

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**  
**JUNE 30, 2019 AND 2018**

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

## 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 June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six 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 June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six 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

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Audrey Tseng

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For and on behalf of PricewaterhouseCoopers, Taiwan

August 8, 2019

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the 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**  
**JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**  
**(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018 ARE REVIEWED, NOT AUDITED)**

Assets	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 134,059	3	\$ 358,348	9	\$ 261,234	7
1170	Accounts receivable, net	6(2)	36,758	1	31,666	1	13,384	-
1200	Other receivables		30,160	1	18,487	-	21,432	1
1220	Current tax assets		82,323	2	86,260	2	1,231	-
130X	Inventories	6(3)	20,614	1	19,552	1	10,764	-
1410	Prepayments		2,598	-	1,061	-	1,554	-
1476	Other current financial assets	6(4)	3,454,467	91	3,304,512	86	3,652,151	91
1479	Other current assets		1,564	-	214	-	782	-
11XX	Total current assets		<u>3,762,543</u>	<u>99</u>	<u>3,820,100</u>	<u>99</u>	<u>3,962,532</u>	<u>99</u>
<b>Non-current assets</b>								
1600	Property, plant and equipment, net	6(5)	3,667	-	5,055	-	6,113	-
1755	Right-of-use assets	6(6)	10,308	-	-	-	-	-
1780	Intangible assets		514	-	602	-	690	-
1840	Deferred income tax assets		13,152	1	18,626	1	26,468	1
1900	Other non-current assets	6(7)	2,413	-	2,402	-	2,404	-
15XX	Total non-current assets		<u>30,054</u>	<u>1</u>	<u>26,685</u>	<u>1</u>	<u>35,675</u>	<u>1</u>
1XXX	Total assets		<u>\$ 3,792,597</u>	<u>100</u>	<u>\$ 3,846,785</u>	<u>100</u>	<u>\$ 3,998,207</u>	<u>100</u>
<b>Liabilities and Equity</b>								
<b>Current liabilities</b>								
2150	Notes payable		\$ 830	-	\$ 1,151	-	\$ 1,253	-
2170	Accounts payable		20,621	1	20,081	1	-	-
2200	Other payables	6(8)	261,927	7	118,905	3	349,497	9
2230	Current tax liabilities		4,316	-	11,748	-	-	-
2280	Current lease liabilities		2,762	-	-	-	-	-
2300	Other current liabilities		988	-	786	-	871	-
21XX	Total current liabilities		<u>291,444</u>	<u>8</u>	<u>152,671</u>	<u>4</u>	<u>351,621</u>	<u>9</u>
<b>Non-current liabilities</b>								
2580	Non-current lease liabilities		7,565	-	-	-	-	-
2XXX	Total liabilities		<u>299,099</u>	<u>8</u>	<u>152,671</u>	<u>4</u>	<u>351,621</u>	<u>9</u>
<b>Share capital</b>								
3110	Common stock	6(11)	1,466,668	39	1,473,028	38	1,471,538	37
<b>Capital surplus</b>								
3200	Capital surplus	6(12)	1,618,792	42	1,640,135	43	1,628,787	40
<b>Retained earnings</b>								
3310	Legal reserve	6(13)	172,365	5	159,429	4	159,429	4
3320	Special reserve		154	-	108	-	108	-
3350	Unappropriated retained earnings		350,664	9	495,213	13	386,856	10
<b>Other equity interest</b>								
3400	Other equity interest		( 224)	-	( 154)	-	( 132)	-
3500	Treasury stocks	6(11)	( 114,831)	( 3)	( 73,645)	( 2)	-	-
3XXX	Total equity		<u>3,493,588</u>	<u>92</u>	<u>3,694,114</u>	<u>96</u>	<u>3,646,586</u>	<u>91</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>								
3X2X	Total liabilities and equity		<u>\$ 3,792,597</u>	<u>100</u>	<u>\$ 3,846,785</u>	<u>100</u>	<u>\$ 3,998,207</u>	<u>100</u>

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)  
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30,				Six months ended June 30,			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(14)	\$ 79,634	100	\$ 42,243	100	\$ 157,542	100	\$ 76,050	100
5000 <b>Operating costs</b>	6(3)(15)	( 8,583)	( 11)	422	1	( 16,178)	( 10)	( 2,820)	( 4)
5900 Gross profit		<u>71,051</u>	<u>89</u>	<u>42,665</u>	<u>101</u>	<u>141,364</u>	<u>90</u>	<u>73,230</u>	<u>96</u>
<b>Operating expenses</b>	6(19)(20)								
6100 Selling expenses		( 7,377)	( 9)	( 10,281)	( 24)	( 13,575)	( 9)	( 16,683)	( 22)
6200 General and administrative expenses		( 28,889)	( 36)	( 18,935)	( 45)	( 47,115)	( 30)	( 38,311)	( 50)
6300 Research and development expenses		( 34,140)	( 43)	( 24,258)	( 57)	( 69,247)	( 44)	( 58,157)	( 77)
6000 <b>Total operating expenses</b>		( 70,406)	( 88)	( 53,474)	( 126)	( 129,937)	( 83)	( 113,151)	( 149)
6900 <b>Operating income (loss)</b>		<u>645</u>	<u>1</u>	<u>( 10,809)</u>	<u>( 25)</u>	<u>11,427</u>	<u>7</u>	<u>( 39,921)</u>	<u>( 53)</u>
<b>Non-operating income and expenses</b>									
7010 Other income	6(16)	17,288	22	15,535	37	34,642	22	32,396	43
7020 Other gains and losses	6(17)	13,563	17	90,571	214	19,892	13	35,807	47
7050 Financial costs	6(18)	( 20)	-	-	-	( 41)	-	-	-
7000 <b>Total non-operating income and expenses</b>		<u>30,831</u>	<u>39</u>	<u>106,106</u>	<u>251</u>	<u>54,493</u>	<u>35</u>	<u>68,203</u>	<u>90</u>
7900 <b>Income before income tax</b>		<u>31,476</u>	<u>40</u>	<u>95,297</u>	<u>226</u>	<u>65,920</u>	<u>42</u>	<u>28,282</u>	<u>37</u>
7950 Income tax expense	6(21)	( 2,834)	( 4)	( 25,147)	( 60)	( 10,084)	( 7)	( 7,277)	( 9)
8200 <b>Profit for the period</b>		<u>\$ 28,642</u>	<u>36</u>	<u>\$ 70,150</u>	<u>166</u>	<u>\$ 55,836</u>	<u>35</u>	<u>\$ 21,005</u>	<u>28</u>
<b>Other comprehensive income (loss), net</b>									
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss (after tax)</b>									
8361 Exchange differences on translation		\$ 129	-	( \$ 57)	-	( \$ 70)	-	( \$ 24)	-
8300 <b>Other comprehensive income (loss) for the period, net</b>		<u>\$ 129</u>	<u>-</u>	<u>( \$ 57)</u>	<u>-</u>	<u>( \$ 70)</u>	<u>-</u>	<u>( \$ 24)</u>	<u>-</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 28,771</u>	<u>36</u>	<u>\$ 70,093</u>	<u>166</u>	<u>\$ 55,766</u>	<u>35</u>	<u>\$ 20,981</u>	<u>28</u>
<b>Profit attributable to:</b>									
8610 Owners of the parent		<u>\$ 28,642</u>	<u>36</u>	<u>\$ 70,150</u>	<u>166</u>	<u>\$ 55,836</u>	<u>35</u>	<u>\$ 21,005</u>	<u>28</u>
<b>Comprehensive income attributable to:</b>									
8710 Owners of the parent		<u>\$ 28,771</u>	<u>36</u>	<u>\$ 70,093</u>	<u>166</u>	<u>\$ 55,766</u>	<u>35</u>	<u>\$ 20,981</u>	<u>28</u>
<b>Earnings per share</b>	6(22)								
9750 Basic earnings per share		<u>\$ 0.20</u>		<u>\$ 0.48</u>		<u>\$ 0.38</u>		<u>\$ 0.14</u>	
9850 Diluted earnings per share		<u>\$ 0.20</u>		<u>\$ 0.48</u>		<u>\$ 0.38</u>		<u>\$ 0.14</u>	

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

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
 (REVIEWED, NOT AUDITED)

	Equity attributable to owners of the parent										
	Notes	Capital surplus			Retained earnings			Other equity interest			Total equity
		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	
<b>Six months ended June 30, 2018</b>											
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		-	-	-	-	-	-	( 229)	-	-	( 229)
Equity at beginning of period after adjustments		<u>1,471,288</u>	<u>1,521,717</u>	<u>26,197</u>	<u>72,013</u>	<u>120,723</u>	<u>295</u>	<u>698,678</u>	<u>( 108)</u>	<u>-</u>	<u>3,910,803</u>
Profit after income tax for the six months ended June 30, 2018		-	-	-	-	-	-	21,005	-	-	21,005
Other comprehensive loss		-	-	-	-	-	-	-	( 24)	-	( 24)
Total comprehensive income (loss)		-	-	-	-	-	-	21,005	( 24)	-	20,981
Amortization of compensation cost of employee stock options	6(10)	-	-	-	7,715	-	-	-	-	-	7,715
Exercise of employee stock options converted to shares	6(10)(11)	250	1,610	-	( 465)	-	-	-	-	-	1,395
Appropriation and distribution of 2017 retained earnings	6(13)										
Legal reserve		-	-	-	-	38,706	-	( 38,706)	-	-	-
Special reserve		-	-	-	-	-	( 187)	187	-	-	-
Cash dividends		-	-	-	-	-	-	( 294,308)	-	-	( 294,308)
Balance at June 30, 2018		<u>\$ 1,471,538</u>	<u>\$ 1,523,327</u>	<u>\$ 26,197</u>	<u>\$ 79,263</u>	<u>\$ 159,429</u>	<u>\$ 108</u>	<u>\$ 386,856</u>	<u>(\$ 132)</u>	<u>\$ -</u>	<u>\$ 3,646,586</u>

(Continued)



**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

	Notes	Six months ended June 30,	
		2019	2018
<b><u>Cash flows from operating activities</u></b>			
Profit before income tax for the period		\$ 65,920	\$ 28,282
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	2,813	1,360
Amortization	6(19)	88	98
Amortization of compensation cost of employee stock options	6(10)	2,996	7,715
Interest income	6(16)	( 34,377 )	( 28,552 )
Interest expense	6(18)	41	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		( 5,092 )	750,285
Other receivables		62	320
Inventories		( 1,062 )	5,390
Prepayments		( 1,536 )	( 488 )
Other current assets		( 1,350 )	15
Net changes in liabilities relating to operating activities			
Notes payable		( 321 )	621
Accounts payable		540	-
Other payables		( 2,645 )	( 13,331 )
Other current liabilities		202	( 3,660 )
Cash provided by operations		26,279	748,055
Interest received		22,642	18,059
Income taxes paid		( 8,106 )	( 133,353 )
Net cash provided by operating activities		<u>40,815</u>	<u>632,761</u>
<b><u>Cash flows from investing activities</u></b>			
Increase in other current financial assets		( 1,176,567 )	( 2,040,007 )
Decrease in other current financial assets		1,026,612	1,090,517
Acquisition of property, plant and equipment	6(5)	-	( 67 )
Increase in cost of computer software		-	( 110 )
(Increase) decrease in other non-current assets		( 11 )	1,401
Net cash used in investing activities		<u>( 149,966 )</u>	<u>( 948,266 )</u>
<b><u>Cash flows from financing activities</u></b>			
Payments of lease liability		( 1,442 )	-
Employees stock options exercised		11,896	1,395
Purchase of treasury shares		( 125,517 )	-
Net cash (used in) provided by financing activities		<u>( 115,063 )</u>	<u>1,395</u>
Effect of exchange rate changes		( 75 )	( 20 )
Net decrease in cash and cash equivalents		( 224,289 )	( 314,130 )
Cash and cash equivalents at beginning of period		358,348	575,364
Cash and cash equivalents at end of period		<u>\$ 134,059</u>	<u>\$ 261,234</u>

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



PHARMAENGINE, INC. AND ITS SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2019 AND 2018  
(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 drugs and therapeutic drugs for cancer. The Company focuses on building effective corporate governance structure to enhance the Board of Directors’ function, to maximise 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 August 8, 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- 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 \$4,130 was recognised in the second 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	<u>\$ 11,955</u>
Incremental borrowing interest rate at the date of initial application	1.4%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 11,695</u>

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Ownership (%)</u>		
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised 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 recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised 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 June 30, 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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand and revolving funds	\$ 200	\$ 200	\$ 200
Checking accounts and demand deposits (including foreign currency)	133,859	328,187	103,829
Time deposits (including foreign currency)	-	29,961	157,205
	<u>\$ 134,059</u>	<u>\$ 358,348</u>	<u>\$ 261,234</u>

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accounts receivable	\$ 36,987	\$ 31,895	\$ 13,613
Less: Loss allowance for bad debts	( 229)	( 229)	( 229)
	<u>\$ 36,758</u>	<u>\$ 31,666</u>	<u>\$ 13,384</u>

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Without past due	<u>\$ 36,987</u>	<u>\$ 31,895</u>	<u>\$ 13,613</u>

The above ageing analysis was based on past due date.

C. As of June 30, 2019, December 31, 2018 and June 30, 2018, accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$763,898.

D. As at June 30, 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 \$36,987 and \$13,613, respectively.

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

(3) Inventories

	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 20,614</u>	<u>\$ -</u>	<u>\$ 20,614</u>
	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 21,343</u>	<u>(\$ 1,791)</u>	<u>\$ 19,552</u>
	<u>June 30, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 11,876</u>	<u>(\$ 1,112)</u>	<u>\$ 10,764</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 8,583	\$ 957
Gain on reversal of decline in market value	-	(1,379)
	<u>\$ 8,583</u>	<u>(\$ 422)</u>
	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 16,178	\$ 1,708
Loss on decline in market value	-	1,112
	<u>\$ 16,178</u>	<u>\$ 2,820</u>

The Group recognised gain on reversal of decline in market value which was accounted for as reduction of cost of goods sold as a result of the subsequent sales of inventories which were previously provided with allowance for the three months ended June 30, 2018.

(4) Other financial assets

<u>Item</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current item:			
Other current financial assets - time deposits	<u>\$ 3,454,467</u>	<u>\$ 3,304,512</u>	<u>\$ 3,652,151</u>

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
<u>At January 1, 2019</u>						
Cost	\$ 1,322	\$ 180	\$ 2,958	\$ 9,601	\$ 329	\$ 14,390
Accumulated depreciation	( 702)	( 93)	( 1,827)	( 6,691)	( 22)	( 9,335)
	<u>\$ 620</u>	<u>\$ 87</u>	<u>\$ 1,131</u>	<u>\$ 2,910</u>	<u>\$ 307</u>	<u>\$ 5,055</u>
<u>2019</u>						
Opening net book amount	\$ 620	\$ 87	\$ 1,131	\$ 2,910	\$ 307	\$ 5,055
Depreciation charge	( 110)	( 14)	( 247)	( 981)	( 41)	( 1,393)
Effects of foreign exchange	-	-	-	3	2	5
Closing net book amount	<u>\$ 510</u>	<u>\$ 73</u>	<u>\$ 884</u>	<u>\$ 1,932</u>	<u>\$ 268</u>	<u>\$ 3,667</u>
<u>At June 30, 2019</u>						
Cost	\$ 1,322	\$ 180	\$ 2,958	\$ 9,610	\$ 330	\$ 14,400
Accumulated depreciation	( 812)	( 107)	( 2,074)	( 7,678)	( 62)	( 10,733)
	<u>\$ 510</u>	<u>\$ 73</u>	<u>\$ 884</u>	<u>\$ 1,932</u>	<u>\$ 268</u>	<u>\$ 3,667</u>

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2018</u>					
Cost	\$ 1,349	\$ 180	\$ 3,046	\$ 9,621	\$ 14,196
Accumulated depreciation	( 577)	( 63)	( 1,421)	( 4,725)	( 6,786)
	<u>\$ 772</u>	<u>\$ 117</u>	<u>\$ 1,625</u>	<u>\$ 4,896</u>	<u>\$ 7,410</u>
<u>2018</u>					
Opening net book amount	\$ 772	\$ 117	\$ 1,625	\$ 4,896	\$ 7,410
Additions	67	-	-	-	67
Depreciation charge	( 110)	( 14)	( 247)	( 989)	( 1,360)
Effects of foreign exchange	-	-	-	( 4)	( 4)
Closing net book amount	<u>\$ 729</u>	<u>\$ 103</u>	<u>\$ 1,378</u>	<u>\$ 3,903</u>	<u>\$ 6,113</u>
<u>At June 30, 2018</u>					
Cost	\$ 1,321	\$ 180	\$ 2,958	\$ 9,612	\$ 14,071
Accumulated depreciation	( 592)	( 77)	( 1,580)	( 5,709)	( 7,958)
	<u>\$ 729</u>	<u>\$ 103</u>	<u>\$ 1,378</u>	<u>\$ 3,903</u>	<u>\$ 6,113</u>



(6) Leasing arrangements — lessee

A. The Group leases various assets including buildings and business vehicles. Rental contracts are 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:

	<u>June 30, 2019</u>	
	<u>Book value</u>	
Buildings	\$	7,207
Transportation equipment (Business vehicles)		<u>3,101</u>
	\$	<u>10,308</u>

  

	<u>Three months ended</u>	<u>Six months ended</u>
	<u>June 30, 2019</u>	<u>June 30, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 339	\$ 679
Transportation equipment (Business vehicles)	<u>370</u>	<u>741</u>
	<u>\$ 709</u>	<u>\$ 1,420</u>

As at June 30, 2018 and for the six months ended June 30, 2018, no right-of-use assets and depreciation charge were recognised.

C. In the second 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:

	<u>Three months ended</u>	<u>Six months ended</u>
	<u>June 30, 2019</u>	<u>June 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 20	\$ 41
Expense on short-term lease contracts	2,065	4,130

E. In the second quarter of 2019, the Group's total cash outflow for leases was \$5,573.

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 June 30, 2019 and \$4,130 in profit or loss for the six months ended June 30, 2019. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>June 30, 2019</u>
Not later than one year	\$ 3,370
Later than one year but not later than five years	-
	<u>\$ 3,370</u>

(7) Other non-current assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Refundable deposits	\$ 2,413	\$ 2,402	\$ 2,404

(8) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Dividends payable	\$ 145,667	\$ -	\$ 294,308
Payable for withholding tax	83,934	83,934	-
Accrued directors' and supervisors' remuneration and employees' compensation	13,200	10,454	34,193
Employees' salary and bonus payable	8,656	17,799	9,913
Payable for professional service expense	3,469	4,198	5,240
Others	7,001	2,520	5,843
	<u>\$ 261,927</u>	<u>\$ 118,905</u>	<u>\$ 349,497</u>

(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 June 30, 2019 and 2018, and six months ended June 30, 2019 and 2018 were \$569, \$522, \$1,136 and \$1,044, respectively.
- C. The subsidiary, PharmaEngine Europe SARL, was established on November 13, 2015 and had no employees as of June 30, 2019.

(10) Share-based payment

A. For the six months ended June 30, 2019 and 2018, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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:

	<u>2019</u>		<u>2018</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
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 June 30	<u>2,365</u>	182.56	<u>2,695</u>	167.34
Options exercisable at June 30	<u>1,668</u>		<u>1,160</u>	

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 June 30, 2019 and 2018, and six months ended June 30, 2019 and 2018 was \$110.27, \$133.5, \$110.27 and \$133.5 (in dollars), respectively.

D. As of June 30, 2019, December 31, 2018 and June 30, 2018, the range of exercise prices of stock options outstanding were \$81.3~\$218.8, \$10.4~\$218.8 and \$10.42~\$218.75 (in

dollars), and the weighted-average remaining contractual period was 1.22~5.42 years, 0.4~5.91 years and 0.51~6.42 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:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u> (in dollars)	<u>Exercise price</u> (in dollars)	<u>Expected price</u> <u>volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u> (in dollars)	<u>Risk-free interest rate</u>	<u>Fair value per unit</u> (in dollars)
		<u>(Note)</u>	<u>(Note)</u>					<u>(Note)</u>
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 June 30, 2019 and 2018, and six months ended June 30, 2019 and 2018, expenses incurred on share-based payment transactions were accrued at \$1,551, \$3,849, \$2,996 and \$7,715, respectively.

(11) Share capital

- A. As of June 30, 2019, the Company's authorised 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):

	<u>2019</u>	<u>2018</u>
At January 1	146,662	147,128
Employee stock options exercised	169	25
Purchase of treasury shares	( 1,165 )	-
At June 30	<u>145,666</u>	<u>147,153</u>

## B. Treasury shares

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

		<u>June 30, 2019</u>	
<u>Name of company</u>		<u>No. of shares</u>	<u>Carrying</u>
<u>holding the shares</u>	<u>Reason for reacquisition</u>	<u>(in thousands)</u>	<u>amount</u>
The Company	To be reissued to employees	1,000	<u>\$ 114,831</u>

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

As of June 30, 2018, the Company did not hold any treasury shares.

- (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 capitalised 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 authorised 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 2018 and 2017 were resolved by the stockholders during their meeting on June 13, 2019 and June 12, 2018, respectively. Details are summarised below:

	<u>Year ended December 31, 2018</u>		<u>Year ended December 31, 2017</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 12,936	\$ -	\$ 38,706	\$ -
Special reserve	46	-	-	-
Cash dividends	<u>145,667</u>	<u>1</u>	<u>294,308</u>	<u>2</u>
	<u>\$ 158,649</u>	<u>\$ 1</u>	<u>\$ 333,014</u>	<u>\$ 2</u>

The appropriations of 2018 and 2017 earnings as resolved by the shareholders were in agreement with the appropriations as resolved by the Board of Directors.

- E. 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.
- F. For information on employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(20).

(14) Operating revenue

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 79,634</u>	<u>\$ 42,243</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 157,542</u>	<u>\$ 76,050</u>

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 June 30, 2019

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 31,096</u>	<u>\$ 48,538</u>	<u>\$ 79,634</u>
Revenue from external customer contracts	<u>\$ 31,096</u>	<u>\$ 48,538</u>	<u>\$ 79,634</u>

Three months ended June 30, 2018

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 29,278</u>	<u>\$ 12,965</u>	<u>\$ 42,243</u>
Revenue from external customer contracts	<u>\$ 29,278</u>	<u>\$ 12,965</u>	<u>\$ 42,243</u>

Six months ended June 30, 2019

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 65,356</u>	<u>\$ 92,186</u>	<u>\$ 157,542</u>
Revenue from external customer contracts	<u>\$ 65,356</u>	<u>\$ 92,186</u>	<u>\$ 157,542</u>

Six months ended June 30, 2018

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 52,553</u>	<u>\$ 23,497</u>	<u>\$ 76,050</u>
Revenue from external customer contracts	<u>\$ 52,553</u>	<u>\$ 23,497</u>	<u>\$ 76,050</u>

Royalty revenue for the six months ended June 30, 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 six months ended June 30, 2019 and 2018, the Company recognised USD 2,099 thousand and USD 1,773 thousand as royalty revenue, respectively, which had been collected.

(15) Operating costs

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of sales		
- Cost of goods sold	\$ 8,583	\$ 957
Other operating cost	-	(1,379)
	<u>\$ 8,583</u>	<u>(\$ 422)</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of sales		
- Cost of goods sold	\$ 16,178	\$ 1,708
Other operating cost	-	1,112
	<u>\$ 16,178</u>	<u>\$ 2,820</u>

(16) Other income

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income from bank deposits	\$ 17,043	\$ 15,535
Other income	245	-
	<u>\$ 17,288</u>	<u>\$ 15,535</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income from bank deposits	\$ 34,377	\$ 28,552
Government grant revenue	-	3,718
Other income	265	126
	<u>\$ 34,642</u>	<u>\$ 32,396</u>

(17) Other gains and losses

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Net currency exchange gain	\$ 13,564	\$ 90,836
Others	(1)	(265)
	<u>\$ 13,563</u>	<u>\$ 90,571</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Net currency exchange gain	\$ 19,893	\$ 36,073
Others	(1)	(266)
	<u>\$ 19,892</u>	<u>\$ 35,807</u>



(19) Finance costs

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 20</u>	<u>\$ -</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 41</u>	<u>\$ -</u>

(19) Expenses by nature

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	<u>\$ 31,390</u>	<u>\$ 26,511</u>
Depreciation charges on property, plant and equipment (including right-of-use assets)	<u>\$ 1,406</u>	<u>\$ 677</u>
Amortization charges on intangible assets	<u>\$ 44</u>	<u>\$ 40</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	<u>\$ 55,220</u>	<u>\$ 53,071</u>
Depreciation charges on property, plant and equipment (including right-of-use assets)	<u>\$ 2,813</u>	<u>\$ 1,360</u>
Amortization charges on intangible assets	<u>\$ 88</u>	<u>\$ 98</u>

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

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Wages and salaries	<u>\$ 24,819</u>	<u>\$ 16,406</u>
Employee stock options	<u>1,551</u>	<u>3,849</u>
Labour and health insurance fees	<u>1,163</u>	<u>935</u>
Pension costs	<u>569</u>	<u>522</u>
Directors' remuneration	<u>2,725</u>	<u>4,176</u>
Other personnel expenses	<u>563</u>	<u>623</u>
	<u>\$ 31,390</u>	<u>\$ 26,511</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Wages and salaries	<u>\$ 41,538</u>	<u>\$ 34,563</u>
Employee stock options	<u>2,996</u>	<u>7,715</u>
Labour and health insurance fees	<u>2,186</u>	<u>2,021</u>
Pension costs	<u>1,136</u>	<u>1,044</u>
Directors' remuneration	<u>5,496</u>	<u>5,836</u>
Other personnel expenses	<u>1,868</u>	<u>1,892</u>
	<u>\$ 55,220</u>	<u>\$ 53,071</u>

- 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 June 30, 2019 and 2018, and six months ended June 30, 2019 and 2018, employees' compensation were accrued at \$655, \$1,521, \$1,373 and \$1,521, respectively; while directors' and supervisors' remuneration were accrued at \$655, \$608, \$1,373 and \$608, respectively. The aforementioned amounts were recognised in salary expenses and other expenses.

For the six months ended June 30, 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 2018 as resolved by the Board of Directors on March 19, 2019 were in agreement with those amounts recognised in the 2018 financial statements. The employees' compensation for 2019 has not yet been distributed as of August 8, 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.

(21) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 3,955	\$ -
Income tax imposed on undistributed earnings	-	5,424
Prior year income tax (over) underestimation	( 4,757)	483
Total current tax	( 802)	5,907
Deferred tax:		
Origination and reversal of temporary differences	3,636	19,240
Total deferred tax	3,636	19,240
Income tax expense	<u>\$ 2,834</u>	<u>\$ 25,147</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 9,367	\$ -
Income tax imposed on undistributed earnings	-	5,424
Prior year income tax (over) underestimation	( 4,757)	483
Total current tax	<u>4,610</u>	<u>5,907</u>
Deferred tax:		
Origination and reversal of temporary differences	5,474	6,283
Impact of change in tax rate	-	( 4,913)
Total deferred tax	<u>5,474</u>	<u>1,370</u>
Income tax expense	<u>\$ 10,084</u>	<u>\$ 7,277</u>

- 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.

(22) Earnings per share

	<u>Three months ended June 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 28,642	145,667	\$ 0.20
<u>Diluted earnings per share</u>			
Net profit	\$ 28,642	145,667	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	16	
Employees' compensation	-	7	
	<u>\$ 28,642</u>	<u>145,690</u>	<u>\$ 0.20</u>

<u>Three months ended June 30, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 70,150	147,154	\$ 0.48
<u>Diluted earnings per share</u>			
Net profit	\$ 70,150	147,154	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	426	
Employees' compensation	-	11	
	<u>\$ 70,150</u>	<u>147,591</u>	<u>\$ 0.48</u>
<u>Six months ended June 30, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 55,836	145,704	\$ 0.38
<u>Diluted earnings per share</u>			
Net profit	\$ 55,836	145,704	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	41	
Employees' compensation	-	42	
	<u>\$ 55,836</u>	<u>145,787</u>	<u>\$ 0.38</u>
<u>Six months ended June 30, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 21,005	147,142	\$ 0.14
<u>Diluted earnings per share</u>			
Net profit	\$ 21,005	147,142	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	437	
Employees' compensation	-	77	
	<u>\$ 21,005</u>	<u>147,656</u>	<u>\$ 0.14</u>

(23) Operating leases

The Group leases 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 and \$4,726 in profit or loss for the three months ended June 30, 2018, and six months ended June 30, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Not later than one year	\$ 7,555	\$ 10,428
Later than one year but not later than five years	-	5,546
	<u>\$ 7,555</u>	<u>\$ 15,974</u>

(24) Supplemental cash flow information

Financing activities with no cash flow effects

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Declaration of cash dividends	<u>\$ 145,667</u>	<u>\$ 294,308</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

For the six months ended June 30, 2019 and 2018, the Group has no significant transactions made with related parties.

(2) Key management compensation

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 17,272	\$ 9,121
Post-employment benefits	81	81
Share-based payments	312	658
	<u>\$ 17,665</u>	<u>\$ 9,860</u>

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 24,910	\$ 19,313
Post-employment benefits	162	162
Share-based payments	593	1,425
	<u>\$ 25,665</u>	<u>\$ 20,900</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to Notes 6(6) and (23), the Group's significant commitments as of June 30, 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 June 30, 2019, the Company entered into drug research commissioned contract amounting to \$152,764, of which \$54,645 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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 134,059	\$ 358,348	\$ 261,234
Accounts receivable, net	36,758	31,666	13,384
Other receivables	30,160	18,487	21,432
Refundable deposits	2,413	2,402	2,404
Other financial assets	3,454,467	3,304,512	3,652,151
	<u>\$ 3,657,857</u>	<u>\$ 3,715,415</u>	<u>\$ 3,950,605</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ 830	\$ 1,151	\$ 1,253
Accounts payable	20,621	20,081	-
Other payables	261,927	118,905	349,497
	<u>\$ 283,378</u>	<u>\$ 140,137</u>	<u>\$ 350,750</u>
Lease liability	<u>\$ 10,327</u>	<u>\$ -</u>	<u>\$ -</u>

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:

				<u>June 30, 2019</u>		
				Foreign		
				currency amount		Book value
				<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	59,567	31.06	\$	1,850,148
<u>Non-monetary items</u>						
	EUR:NTD		84	35.38		2,960
				<u>December 31, 2018</u>		
				Foreign		
				currency amount		Book value
				<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	59,143	30.72	\$	1,816,579
<u>Non-monetary items</u>						
	EUR:NTD		125	35.24		4,405
				<u>June 30, 2018</u>		
				Foreign		
				currency amount		Book value
				<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	66,886	30.46	\$	2,037,352
<u>Non-monetary items</u>						
	EUR:NTD		129	35.40		4,557

As of June 30, 2019, December 31, 2018 and June 30, 2018, there was no significant monetary financial liability denominated in foreign currency.

- ii. The unrealised exchange gain arising from foreign exchange variation on the monetary items held by the Group for the three months ended June 30, 2019 and 2018, and six months ended June 30, 2019 and 2018 amounted to \$14,074, \$91,071, \$20,944 and \$47,202, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

<u>Six months ended June 30, 2019</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 18,501	\$ -
<u>Non-monetary items</u>			
EUR:NTD	1%	-	30

<u>Six months ended June 30, 2018</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 20,374	\$ -
<u>Non-monetary items</u>			
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 June 30, 2019, December 31, 2018, and June 30, 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>Total</u>
<u>June 30, 2019</u>		
Expected loss rate	0.03%	
Total book value	\$ 36,987	\$ 36,987
Loss allowance	\$ 229	\$ 229
	<u>Not past due</u>	<u>Total</u>
<u>December 31, 2018</u>		
Expected loss rate	0.03%	
Total book value	\$ 31,895	\$ 31,895
Loss allowance	\$ 229	\$ 229
	<u>Not past due</u>	<u>Total</u>
<u>June 30, 2018</u>		
Expected loss rate	0.03%	
Total book value	\$ 13,613	\$ 13,613
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:

	<u>Six months ended June 30, 2019</u>	
At January 1	\$	229
Provision for impairment		-
At June 30	<u>\$</u>	<u>229</u>

  

	<u>Six months ended June 30, 2018</u>	
At January 1_IAS 39	\$	-
Adjustments under new standards		229
At January 1_IFRS 9		229
Provision for impairment		-
At June 30	<u>\$</u>	<u>229</u>

(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.

June 30, 2019	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 830	\$ -	\$ -	\$ -
Accounts payable	20,621	-	-	-
Other payables	261,927	-	-	-
Lease liability	2,762	2,713	4,504	348

  

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

June 30, 2018	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 1,253	\$ -	\$ -	\$ -
Other payables	349,497	-	-	-

(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  
Six months ended June 30, 2019

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Book value	Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognized by the Company for the six months ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)					
PharmaEngine, Inc.	PharmaEngine Europe SARL	France	Development and promotion of new drugs	\$ 3,699	\$ 3,699	-	100.00	\$ 2,960	(\$ 1,376)	(\$ 1,376)	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.