

**PharmaEngine, Inc.**  
**2017 Annual Shareholders` Meeting Minutes**  
**【 Translation 】**

**Meeting Time:** 9:00 AM, June 13, 2017 (Tuesday)

**Meeting Venue:** Conference Room II  
11F, No.350 Sung Chiang Road, Taipei 104, Taiwan, R.O.C.  
(Importers and Exporters Association of Taipei)

Total outstanding PharmaEngine shares: 122,583,200 shares

Total shares represented by shareholder present in person or by proxy:  
95,456,963 shares

Percentage of shares held by shareholder present in person or by proxy:  
77.87%

**Director Present:** Jeffrey Suen, C. Grace Yeh, Fu-Shiow Yin,  
Frank Li-Sheng Chu, Wen-Hwa Chang

**Compensation Member Present:** Gary Hsiao

**Chairman:** Jeffrey Suen, the Chairman of the Board of Directors.

**Recorder:** C. S. Chang

The aggregate shareholding of the shareholder present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

**Chairperson Remarks (omitted)**

## **Report Items**

1. 2016 Business Report and 2017 Business Plans. (See Appendix 1)
2. The Review Report on the 2016 Financial Statements of Audit Committee.  
(See Appendix 2)
3. The implementation status of employees' compensation and Directors' compensation in 2016.

## **Ratification Items**

### **Case No. 1 proposed by the Board of Directors**

#### **Proposal:**

Ratification of the 2016 Business Report and Financial Statements

#### **Description:**

- (1) The 2016 Business Report and Financial Statements of the Company, including the Consolidated Financial Statements, have been approved by the Board Meeting. The Financial Statements, including the Consolidated Financial Statements, has been audited and examined by the independent auditors, David Teng and Audrey Tseng of PricewaterhouseCoopers, and the independent auditors have issued an unqualified audit report.
- (2) The foresaid Business Report and Financial Statements, including the Consolidated Financial Statements, have also been examined by the Audit Committee.
- (3) The 2016 Business Report and Financial Statements, including the Consolidated Financial Statements, are attached herein as Appendix 1 and Appendix 3.

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,338,896 shares (including votes casted electronically 39,403,471 shares)	97.80%
Votes against: 3,006 shares (including votes casted electronically 3,006 shares)	0.00%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes:2,089,061 shares (including votes casted electronically 2,065,061 shares)	2.18%

**Resolution: that the 2016 Business Report and Financial Statements be and hereby were accepted and submitted.**

## Case No. 2 proposed by the Board of Directors

### Proposal:

Ratification of the Proposal for Distribution of 2016 Profits

### Description:

- (1) The Company proposed to distribute the profit, NT\$ 245,166,400, from unappropriated retained earnings in 2016. Each common shareholder will be entitled to receive cash dividends of NTD 2.00 per share. All cash dividends are rounded down to the nearest dollar after discount any cents. The remaining amount will be treated as the other revenue of the Company. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.
- (2) In the event that, before the date of distribution, the proposed profit distribution is fluctuated by the change of shares of common stock, it is proposed that the Board of Directors shall be authorized to adjust the rate of cash to be distributed.
- (3) Please refer to the 2016 Profits Distribution Table as follows:

PharmaEngine, Inc.  
PROFITS DISTRIBUTION TABLE in 2016

Unit: NTD

Items	Amount	Note
Beginning retained earnings	59,225,141	
Add: net profit after tax	689,624,790	
Less: 10% Statutory reserves	(68,962,479)	
Less: Special reserves	(294,663)	
Distributable net profit	679,592,789	
Distributable items:		
Dividend to shareholders (cash)	(245,166,400)	Cash dividend 2.0 per share
Dividend to shareholders (Stock)	(122,583,200)	Stock dividend 1.0 per share
Unappropriated retained earnings	311,843,189	

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,376,697 shares (including votes casted electronically 39,441,272 shares)	97.84%
Votes against: 3,205 shares (including votes casted electronically 3,205 shares)	0.00%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes:2,051,061 shares (including votes casted electronically 2,027,061 shares)	2.14%

**Resolution: that the above proposal be and hereby was approved as proposed.**

## **Discussion**

### **Case No. 1 Proposed by the Board of Directors**

#### **Proposal:**

Proposal for a new share issue through capitalization of 2016 earnings and capital surplus

#### **Description:**

- (1) For expanding Company's business practice, it is proposed to withdraw NTD\$122,583,200 from the distributable earnings to issue dividend stocks of NTD\$122,583,200 (12,258,320 shares), and to withdraw NTD\$122,583,200 from capital Surplus to issue stocks of NTD\$122,583,200 (12,258,320 shares). Such proposal may increase the paid-in capital of 24,516,640 common shares at per value of NT\$ 10 each share and 200 shares per 1,000 shares.
- (2) For the stock or dividend stock of less than one share, Shareholder may register for collection in one share in the Common Stock Transfer Agent and Registrar within 5 days after the divided record date. Shareholding of less than one share shall be paid in cash, rounded down to the nearest dollar after discount any cents, and will be purchased by persons arranged by the Chairman as authorized by the Board.
- (3) In the event that the common stock shares are fluctuated by the change of Company capital before the date of distribution, it is proposed to authorize the Board of Directors to adjust the issuing rate of the new stocks.
- (4) Upon the resolution of the Annual Meeting of Shareholders and approval of the regulatory authority, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.
- (5) In the event that this proposal needs to be modified due to the regulatory requirements or any other factor, it is proposed that the Board of Directors shall be authorized to resolve such issues.
- (6) The shareholder rights and obligations of the new shares are the same as those of existing shares.

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,373,596 shares (including votes casted electronically 39,438,171 shares)	97.84%
Votes against: 21,406 shares (including votes casted electronically 6,406 shares)	0.02%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 2,035,961 shares (including votes casted electronically 2,026,961 shares)	2.13%

**Resolution: that the above proposal be and hereby was approved as proposed.**

## **Case No. 2 Proposed by the Board of Directors**

### **Proposal:**

Proposal for a cash distribution from capital surplus

### **Description:**

- (1) It is proposed the Company to distribute cash of NT\$ 61,291,600 of the additional paid-in capital in excess of par value to shareholders at NT\$ 0.5 per share. All cash dividends are rounded down to the nearest dollar after discount any cents. The remaining amount will be treated as the other revenue of the Company. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.
- (2) In the event that the proposed distribution is fluctuated by the change of common stock shares before the date of distribution, it is proposed that the Board of Directors shall be authorized to adjust it.

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,376,895 shares (including votes casted electronically 39,441,470 shares)	97.84%
Votes against: 3,007 shares (including votes casted electronically 3,007 shares)	0.00%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 2,051,061 shares (including votes casted electronically 2,027,061 shares)	2.14%

**Resolution: that the above proposal be and hereby was approved as proposed.**

### Case No. 3 Proposed by the Board of Directors

**Proposal:**

Amendment to the Articles of Incorporation

**Description:**

This amendment is to implement the amendments of the Company Act for the business development of Company and set up Audit Committee.

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,376,896 shares (including votes casted electronically 39,441,471 shares)	97.84%
Votes against: 3,006 shares (including votes casted electronically 3,006 shares)	0.00%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 2,051,061 shares (including votes casted electronically 2,027,061 shares)	2.14%

**Resolution: that the above proposal be and hereby was approved as proposed.**



## Case No. 4 Proposed by the Board of Directors

### Proposal:

Amendment to the Operational procedures for Acquisition and Disposal of Assets

### Description:

Articles of the “Operational procedures for Acquisition and Disposal of Assets” of Company are modified in accordance with the current “Operational procedures for Acquisition and Disposal of Assets” modified by the Financial Supervisory Commission.

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 93,297,896 shares (including votes casted electronically 39,440,471 shares)	97.76%
Votes against: 81,006 shares (including votes casted electronically 3,006 shares)	0.08%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 2,052,061 shares (including votes casted electronically 2,028,061 shares)	2.15%

**Resolution: that the above proposal be and hereby was approved as proposed.**

## Case No. 5 Proposed by the Board of Directors

### Proposal:

Proposal for releasing the prohibition on Directors from participation in competitive business

### Description:

- (1) In accordance with Article 209 of the Company Law, a director or its representatives, who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Because the Directors and their representatives may invest or operate the businesses which are similar to the business scope of the Company, the Company proposes to release the non-competition restrictions on such Directors or their representatives, in accordance with the laws and regulations, to allow them to act the benefit of themselves or on behalf of another person on matters which will not damage the interests of the Company.
- (3) It is proposed to release the prohibition on the following director from participation in the competitive business.

Position	Name	Participation in Competitive Business
Independent Director	Fu-Shiow Yin	EirGenix Inc. Independent Director

Voting Resulting: Shares represented at the time of voting: 95,430,963 shares

Voting Results	percentage of the total represented share present
Votes in favor: 89,475,473 shares (including votes casted electronically 35,649,048 shares)	93.75%
Votes against: 8,409 shares (including votes casted electronically 8,409 shares)	0.00%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 5,947,081 shares (including votes casted electronically 5,814,081 shares)	6.23%

**Resolution: that the above proposal be and hereby was approved as proposed.**

**Questions and Motions: None**

**(Questions raised by the Shareholders were omitted)**

**Adjournment:** 10:55 AM, June 13, 2017

## **Appendix 1.**

### **PharmaEngine, Inc.**

#### **2016 Business Report and 2017 Business Plans**

We would like to thank all the investors for your support to PharmaEngine. ONIVYDE<sup>®</sup> was launched on June, 2016 after receiving regulatory approvals by the TFDA and the US FDA on October. In addition, ONIVYDE<sup>®</sup> was also launched in countries of the European area at the end of 2016 after receiving the approval of the Marketing Authorization by the European Commission (EC). Moreover, PharmaEngine has earned the highest accumulated surplus in 2016 again. Hereinafter, we would like to address our operational status in 2015 and business plan of 2016.

#### **[Business Strategy]**

PharmaEngine adopts the business model of “no research, development only (NRDO)” and “Networked Pharma (out-source)” to establish an integrated new drug development company in Taiwan. We believe that this business model may not only reduce the risk of new drug development, but also speed up the launch of new drug candidates of PharmaEngine for reaching the “win-win” partnership with PharmaEngine’s partners.

#### **[Operation Overview]**

PharmaEngine has three on-going projects at present stage: ONIVYDE<sup>®</sup> (nal-IRI, MM-398, PEP02) is a novel, stable nanotherapeutic encapsulation of the marketed chemotherapy drug irinotecan for the treatment of patients with metastatic adenocarcinoma of the pancreas who have been previously treated with gemcitabine-based therapy. ONIVYDE<sup>®</sup> has received regulatory approvals from the Taiwan FDA and the US FDA in October 2015, and the Marketing Authorization Approval from the EC in October 2016; PEP503 is a nanoparticle formulation of hafnium oxide crystals for the local treatment of tumors to enhance the efficacy of radiotherapy (radioenhancer). PharmaEngine has entered into a global collaboration for PEP503 pivotal trial in soft tissue sarcoma (STS) in Asia-Pacific region and Phase I/II studies of the rectal cancer and the head and neck cancer in Taiwan; PEP06 is a new chemical entity in lead optimization stage.

#### [Operational Performance]

The Revenue of PharmaEngine in 2016 was NT\$1,134,782 thousand dollars. The Cost, including labor costs and operating expenses, was NT\$326,659 thousand dollars. The Operating Income was NT\$808,123 thousand dollars. The Net Non-operating Income was NT\$29,784 thousand dollars. The Income before Tax was NT\$837,907 thousand dollars. The Net Income was NT\$689,625 thousand dollars.

#### [Status of Budget Implementation]

In reviewing the status of budget implementation of 2016, PharmaEngine retained milestone payments of US\$10 million dollars due to the acceptance of a new drug application (NDA) of ONIVYDE by the Korean Ministry of Food and Drug Safety (MFDS) and US\$25.5 million dollars due to the approval of the Marketing Authorization by the EMA. The Revenue of PharmaEngine reached NT\$1,134,782 thousand dollars by such milestone payments. The revenue of 2016 was 57.29% of its budget objective because of not receiving regulatory approvals by any regulatory authority in Asian area.

#### [Analysis of Profitability]

In 2016, the Net Income was NT\$689,625 thousand dollars, the Net Profit Margin was 60.77%, the Return on Assets was 19.16%, and the Return on Equity was 19.82%. Generally, the profitability of PharmaEngine is good.

#### [Status of Research and Development]

Regarding the status of research and development of PharmaEngine, ONIVYDE<sup>®</sup> was granted the Product License of ONIVYDE<sup>®</sup> for the treatment of metastatic pancreatic cancer by TFDA in March, 2016. Meanwhile ONIVYDE<sup>®</sup> was included in the National Comprehensive Cancer Network (NCCN) in its 2016 Clinical Practice Guidelines in Oncology for pancreatic adenocarcinoma as a category 1 second-line therapy. ONIVYDE<sup>®</sup> was granted the Marketing Authorization by the EC in October 2016. Regarding PEP503 project, the first patient was dosed in a global pivotal phase II/III trial of PEP503 (NBTXR3) in soft tissue sarcoma (STS) in May, 2016 and the CE marking submission package was accepted in September, 2016. In addition, the first patient was dosed in the head and neck study in October 2016.

In 2017, the major objects of PharmaEngine's research and development will focus on not only the global development, the new drug applications in Asian countries and the drug price application of National Health Insurance in Taiwan for ONIVYDE<sup>®</sup> project, but also the completion of the pivotal study in Asia-Pacific region and phase I/II studies in Taiwan for PEP503 project. PharmaEngine continues the tasks of patent application for PEP06 project. In addition, PharmaEngine will survey new drug projects worldwide and then license in any appropriate project, in order to reinforce the strength of the pipeline profiles.

Finally, we would like to thank all the investors and PharmaEngine's employees again for the support to PharmaEngine. PharmaEngine promises to bring the better profits and rewards to all the investors and PharmaEngine's employees by continuously and successfully exploring new drug projects in the oncology field.

## **Appendix 2**

### **The Review Report of Audit Committee**

To Shareholders of PharmaEngine, Inc.

The Business Report, Financial Statements, Consolidated Financial Statements, and proposal for Distribution of profits have been proposed by the Board Meeting. The foresaid Financial Statements and Consolidated Financial Statements have been audited and the unqualified audit report has been issued by the independent auditors, David Teng and Audrey Tseng of PricewaterhouseCoopers.

The Business Report, Financial Statements, Consolidated Financial Statements and proposal for Distribution of profits have been reviewed by the Audit Committee and were deemed to be acceptable. Therefore, the Audit Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

PharmaEngine, Inc.

The Chairman of Audit Committee

Frank Li-Sheng Chu

May, 3, 2017

## Appendix 3

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

#### *Opinion*

We have audited the accompanying consolidated balance sheets of PharmaEngine, Inc. and its subsidiary (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### *Basis for opinion*

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### **Accuracy of licensing revenue recognition**

##### Description



The Group is mainly engaged in technology out-licensing. The licensing revenue amounted to NT\$1,126,107 thousand, constituting 99% of total operating revenue for the year ended December 31, 2016. Please refer to Note 4(18) for accounting policy on licensing revenue recognition. As the Group recognizes revenue in accordance with the terms and conditions specified in each license contract, and the amount of revenue is significant, we consider the accuracy of licensing revenue recognition a key audit matter.

#### How our audit addressed the matter

Our audit procedures relative to the above key audit matter included:

1. Obtaining management's policy on licensing revenue, and confirming whether the recognition of licensing revenue has been properly reviewed and approved.
2. Checking the contents of license contract, and confirming whether management's judgment on revenue recognition is in accordance with the terms of the contract.
3. Confirming whether amount is recognized in proper period.
4. Obtaining proper supporting documents.
5. Confirming whether there is no significant concern on the collectibility of revenue.

#### **Existence of cash in banks**

##### Description

The balance of cash and cash equivalents amounted to NT\$1,841,117 thousand at December 31, 2016, constituting 47% of consolidated total assets. Cash equivalents refers to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. As of December 31, 2016, time deposits that did not meet the definition of cash equivalents amounted to NT\$2,067,731 thousand, constituting 52% of consolidated total assets and were classified as other current financial assets. Given that cash in banks comprise a large percentage of consolidated total assets, we consider the existence of cash in banks a key audit matter.

#### How our audit addressed the matter

Our audit procedures relative to the above key audit matter included:

1. Confirming the special agreement on bank accounts with financial institutions including existence, rights and obligations.
2. Verifying whether the contact information of the bank is true and correct.
3. Obtaining bank reconciliation at end of period and checking unusual adjustments, if any.
4. Inspecting the source documents of significant cash receipts and payments to verify that the transactions are for business needs.
5. For foreign currency deposits maintained overseas, understanding the reasonableness of motive and objective, valuation reputation and financial conditions of foreign bank, and verifying the existence of foreign bank.
6. Conducting physical inspection of certificates of deposit.
7. Confirming whether time deposits are properly classified in the balance sheet.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of PharmaEngine, Inc. as at and for the years ended December 31, 2016 and 2015.

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

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

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

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

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Teng, Sheng-Wei

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Audrey Tseng

for and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2017

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	2016		2015		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,841,117	47	\$ 432,516	14
1170	Accounts receivable, net	6(2)	4,464	-	4,181	-
1200	Other receivables		10,016	-	5,565	-
130X	Inventories	6(3)	10,185	-	-	-
1410	Prepayments		1,671	-	1,284	-
1476	Other current financial assets	6(4)	2,067,731	52	2,719,785	84
1479	Other current assets		549	-	257	-
11XX	<b>Total current assets</b>		<u>3,935,733</u>	<u>99</u>	<u>3,163,588</u>	<u>98</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5)	9,929	1	12,031	-
1780	Intangible assets		651	-	488	-
1840	Deferred income tax assets	6(19)	7,991	-	58,682	2
1900	Other non-current assets	6(6)	4,957	-	3,793	-
15XX	<b>Total non-current assets</b>		<u>23,528</u>	<u>1</u>	<u>74,994</u>	<u>2</u>
1XXX	<b>Total assets</b>		<u>\$ 3,959,261</u>	<u>100</u>	<u>\$ 3,238,582</u>	<u>100</u>

(Continued)

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2150	Notes payable	\$ 299	-	\$ 3,914	-
2200	Other payables	6(7) 74,467	2	32,836	1
2230	Current income tax liabilities	6(19) 74,274	2	28,768	1
2300	Other current liabilities	998	-	822	-
21XX	<b>Total current liabilities</b>	<u>150,038</u>	<u>4</u>	<u>66,340</u>	<u>2</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	6(19) <u>10,445</u>	-	<u>13,071</u>	-
2XXX	<b>Total liabilities</b>	<u>160,483</u>	<u>4</u>	<u>79,411</u>	<u>2</u>
<b>Share capital</b>					
		6(10)			
3110	Common stock	1,224,592	31	1,019,650	32
<b>Capital surplus</b>					
		6(11)			
3200	Capital surplus	1,773,870	45	1,811,149	57
<b>Retained earnings</b>					
		6(12)(19)			
3310	Legal reserve	51,761	1	12,359	-
3350	Unappropriated retained earnings	748,850	19	403,310	12
<b>Other equity interest</b>					
3400	Other equity interest	( 295)	-	( 42)	-
3500	Treasury shares	6(10) <u>-</u>	-	<u>( 87,255)</u>	<u>( 3)</u>
3XXX	<b>Total equity</b>	<u>3,798,778</u>	<u>96</u>	<u>3,159,171</u>	<u>98</u>
<b>Significant contingent liabilities</b>					
<b>and unrecognised contract</b>					
<b>commitments</b>					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 3,959,261</u>	<u>100</u>	<u>\$ 3,238,582</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**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(13)	\$ 1,134,782	100	\$ 507,244	100
5000 <b>Operating costs</b>	6(3)(14)(17)(18)	( 2,003)	-	( 6,836)	( 2)
5900 <b>Gross profit</b>		<u>1,132,779</u>	<u>100</u>	<u>500,408</u>	<u>98</u>
<b>Operating expenses</b>	6(17)(18) and 7(1)				
6100 Selling expenses		( 27,396)	( 3)	-	-
6200 General and administrative expenses		( 102,500)	( 9)	( 58,342)	( 11)
6300 Research and development expenses		( 194,760)	( 17)	( 114,740)	( 23)
6000 <b>Total operating expenses</b>		<u>( 324,656)</u>	<u>( 29)</u>	<u>( 173,082)</u>	<u>( 34)</u>
6900 <b>Operating income</b>		<u>808,123</u>	<u>71</u>	<u>327,326</u>	<u>64</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(15) and 7(1)	30,207	3	30,371	6
7020 Other gains and losses	6(16)	( 423)	-	49,295	10
7000 <b>Total non-operating income and expenses</b>		<u>29,784</u>	<u>3</u>	<u>79,666</u>	<u>16</u>
7900 <b>Profit before income tax</b>		<u>837,907</u>	<u>74</u>	<u>406,992</u>	<u>80</u>
7950 Income tax expense	6(19)	( 148,282)	( 13)	( 12,970)	( 2)
8200 <b>Profit for the year</b>		<u>\$ 689,625</u>	<u>61</u>	<u>\$ 394,022</u>	<u>78</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will be reclassified to profit or loss (before tax)</b>					
8361 Exchange differences on translation		( \$ 253)	-	( \$ 42)	-
8300 <b>Other comprehensive loss for the year, net</b>		<u>( \$ 253)</u>	<u>-</u>	<u>( \$ 42)</u>	<u>-</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 689,372</u>	<u>61</u>	<u>\$ 393,980</u>	<u>78</u>
<b>Profit attributable to:</b>					
8610 Owners of the parent		<u>\$ 689,625</u>	<u>61</u>	<u>\$ 394,022</u>	<u>78</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		<u>\$ 689,372</u>	<u>61</u>	<u>\$ 393,980</u>	<u>78</u>
<b>Earnings per share (in dollars)</b>	6(20)				
9750 <b>Basic earnings per share</b>		<u>\$</u>	<u>5.65</u>	<u>\$</u>	<u>3.23</u>
9850 <b>Diluted earnings per share</b>		<u>\$</u>	<u>5.61</u>	<u>\$</u>	<u>3.20</u>

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

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Capital	Capital Reserves			Retained Earnings		Other Equity Interest		Total equity	
		Common stock	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Treasury stock transactions	Employee stock warrants	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Treasury shares
<b>2015</b>											
Balance at January 1, 2015		\$ 1,018,210	\$ 4,095	\$ 1,750,577	\$ -	\$ 30,054	\$ -	\$ 123,592	\$ -	\$ -	\$ 2,926,528
Amortisation of compensation cost of employee stock options	6(9)	-	-	-	-	19,904	-	-	-	-	19,904
Exercise of employee stock options converted to shares	6(9)(10)	1,440	( 4,095 )	12,715	-	( 2,101 )	-	-	-	-	7,959
Appropriations of 2014 earnings	6(12)										
Legal reserve		-	-	-	-	-	12,359	( 12,359 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 101,945 )	-	-	( 101,945 )
Repurchase of treasury shares	6(10)	-	-	-	-	-	-	-	-	( 87,255 )	( 87,255 )
Profit after income tax for 2015	6(12)	-	-	-	-	-	-	394,022	-	-	394,022
Other comprehensive loss for 2015		-	-	-	-	-	-	-	( 42 )	-	( 42 )
Balance at December 31, 2015		<u>\$ 1,019,650</u>	<u>\$ -</u>	<u>\$ 1,763,292</u>	<u>\$ -</u>	<u>\$ 47,857</u>	<u>\$ 12,359</u>	<u>\$ 403,310</u>	<u>(\$ 42)</u>	<u>(\$ 87,255)</u>	<u>\$ 3,159,171</u>
<b>2016</b>											
Balance at January 1, 2016		\$ 1,019,650	\$ -	\$ 1,763,292	\$ -	\$ 47,857	\$ 12,359	\$ 403,310	(\$ 42)	(\$ 87,255)	\$ 3,159,171
Amortisation of compensation cost of employee stock options	6(9)	-	-	-	-	61,517	-	-	-	-	61,517
Exercise of employee stock options converted to shares	6(9)(10)	1,820	-	21,244	-	( 3,906 )	-	-	-	-	19,158
Treasury shares transferred to employees		-	-	-	26,197	( 40,770 )	-	-	-	87,255	72,682
Appropriations of 2015 earnings	6(12)										
Legal reserve		-	-	-	-	-	39,402	( 39,402 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 101,561 )	-	-	( 101,561 )
Stock dividends		203,122	-	-	-	-	-	( 203,122 )	-	-	-
Cash dividends from capital surplus		-	-	( 101,561 )	-	-	-	-	-	-	( 101,561 )
Profit after income tax for 2016	6(12)	-	-	-	-	-	-	689,625	-	-	689,625
Other comprehensive loss for 2016		-	-	-	-	-	-	-	( 253 )	-	( 253 )
Balance at December 31, 2016		<u>\$ 1,224,592</u>	<u>\$ -</u>	<u>\$ 1,682,975</u>	<u>\$ 26,197</u>	<u>\$ 64,698</u>	<u>\$ 51,761</u>	<u>\$ 748,850</u>	<u>(\$ 295)</u>	<u>\$ -</u>	<u>\$ 3,798,778</u>

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

**PHARMAENGINE, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 837,907	\$ 406,992
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(17)	2,690	1,371
Amortisation	6(17)	305	263
Loss on disposal of property, plant and equipment	6(16)	-	161
Amortisation of compensation cost of employees stock option	6(9)	61,517	19,904
Interest income	6(15)	( 28,700 )	( 30,363 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		( 283 )	1,437
Other receivables		( 1,061 )	1,832
Inventories		( 10,185 )	-
Current income tax assets		-	( 1,557 )
Prepayments		( 387 )	33
Other current assets		( 292 )	255
Changes in operating liabilities			
Notes payable		( 3,615 )	2,186
Notes payable - related parties		-	( 201 )
Other payables		41,631	17,562
Other current liabilities		176	7
Cash inflow generated from operations		899,703	419,882
Interest received		25,310	28,111
Income tax paid		( 54,628 )	-
Net cash flows from operating activities		870,385	447,993
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease (increase) in other financial assets		652,054	( 2,719,785 )
Acquisition of property, plant and equipment	6(5)	( 678 )	( 11,111 )
Increase in computer software cost		( 468 )	( 691 )
Increase in other non-current assets		( 1,164 )	( 1,017 )
Net cash flows from (used in) investing activities		649,744	( 2,732,604 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Employees stock options exercised		19,158	7,959
Cash dividends from capital surplus		( 101,561 )	-
Cash dividends distributed to shareholders		( 101,561 )	( 101,945 )
Transfer of treasury shares		72,682	-
Repurchase of treasury shares		-	( 87,255 )
Net cash flows used in financing activities		( 111,282 )	( 181,241 )
Effect of exchange rate changes		( 246 )	( 42 )
Net increase (decrease) in cash and cash equivalents		1,408,601	( 2,465,894 )
Cash and cash equivalents at beginning of year		432,516	2,898,410
Cash and cash equivalents at end of year		\$ 1,841,117	\$ 432,516

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