenses**		23,662	30	(37,903)	(112)
7900	**Income (loss) before income tax**		34,444	44	(67,015)	(198)
7950	Income tax (expense) benefit	6(20)	(7,250)	(9)	17,870	53
8200	**Profit (loss) for the period**		$ 27,194	35	($ 49,145)	(145)
	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		($ 199)	-	$ 33	-
8300	**Other comprehensive (loss) income for the period**		($ 199)	-	$ 33	-
8500	**Total comprehensive income (loss) for the period**		$ 26,995	35	($ 49,112)	(145)
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 27,194	35	($ 49,145)	(145)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 26,995	35	($ 49,112)	(145)
	Earnings (loss) per share	6(21)				
9750	Basic earnings (loss) per share		$ 0.19		($ 0.33)	
9850	Diluted earnings (loss) per share		$ 0.19		($ 0.33)	

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(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	Treasury shares	Total equity
Three months ended March 31, 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
Effects of retrospective application of new standards		-	-	-	-	-	-	(229)	-	-	(229)
Equity at beginning of year after adjustments		1,471,288	1,521,717	26,197	72,013	120,723	295	698,678	(108)	-	3,910,803
Loss after income tax for the three months ended March 31, 2018		-	-	-	-	-	-	(49,145)	-	-	(49,145)
Other comprehensive income		-	-	-	-	-	-	-	33	-	33
Total comprehensive income (loss)		-	-	-	-	-	-	(49,145)	33	-	(49,112)
Amortization of compensation cost of employee stock options	6(10)	-	-	-	3,866	-	-	-	-	-	3,866
Exercise of employee stock options converted to shares	6(10)(11)	250	1,610	-	(465)	-	-	-	-	-	1,395
Balance at March 31, 2018		$1,471,538	$1,523,327	$ 26,197	$ 75,414	$ 120,723	$ 295	$ 649,533	($ 75)	$ -	$ 3,866,952
Three months ended March 31, 2019											
Balance at January 1, 2019		$1,473,028	$1,529,440	$ 26,197	$ 84,498	$ 159,429	$ 108	$ 495,213	($ 154)	($ 73,645)	$ 3,694,114
Profit after income tax for the three months ended March 31, 2019		-	-	-	-	-	-	27,194	-	-	27,194
Other comprehensive loss		-	-	-	-	-	-	-	(199)	-	(199)
Total comprehensive income (loss)		-	-	-	-	-	-	27,194	(199)	-	26,995
Amortization of compensation cost of employee stock options	6(10)	-	-	-	1,445	-	-	-	-	-	1,445
Exercise of employee stock options converted to shares	6(10)(11)	1,690	13,761	-	(3,555)	-	-	-	-	-	11,896
Purchase of treasury shares		-	-	-	-	-	-	-	-	(125,517)	(125,517)
Retirement of treasury shares		(8,050)	(8,348)	(26,197)	-	-	-	(41,736)	-	84,331	-
Balance at March 31, 2019		$1,466,668	$1,534,853	$ -	$ 82,388	$ 159,429	$ 108	$ 480,671	($ 353)	($ 114,831)	$ 3,608,933

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash flows from operating activities			
Profit (loss) before income tax for the period		$ 34,444	($ 67,015)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(18)	1,407	683
Amortization	6(18)	44	58
Amortization of compensation cost of employee stock options	6(10)	1,445	3,866
Interest income	6(16)	(17,334)	(13,017)
Interest expense		21	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		2,995	752,840
Other receivables		47	330
Inventories		9,443	4,688
Prepayments		(71)	(320)
Other current assets		191	591
Net changes in liabilities relating to operating activities			
Notes payable		(668)	(290)
Accounts payable		(20,081)	-
Other payables		(2,086)	(9,301)
Other current liabilities		40	(3,834)
Cash provided by operations		9,837	669,279
Interest received		16,752	5,333
Income taxes paid		(4,798)	(2,818)
Net cash provided by operating activities		21,791	671,794
Cash flows from investing activities			
Increase in other current financial assets		(469,910)	(1,585,403)
Decrease in other current financial assets		1,039,072	470,131
Decrease (increase) in other non-current assets		5	(3)
Net cash provided by (used in) investing activities		569,167	(1,115,275)
Cash flows from financing activities			
Payments of lease liability		(721)	-
Employees stock options exercised		11,896	1,395
Purchase of treasury shares		(125,517)	-
Net cash (used in) provided by financing activities		(114,342)	1,395
Effect of exchange rate changes		(179)	22
Net increase (decrease) in cash and cash equivalents		476,437	(442,064)
Cash and cash equivalents at beginning of period		358,348	575,364
Cash and cash equivalents at end of period		$ 834,785	$ 133,300

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

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 drugs 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 May 2, 2019.

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 endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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.

<u>IFRS 16, ‘Leases’</u>

A. 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. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group both increased ‘right-of-use asset’ and ‘lease liability’ by $11,695 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

   (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

   (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

   (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $2,065 was recognised in the first quarter of 2019.

   (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

   (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 1.4%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	19,510
Less: Short-term leases	(	7,555)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	11,955
Incremental borrowing interest rate at the date of initial application		1.4%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	11,695

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments 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 IASB
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, 2018, 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 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, 2018.

(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.

(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, 2018.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of investor	Name of subsidiary	Main business activities	March 31, 2019	December 31, 2018	March 31, 2018	Note
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) Leasing arrangements (lessee)-right-of-use assets/lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(5) 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 March 31, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and revolving funds	$ 200	$ 200	$ 200
Checking accounts and demand deposits (including foreign currency)	521,825	328,187	133,100
Time deposits (including foreign currency)	312,760	29,961	-
	$ 834,785	$ 358,348	$ 133,300

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

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	$ 28,900	$ 31,895	$ 11,058
Less: Loss allowance for bad debts	(229)	(229)	(229)
	$ 28,671	$ 31,666	$ 10,829

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

B. The ageing analysis of accounts receivable is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Without past due	$ 28,900	$ 31,895	$ 11,058

The above ageing analysis was based on past due date.

C. As at March 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable was $28,900 and $11,058, respectively.

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

(3) Inventories

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Goods	$ 11,900	($ 1,791)	$ 10,109

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Goods	$ 21,343	($ 1,791)	$ 19,552

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Goods	$ 13,957	($ 2,491)	$ 11,466

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2019	2018
Cost of goods sold	$ 7,595	$ 751
Loss on decline in market value	-	2,491
	$ 7,595	$ 3,242

(4) Other financial assets

Item	March 31, 2019	December 31, 2018	March 31, 2018
Current item:			
Other current financial assets - time deposits	$ 2,735,350	$ 3,304,512	$ 3,817,933

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

(5) Property, plant and equipment

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Transportation equipment	Total
At January 1, 2019						
Cost	$ 1,322	$ 180	$ 2,958	$ 9,601	$ 329	$ 14,390
Accumulated depreciation	(702)	(93)	(1,827)	(6,691)	(22)	(9,335)
	$ 620	$ 87	$ 1,131	$ 2,910	$ 307	$ 5,055
2019						
Opening net book amount	$ 620	$ 87	$ 1,131	$ 2,910	$ 307	$ 5,055
Depreciation charge	(54)	(7)	(123)	(491)	(21)	(696)
Effects of foreign exchange	-	-	-	(15)	(5)	(20)
Closing net book amount	$ 566	$ 80	$ 1,008	$ 2,404	$ 281	$ 4,339
At March 31, 2019						
Cost	$ 1,322	$ 180	$ 2,958	$ 9,569	$ 323	$ 14,352
Accumulated depreciation	(756)	(100)	(1,950)	(7,165)	(42)	(10,013)
	$ 566	$ 80	$ 1,008	$ 2,404	$ 281	$ 4,339

	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
Depreciation charge	(58)	(7)	(124)	(494)	(683)
Effects of foreign exchange	-	-	-	11	11
Closing net book amount	$ 714	$ 110	$ 1,501	$ 4,413	$ 6,738
At March 31, 2018					
Cost	$ 1,349	$ 180	$ 3,046	$ 9,637	$ 14,212
Accumulated depreciation	(635)	(70)	(1,545)	(5,224)	(7,474)
	$ 714	$ 110	$ 1,501	$ 4,413	$ 6,738

(6) Leasing arrangements－lessee

A. The Group leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2019 Book value	Three months ended March 31, 2019 Depreciation charge
Buildings	$ 7,386	$ 340
Transportation equipment (Business vehicles)	3,471	371
	$ 10,857	$ 711

As at March 31, 2018 and for the first quarter of 2018, no right-of-use assets and depreciation charge were recognised.

C. In the first quarter of 2019, the additions to right-of-use assets was $11,695.

D. The information on profit or loss in relation to lease contracts is as follows:

	Three months ended March 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 21
Expense on short-term lease contracts	2,065

E. In the first quarter of 2019, the Group's total cash outflow for leases was $2,782.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

G. The Group leases offices and business vehicles under non-cancellable operating lease agreements. The leases terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of $2,065 in profit or loss for the three months ended March 31, 2019. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2019
Not later than one year	$ 5,430
Later than one year but not later than five years	-
	$ 5,430

(7) Other non-current assets

	March 31, 2019	December 31, 2018	March 31, 2018
Refundable deposits	$ 2,397	$ 2,402	$ 3,808

(8) Other payables

	March 31, 2019	December 31, 2018	March 31, 2018
Accrued directors' and supervisors' remuneration and employees' compensation	$ 11,889	$ 10,454	$ 32,064
Payable for withholding tax	83,934	83,934	-
Employees' salary and bonus payable	10,797	17,799	15,828
Payable for professional service expense	6,702	4,198	4,676
Payable for contracted research expense	1,225	20	4,658
Others	2,272	2,500	1,993
	$ 116,819	$ 118,905	$ 59,219

(9) Pensions

Defined contribution plan

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 March 31, 2019 and 2018 were $567 and $522, respectively.

C. The subsidiary, PharmaEngine Europe SARL, was established on November 13, 2015 and had no employee as of March 31, 2019.

(10) Share-based payment

A. For the three months ended March 31, 2019 and 2018, 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
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:

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,546	$ 175.05	2,720	$ 166.31
Options exercised	(169)	70.35	(25)	55.75
Options forfeited	(12)	167.50	-	-
Options outstanding at March 31	2,365	182.56	2,695	167.34
Options exercisable at March 31	1,428		1,058	

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 three months ended March 31, 2019 and 2018 was $110.27 and $133.5 (in dollars), respectively.

D. As of March 31, 2019, December 31, 2018 and March 31, 2018, the range of exercise prices of stock options outstanding were $81.3~$218.8, $10.4~$218.8 and $10.4~$218.75 (in dollars), and the weighted-average remaining contractual period was 1.47~5.66 years, 0.4~5.91 years and 0.76~6.67 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
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 March 31, 2019 and 2018, expenses incurred on share-based payment transactions were accrued at $1,445 and $3,866, respectively.

(11) Share capital

A. As of March 31, 2019, 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 $1,466,668, with a par value of $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):

	2019	2018
At January 1	146,662	147,128
Employee stock options exercised	169	25
Purchase of treasury shares	(1,165)	-
At March 31	145,666	147,153

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	March 31, 2019 No. of shares (in thousands)	March 31, 2019 Carrying amount
The Company	To be reissued to employees	1,000	$ 114,831

Name of company holding the shares	Reason for reacquisition	December 31, 2018 No. of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	640	$ 73,645

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(12) Capital surplus

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.

(13) 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 was resolved by the stockholders during their meeting on June 12, 2018, respectively. Details are summarized below:

	Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 38,706	$ -
Cash dividends	294,308	2
	$ 333,014	$ 2

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

E. The appropriations of earnings for 2018 were proposed by the Board of Directors on March 19, 2019. Details are summarized below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 12,936	$ -
Special reserve	46	-
Cash dividends	145,667	1
	$ 158,649	$ 1

As of May 2, 2019, aforementioned proposal for earnings appropriation for the year ended December 31, 2018 has not yet been resolved by shareholders.

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.

G. For information on employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(19).

(14) Operating revenue

	Three months ended March 31,	
	2019	2018
Revenue from contracts with customers	$ 77,908	$ 33,807

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 March 31, 2019

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 34,260	$ 43,648	$ 77,908
Revenue from external customer contracts	$ 34,260	$ 43,648	$ 77,908
Timing of revenue recognition			
At a point in time	$ 34,260	$ 43,648	$ 77,908

Three months ended March 31, 2018

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 23,275	$ 10,532	$ 33,807
Revenue from external customer contracts	$ 23,275	$ 10,532	$ 33,807
Timing of revenue recognition			
At a point in time	$ 23,275	$ 10,532	$ 33,807

Royalty revenue for the three months ended March 31, 2019 and 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 three months ended March 31, 2019 and 2018, the Company recognized USD 1,113 thousand and USD 795 thousand as royalty revenue, respectively, which had been collected.

(15) Operating costs

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cost of sales		
- Cost of goods sold	$ 7,595	$ 751
Other operating cost	-	2,491
	$ 7,595	$ 3,242

(16) Other income

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest income from bank deposits	$ 17,334	$ 13,017
Government grant revenue	-	3,718
Other income	20	126
	$ 17,354	$ 16,861

(17) Other gains and losses

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net currency exchange gain (loss)	$ 6,329	($ 54,763)
Others	-	(1)
	$ 6,329	($ 54,764)

(18) Expenses by nature

	Three months ended March 31, 2019	Three months ended March 31, 2018
Employee benefit expense	$ 23,830	$ 26,560
Depreciation charges on property, plant and equipment (including right-of-use assets)	$ 1,407	$ 683
Amortization charges on intangible assets	$ 44	$ 58

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Wages and salaries	$ 16,719	$ 18,157
Employee stock options	1,445	3,866
Labour and health insurance fees	1,023	1,086
Pension costs	567	522
Directors' remuneration	2,771	1,660
Other personnel expenses	1,305	1,269
	$ 23,830	$ 26,560

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 March 31, 2019 and 2018, employees' compensation were accrued at $718 and $0, respectively; while directors' and supervisors' remuneration were accrued at $718 and $0, respectively. The aforementioned amounts were recognized in salary expenses and other expenses.

For the three months ended March 31, 2019, the employees' compensation and directors' and supervisors' remuneration were both estimated and accrued based on 2% of distributable profit of current year as of the end of reporting period

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors on March 19, 2019 were in agreement with those amounts recognized in the 2018 financial statements. The employees' compensation for 2019 has not yet been distributed as of May 2, 2019.

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.

(20) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Current tax:		
Current tax on profits for the year	$ 5,412	$ -
Deferred tax:		
Origination and reversal of temporary differences	1,838	(12,957)
Impact of change in tax rate	-	(4,913)
Total deferred tax	1,838	(17,870)
Income tax expense	$ 7,250	($ 17,870)

B. The Company's income tax returns through 2017 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 on February 7, 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.

(21) Earnings (loss) per share

	Three months ended March 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net profit	$ 27,194	145,742	$ 0.19
Diluted earnings per share			
Net profit	$ 27,194	145,742	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	76	
Employees' compensation	-	60	
	$ 27,194	145,878	$ 0.19

	Three months ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands) (Note)	Loss per share (in dollars)
Basic loss per share			
Net loss	($ 49,145)	147,130	($ 0.33)
Diluted loss per share			
Net loss	($ 49,145)	147,130	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options (Note)	-	-	
	($ 49,145)	147,130	($ 0.33)

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

(22) Operating leases

The Group lease offices and business vehicles under non-cancellable operating lease agreements. The lease terms are between 3 and 9 years, and all these lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of $2,363 in profit or loss for the three months ended March 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ 7,555	$ 10,756
Later than one year but not later than five years	-	8,168
	$ 7,555	$ 18,924

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

For the three months ended March 31, 2019 and 2018, the Group has no significant transactions made with related parties.

(2) Key management compensation

	Three months ended March 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 7,638	$ 10,192
Post-employment benefits	81	81
Share-based payments	281	767
	$ 8,000	$ 11,040

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

In addition to Notes 6(6) and (22), the Group's significant commitments as of March 31, 2019 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 March 31, 2019, the Company entered into drug research commissioned contract amounting to $115,097, of which $49,514 had been paid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There are no significant changes during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

(2) Financial instruments

A. Financial instruments by category

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	$ 834,785	$ 358,348	$ 133,300
Accounts receivable, net	28,671	31,666	10,829
Other receivables	19,022	18,487	18,613
Refundable deposits	2,397	2,402	3,808
Other financial assets	2,735,350	3,304,512	3,817,933
	$ 3,620,225	$ 3,715,415	$ 3,984,483

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities			
Financial liabilities at amortized cost			
Notes payable	$ 483	$ 1,151	$ 342
Accounts payable	-	20,081	-
Other payables	116,819	118,905	59,219
	$ 117,302	$ 140,137	$ 59,561

B. Financial risk management policies

There are no significant changes during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

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:

	March 31, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 58,705	30.82	$ 1,809,306
Non-monetary items			
EUR:NTD	133	34.61	4,615

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 59,143	30.72	$ 1,816,579
Non-monetary items			
EUR:NTD	125	35.24	4,405

	March 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 67,203	29.11	$ 1,955,941
Non-monetary items			
EUR:NTD	127	35.87	4,554

As of March 31, 2019, December 31, 2018 and March 31, 2018, 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 March 31, 2019 and 2018 amounted to $6,870 and ($143,843), respectively.

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

	Three months ended March 31, 2019		
	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%	$ 18,093	$ -
Non-monetary items			
EUR:NTD	1%	-	46

	Three months ended March 31, 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%	$ 19,559	$ -
Non-monetary items			
EUR:NTD	1%	-	46

(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 March 31, 2019, December 31, 2018, and March 31, 2018 the provision matrix is as follows:

	Not past due	Total
March 31, 2019		
Expected loss rate	0.03%	
Total book value	$ 28,900	$ 28,900
Loss allowance	$ 229	$ 229

	Not past due	Total
December 31, 2018		
Expected loss rate	0.03%	
Total book value	$ 31,895	$ 31,895
Loss allowance	$ 229	$ 229

	Not past due	Total
March 31, 2018		
Expected loss rate	0.03%	
Total book value	$ 11,058	$ 11,058
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:

	Three months ended March 31, 2019
At January	$ 229
Provision for impairment	-
At March 31	$ 229

	Three months ended March 31, 2018
At January 1_IAS 39	$ -
Adjustments under new standards	229
At January 1_IFRS 9	229
Provision for impairment	-
At March 31	$ 229

(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, accounts payable and other payables are due within 12 months, therefore, the Group expects no significant liquidity risk.

iii. 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.

March 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Notes payable	$ 483	$ -	$ -	$ -
Other payables	116,819	-	-	-
Lease liability	2,763	2,677	4,748	680

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Notes payable	$ 1,151	$ -	$ -	$ -
Accounts payable	20,081	-	-	-
Other payables	118,905	-	-	-

March 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Notes payable	$ 342	$ -	$ -	$ -
Other payables	59,219	-	-	-

(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.

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 drugs. 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 income (loss)

Consolidated segment operating income (loss) 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.

PharmaEngine, Inc. and Subsidiary

Information on investees

Three months ended March 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2019	Balance as at March 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three months ended March 31, 2019	Investment income (loss) recognized by the Company for the three months ended March 31, 2019	Footnote
PharmaEngine, Inc.	PharmaEngine Europe SARL	France	Development and promotion of new drugs	$ 3,699	$ 3,699	-	100.00	$ 4,615	$ 409	$ 409	Note 1, 2

Note 1: The Company’s subsidiary, PharmaEngine Europe SARL, is a limited company and thus has no shares.

Note 2: The transaction was eliminated when preparing the consolidated financial statements.