

**PharmaEngine, Inc.**  
**2018 Annual Shareholders` Meeting Minutes**  
**【 Translation 】**

**Meeting Time:** 9:00 AM, June 12, 2018 (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: 147,153,840 shares

Total shares represented by shareholder present in person or by proxy: 114,193,024 shares

Percentage of shares held by shareholder present in person or by proxy:  
77.60%

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

**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. 2017 Business Report and 2018 Business Plans. (See Appendix 1)
2. The Review Report on the 2017 Financial Statements of Audit Committee.  
(See Appendix 2)
3. The implementation status of employees' compensation and Directors' compensation in 2017.
4. Amendment to the Codes of Ethical Conduct

## **Ratification Items**

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

#### **Proposal:**

Ratification of the 2017 Business Report and Financial Statements

#### **Description:**

- (1) The 2017 Business Report and Financial Statements of the Company, including the Consolidated Financial Statements, have been approved by the Board of Directors. 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 an unqualified audit report has also been issued by the independent auditors.
- (2) The foresaid Business Report and Financial Statements, including the Consolidated Financial Statements, have also been examined by the Audit Committee.
- (3) The 2017 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: 114,193,024 shares

Voting Results	percentage of the total represented share present
Votes in favor: 112,182,615shares (including votes casted electronically 22,216,648 shares)	98.23%
Votes against: 29,714 shares (including votes casted electronically 16,714 shares)	0.02%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes:1,980,695shares (including votes casted electronically 1,425,841 shares)	1.73%

**Resolution: that the 2017 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 2017 Profits

### Description:

- (1) The Company proposed to distribute the profit, NT\$ 294,307,680, from unappropriated retained earnings in 2017. 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, distribution 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 2017 Profits Distribution Table as follows:

PharmaEngine, Inc.  
PROFITS DISTRIBUTION TABLE in 2017

Unit: NTD

Items	Amount	Note
Beginning retained earnings	311,843,189	
Add: net profit after tax	387,063,696	
Special reserves reversal	186,850	
Less: 10% Statutory reserves	(38,706,370)	
Distributable net profits	660,387,365	
Distributable items:		
Dividend to shareholders (cash)	(294,307,680)	Cash dividend 2.0 per share
Unappropriated retained earnings	366,079,685	

Voting Resulting: Shares represented at the time of voting: 114,193,024 shares

Voting Results	percentage of the total represented share present
Votes in favor: 112,230,953 shares (including votes casted electronically 22,264,986 shares)	98.28%
Votes against: 25,774 shares (including votes casted electronically 12,774 shares)	0.02%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes:1,936,297 shares (including votes casted electronically 1,381,443 shares)	1.69%

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

## Discussion

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

#### Proposal:

Amendment to the Operational procedures for Acquisition and Disposal of Assets

#### Description:

In compliance with engaging in the derivatives transactions, the company hereby proposes to amend the Operational procedures for Acquisition and Disposal of Assets.

Voting Resulting: Shares represented at the time of voting: 114,193,024 shares

Voting Results	percentage of the total represented share present
Votes in favor: 112,225,910 shares (including votes casted electronically 22,259,943 shares)	98.27%
Votes against: 30,717 shares (including votes casted electronically 17,717 shares)	0.02%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 1,936,397 shares (including votes casted electronically 1,381,543 shares)	1.69%

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

## Case No. 2 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
Director	National Development Fund, Executive Yuan	ScinoPharm Taiwan, Ltd. Director Genovate Biotechnology Co., Ltd. Director Taiwan Biotech Co., Ltd. Director United Biomedical, Inc., Asia Director TaiGen Biotechnology Co., Ltd. Director PharmaEssentia Corp. Director TaiAn Technologies Corp. Director Mycenax Biotech Inc. Director TaiMed Biologics Inc. Director EirGenix, Inc. Director ADIMMUNE Corp. Director
Director	TTY Biopharm Co., Ltd.	EnhanX Inc. Director
Director	Rui-Wen Wu, Legal Representative of TTY Biopharm Co., Ltd.	TTY Biopharm Co., Ltd.- Special Assistant of General Manager CY Biotech Company Limited- Legal Representative of TTY Biopharm Co., Ltd.

Director	Jin-Rong Lin, Legal Representative of TTY Biopharm Co., Ltd.	TTY Biopharm Co., Ltd.- Senior Director in the Department of Legal
Director	C. Grace Yeh	Taiwan Bio Industry Organization      Director

Voting Resulting: Shares represented at the time of voting: 114,193,024 shares

Voting Results	percentage of the total represented share present
Votes in favor: 105,845,285 shares (including votes casted electronically 15,879,318 shares)	92.68%
Votes against: 55,606 shares (including votes casted electronically 42,606 shares)	0.04%
Votes in invalid : 0 shares	0.00%
Votes abstained and no votes: 8,292,133 shares (including votes casted electronically 7,737,279 shares)	7.26%

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

**Questions and Motions: None**

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

**Adjournment:** 11:17 AM, June 12, 2018



## **Appendix 1.**

### **PharmaEngine, Inc.**

#### **2017 Business Report and 2018 Business Plans**

We would like to thank all the shareholders for your continued support toward PharmaEngine. The year 2018 marks PharmaEngine's 15th year committing to new drug development, and our first oncology product, ONIVYDE<sup>®</sup>, has been approved in 38 countries. Until 2017, we have received around USD 100 million of milestone payments through out-licensing of ONIVYDE, which set a record for the new drug development industry in Taiwan. Next, let us further address an overview of our performance in 2017 and business plan in 2018.

##### **【Business Strategy】**

PharmaEngine adopts the business model of “no research, development only (NRDO)” and “Networked Pharma (out-sourcing)” to establish an integrated new drug development company in Taiwan. We believe that, through this business model, we can not only reduce the risk of new drug development, but also speed up new drug launches by forging the “win-win” partnership with partners.

##### **【Operation Overview】**

PharmaEngine has three on-going projects: ONIVYDE (nal-IRI, MM-398, PEP02) is a novel, stable encapsulated form of the marketed chemotherapy drug irinotecan in a long-circulating nanoliposome for the treatment of patients with metastatic adenocarcinoma of the pancreas who have been previously treated with gemcitabine-based therapy. So far, ONIVYDE has been approved in Taiwan, US, EU, Australia, Canada, South Korea, and Singapore; PEP503 (NBTXR3) 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 (NBTXR3) to conduct the 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 ; and PEP06, a new chemical entity (NCE) for cancer treatment, is currently in preclinical development.

### **【Operational Performance】**

The Revenue of PharmaEngine in 2017 was NT\$853,677 thousand dollars. The Cost, including labor costs and operating expenses, was NT\$240,706 thousand dollars. The Operating Income was NT\$612,971 thousand dollars. The Net Non-operating losses were NT\$(115,984) thousand dollars. The Income before Tax was NT\$496,987 thousand dollars. The Net Income was NT\$387,063 thousand dollars.

### **【Status of Budget Implementation】**

In reviewing the status of budget implementation in 2017, PharmaEngine generated NT\$853,677 thousand dollars in revenue in 2017, which accounts for 91.66 % of the budget target. The revenue came from milestone payments, royalties and sales. Milestone payments of US\$25 million dollars were retained as a result of the approval of the Marketing Authorization for ONIVYDE by the Korean Ministry of Food and Drug Safety (MFDS). Royalties from sales of goods in the European region were NT\$63,526 thousand dollars, and sales of goods in Taiwan were NT\$40,651 thousand dollars.

### **【Analysis of Profitability】**

In 2017, the Net Income was NT\$387,063 thousand dollars; the Net Profit Margin was 45.34 %; the Return on Assets was 9.59%; and the Return on Equity was 10.04%. Generally, the profitability of PharmaEngine was fairly good.

### **【Status of Research and Development】**

In August 2017, ONIVYDE was granted the marketing authorization as a combination regimen for the treatment of metastatic pancreatic cancer by Korean Ministry of Food and Drug Safety (MFDS). In October 2017, patient enrollment for the global pivotal phase II/III trial of PEP503 (NBTXR3) in soft tissue sarcoma (STS) reached its target. In December 2017, the Investigational New Drug (IND) application was approved by US FDA to conduct a Phase I/II trial of PEP503 (NBTXR3) with anti-PD-1 antibodies in non-small cell lung cancer or head and neck cancer. Also, ONIVYDE was approved by Singapore Health Sciences Authority (HSA).

Looking into 2018, we will be keenly focused on the life cycle management of ONIVYDE and obtaining reimbursement from Taiwan National Insurance Bureau. Besides, for PEP503, completion of the pivotal study in soft tissue sarcoma in Asia-Pacific region and the phase I/II studies in rectal cancer and head and neck cancer in Taiwan are anticipated. Meanwhile, we will be actively seeking strategic partners in Asia-Pacific region to advance the development of PEP503, and continue initiating new development projects to enrich our pipeline.

Finally, we would like to once again thank our shareholders and employees for your ongoing support along the long road of drug development. PharmaEngine is poised at an exciting time in its development, and we are determined to deliver solutions to satisfy unmet needs for cancer patients and maximize the value of the Company for the benefit of our shareholders.

## **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 of Directors. 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

March 22, 2018

## **Appendix 3**

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of PharmaEngine, Inc. and its subsidiary (the “Group”) as at December 31, 2017 and 2016, 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, 2017 and 2016, 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\$813,026 thousand, constituting 95% of total operating revenue for the year ended December 31, 2017. Refer to Note 4(19) 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

We performed the following audit procedures relative to the above key audit matter:

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\$575,364 thousand at December 31, 2017, constituting 14% 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, 2017, time deposits that did not meet the definition of cash equivalents amounted to NT\$2,702,661 thousand, constituting 66% 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

We performed the following audit procedures relative to the above key audit matter:

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, understood the reasonableness of motive and objective, assessed the reputation and financial conditions of foreign bank, and verified the existence of foreign bank.
6. Conducting physical inspection of certificates of deposit.
7. Confirming whether time deposits shown as Cash and Cash equivalents are filled in with the definition of note4(6).

***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, 2017 and 2016.

***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.

Teng, Sheng-Wei

---

Audrey Tseng

---

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2018

---

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit 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 SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 575,364	14	\$ 1,841,117	47
1170	Accounts receivable, net	6(2)	763,898	19	4,464	-
1200	Other receivables		11,259	-	10,016	-
130X	Inventories	6(3)	16,154	-	10,185	-
1410	Prepayments		1,066	-	1,671	-
1476	Other current financial assets	6(4)	2,702,661	66	2,067,731	52
1479	Other current assets		797	-	549	-
11XX	Total current assets		<u>4,071,199</u>	<u>99</u>	<u>3,935,733</u>	<u>99</u>
Non-current assets						
1600	Property, plant and equipment, net	6(5)	7,410	-	9,929	1
1780	Intangible assets		678	-	651	-
1840	Deferred income tax assets	6(19)	27,839	1	7,991	-
1900	Other non-current assets	6(6)	3,805	-	4,957	-
15XX	Total non-current assets		<u>39,732</u>	<u>1</u>	<u>23,528</u>	<u>1</u>
1XXX	Total assets		<u>\$ 4,110,931</u>	<u>100</u>	<u>\$ 3,959,261</u>	<u>100</u>

(Continued)

**PHARMAENGINE, INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current liabilities					
2150	Notes payable	\$ 632	-	\$ 299	-
2200	Other payables	68,520	2	74,467	2
2230	Current tax liabilities	126,216	3	74,274	2
2300	Other current liabilities	4,531	-	998	-
21XX	Total current liabilities	199,899	5	150,038	4
Non-current liabilities					
2570	Deferred income tax liabilities	-	-	10,445	-
2XXX	Total liabilities	199,899	5	160,483	4
Share capital					
					6(10)
3110	Common stock	1,471,288	36	1,224,592	31
Capital surplus					
					6(11)
3200	Additional paid-in capital	1,619,927	39	1,773,870	45
Retained earnings					
					6(12)(19)
3310	Legal reserve	120,723	3	51,761	1
3320	Special reserve	295	-	-	-
3350	Unappropriated retained earnings	698,907	17	748,850	19
Other equity interest					
3400	Other equity interest	(108)	-	(295)	-
3XXX	Total equity	3,911,032	95	3,798,778	96
Significant contingent liabilities and 9 unrecognised contract commitments					
Significant events after the balance 11 sheet date					
3X2X	Total liabilities and equity	\$ 4,110,931	100	\$ 3,959,261	100

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

**PHARMAENGINE, INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)

Items	Notes	Year ended December 31			
		2017		2016	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(13)	\$ 853,677	100	\$ 1,134,782	100
5000 <b>Operating costs</b>	6(3)(14)(17)(18)	( 2,835)	-	( 2,003)	-
5900 <b>Gross profit</b>		<u>850,842</u>	<u>100</u>	<u>1,132,779</u>	<u>100</u>
<b>Operating expenses</b>	6(17)(18)				
6100 Selling expenses		( 40,224)	( 5)	( 27,396)	( 3)
6200 General and administrative expenses		( 75,746)	( 9)	( 102,500)	( 9)
6300 Research and development expenses		( 121,901)	( 14)	( 194,760)	( 17)
6000 <b>Total operating expenses</b>		<u>( 237,871)</u>	<u>( 28)</u>	<u>( 324,656)</u>	<u>( 29)</u>
6900 <b>Operating income</b>		<u>612,971</u>	<u>72</u>	<u>808,123</u>	<u>71</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(15) and 7(2)	46,328	5	30,207	3
7020 Other gains and losses	6(16)	( 162,312)	( 19)	( 423)	-
7000 <b>Total non-operating income and expenses</b>		<u>( 115,984)</u>	<u>( 14)</u>	<u>29,784</u>	<u>3</u>
7900 <b>Income before income tax</b>		<u>496,987</u>	<u>58</u>	<u>837,907</u>	<u>74</u>
7950 Income tax expense	6(19)	( 109,924)	( 13)	( 148,282)	( 13)
8200 <b>Income for the period</b>		<u>\$ 387,063</u>	<u>45</u>	<u>\$ 689,625</u>	<u>61</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		\$ 187	-	( \$ 253)	-
8300 <b>Other comprehensive income (loss) for the year</b>		<u>\$ 187</u>	<u>-</u>	<u>( \$ 253)</u>	<u>-</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 387,250</u>	<u>45</u>	<u>\$ 689,372</u>	<u>61</u>
<b>Income attributable to:</b>					
8610 Owners of the parent		<u>\$ 387,063</u>	<u>45</u>	<u>\$ 689,625</u>	<u>61</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		<u>\$ 387,250</u>	<u>45</u>	<u>\$ 689,372</u>	<u>61</u>
<b>Basic earnings per share</b>	6(20)				
9750 Total basic earnings per share		<u>\$</u>	<u>2.63</u>	<u>\$</u>	<u>4.71</u>
<b>Diluted earnings per share</b>	6(20)				
9850 Total diluted earnings per share		<u>\$</u>	<u>2.62</u>	<u>\$</u>	<u>4.69</u>

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

PHARMAENGINE, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		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	
<u>Year ended December 31, 2016</u>											
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	6(12)	-	( 101,561 )	-	-	-	-	-	-	-	( 101,561 )
Profit after income tax for the year ended December 31, 2016	6(12)	-	-	-	-	-	-	689,625	-	-	689,625
Other comprehensive loss		-	-	-	-	-	-	-	( 253 )	-	( 253 )
Balance at December 31, 2016		<u>\$ 1,224,592</u>	<u>\$ 1,682,975</u>	<u>\$ 26,197</u>	<u>\$ 64,698</u>	<u>\$ 51,761</u>	<u>\$ -</u>	<u>\$ 748,850</u>	<u>(\$ 295)</u>	<u>\$ -</u>	<u>\$ 3,798,778</u>

(Continued)

PHARMAENGINE, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		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	
<u>Year ended December 31, 2017</u>											
Balance at January 1, 2017		\$ 1,224,592	\$ 1,682,975	\$ 26,197	\$ 64,698	\$ 51,761	\$ -	\$ 748,850	(\$ 295 )	\$ -	\$ 3,798,778
Amortisation of compensation cost of employee stock options	6(9)	-	-	-	17,310	-	-	-	-	-	17,310
Exercise of employee stock options converted to shares	6(9)(10)	1,530	20,104	-	( 7,482 )	-	-	-	-	-	14,152
Expired employee stock options		-	2,513	-	( 2,513 )	-	-	-	-	-	-
Appropriations of 2016 earnings	6(12)										
Legal reserve		-	-	-	-	68,962	-	( 68,962 )	-	-	-
Special reserve		-	-	-	-	-	295	( 295 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 245,166 )	-	-	( 245,166 )
Stock dividends		122,583	-	-	-	-	-	( 122,583 )	-	-	-
Cash dividends from capital surplus	6(12)	-	( 61,292 )	-	-	-	-	-	-	-	( 61,292 )
Stock dividends from capital surplus	6(12)	122,583	( 122,583 )	-	-	-	-	-	-	-	-
Profit after income tax for the year ended December 31, 2017	6(12)	-	-	-	-	-	-	387,063	-	-	387,063
Other comprehensive income		-	-	-	-	-	-	-	187	-	187
Balance at December 31, 2017		<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>\$ 698,907</u>	<u>(\$ 108 )</u>	<u>\$ -</u>	<u>\$ 3,911,032</u>

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

**PHARMAENGINE, INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2017	2016
<b><u>Cash flows from operating activities</u></b>			
Profit before income tax for the period		\$ 496,987	\$ 837,907
Adjustments to reconcile net (loss) profit to net cash (used in) provided by operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(17)	2,721	2,690
Amortisation	6(17)	324	305
Amortisation of compensation cost of employee stock options	6(9)	17,310	61,517
Interest income	6(15)	( 44,540 )	( 28,700 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		( 759,434 )	( 283 )
Other receivables		736	( 1,061 )
Inventories		( 5,969 )	( 10,185 )
Prepayments		605	( 387 )
Other current assets		( 248 )	( 292 )
Net changes in liabilities relating to operating activities			
Notes payable		333	( 3,615 )
Other payables		( 5,947 )	41,631
Other current liabilities		( 3,533 )	176
Cash (used in) provided by operations		( 293,589 )	899,703
Interest received		42,561	25,310
Income tax paid		( 88,275 )	( 54,628 )
Net cash (used in) provided by operating activities		( 339,303 )	870,385
<b><u>Cash flows from investing activities</u></b>			
Increase in other current financial assets		( 2,847,661 )	( 2,315,853 )
Decrease in other current financial assets		2,212,731	2,967,907
Acquisition of property, plant and equipment	6(5)	( 138 )	( 678 )
Increase in computer software cost		( 351 )	( 468 )
Decrease (increase) in other non-current assets		1,152	( 1,164 )
Net cash (used in) provided by investing activities		( 634,267 )	649,744
<b><u>Cash flows from financing activities</u></b>			
Employees stock options exercised		14,152	19,158
Cash dividends from capital surplus		( 61,292 )	( 101,561 )
Cash dividends distributed to shareholders		( 245,166 )	( 101,561 )
Transfer of treasury shares		-	72,682
Net cash used in financing activities		( 292,306 )	( 111,282 )
Effect of exchanges rate changes		123	( 246 )
Net (decrease) increase in cash and cash equivalents		( 1,265,753 )	1,408,601
Cash and cash equivalents at beginning of period		1,841,117	432,516
Cash and cash equivalents at end of period		<u>\$ 575,364</u>	<u>\$ 1,841,117</u>

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