



Stock Code: 4162

Handbook for the 2019 Annual Meeting of Shareholders 【Translation】

Meeting Time: June 13, 2019

Meeting Venue: Conference Room II

11F, 350, Sung Chiang Road, Taipei, 104, Taiwan, R.O.C.

(Importers and Exporters Association of Taipei)

In case of any discrepancy between the English and the Chinese version, the Chinese version shall prevail.

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I. Meeting Agenda

Agenda of 2019 Annual Meeting of Shareholders

Meeting Time: 9:00 AM, June 13, 2019 (Thursday)

Meeting Venue: Conference Room II

11F, No.350 Sung Chiang Road, Taipei 104, Taiwan, R.O.C.
(Importers and Exporters Association of Taipei)

Chairperson Remarks

Report Items

1. 2018 Business Report and 2019 Business Plans
2. The Review Report on the 2018 Financial Statements of Audit Committee
3. The implementation status of employees' compensation and Directors' compensation in 2018
4. The implementation status of Share Buyback Program

Ratification Items

1. Ratification of the 2018 Business Report and Financial Statements
2. Ratification of the Proposal for Distribution of 2018 Profits

Discussion

1. Amendment to the Operational procedures for Acquisition and Disposal of Assets
2. Amendment to the Operational Procedures for Endorsements and Guarantees
3. Enactment to the Operational Procedures for Loaning Funds to Others

Elections

The Election of Directors

Other Matters

Proposal for releasing the prohibition on newly elected Directors or its representatives from participation in competitive business

Questions and Motions

Adjournment

II. Report Items

Report No.1

2018 Business Report and 2019 Business Plans

Description:

2018 Business Report and 2019 Business Plans are attached herein as Appendix 1 (please refer to page 10-12).

Report No.2

The Review Report on the 2018 Financial Statements of Audit Committee

Description:

- (1) The 2018 Business Report, Financial Statements and Profit Distribution Table have been reviewed and examined by the Audit Committee.
- (2) The 2018 Review Report of the Audit Committee is attached herein as Appendix 2 (please refer to page 13).

Report No.3

The Implementation status of employees' compensation and Directors' compensation in 2018.

Description:

The proposal for 2018 employees' compensation and Directors' compensation is adopted in the Board Meeting on March 19, 2019. The compensation for employees is NT\$ 6,969,026 in cash and the compensation for Directors is NT\$ 3,484,513 in cash.

The foresaid amounts, which have been expensed under the Company's 2018 Income statements, are the same as the amounts proposed by the Board.

Report No.4

The implementation status of Share Buyback Program

Description:

The company's completeness of treasury stocks statement as follows:

Time of the buyback	Second time (phase)	Third time (phase)
Purpose of the buyback	Transferring to the Employees	Maintaining firm's credit and shareholder's right
Buyback period	Dec. 10, 2018~Jan. 9, 2019	Jan. 17, 2019~Jan. 30, 2019
Interval of buyback price	NTD\$100.00~130.00	NTD\$100.00~130.00
Number of shares bought back	1,000,000 shares	805,000 shares
Total value of shares bought back	NTD\$114,836,396	NTD\$84,331,295
The average buyback price per share	NTD\$114.84	NTD\$104.76
Number of shares cancelled and transferred	0 shares	805,000 shares
Total number of shares bought back	1,000,000 shares	1,000,000 shares
Number of shares bought back as a percentage of total outstanding shares	0.68%	0.68%

III. Ratification Items

Case No. 1 proposed by the Board of Directors

Proposal:

Ratification of the 2018 Business Report and Financial Statements

Description:

- (1) The 2018 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 2018 Business Report and Financial Statements, including the Consolidated Financial Statements, are attached herein as Appendix 1 and Appendix 3, pages 10-12 and 14-23.

Resolution:

Case No. 2 proposed by the Board of Directors

Proposal:

Ratification of the Proposal for Distribution of 2018 Profits

Description:

- (1) The Company proposed to distribute the profit, NT\$ 145,666,840 from unappropriated retained earnings in 2018. Each common shareholder will be entitled to receive cash dividends of NTD 1.00 per share. All cash dividends are rounded down to the nearest dollar after discount any cents. The remaining total that less than one dollar 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) After 2018 profits distribution, if the share of the company is bought back, or the transfer, conversion, cancellation of the treasury shares, conversion of the employee stock option certificate into common stock or other legal changes, the number of shares outstanding in circulation will be affected, 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 2018 Profits Distribution Table as follows:

PharmaEngine, Inc.
PROFITS DISTRIBUTION TABLE in 2018

Unit: NTD

Items	Amount	Note
Beginning retained earnings	366,079,685	
Effects of retrospective application	(229,169)	
Add: Net profits after tax	129,361,848	
Less: Special reserves	(46,468)	
Less: 10% Statutory reserves	(12,936,185)	
Distributable net profits	482,229,711	
Distributable items:		
Dividend to shareholders (cash)	(145,666,840)	Cash dividend 1.0 per share
Unappropriated retained earnings	336,562,871	

Resolution:

IV. Discussion

Case No. 1 Proposed by the Board of Directors

Proposal:

Amendment to the Operational procedures for Acquisition and Disposal of Assets

Description:

To meet International Financial Reporting Standard No. 16 leases and improve the quality of information disclosure, the company hereby proposes to amend the Operational procedures for Acquisition and Disposal of Assets.

Resolution:

Case No. 2 Proposed by the Board of Directors

Proposal:

Amendment to the Operational Procedures for Endorsements and Guarantees

Description:

Articles of the “Operational Procedures for Endorsements and Guarantees” of Company are modified in accordance with the year of 2019 “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” modified by the Financial Supervisory Commission.

Resolution:

Case No.3 Proposed by the Board of Directors

Proposal:

Enactment to the Operational Procedures for Loaning Funds to Others

Description:

To meet the needs of the company's business development, we have to formulate the “Operational Procedures for Loaning Funds to Others”

Resolution:

V. Elections

Case No. 1 Proposed by the Board of Directors

Proposal:

The Election of Directors

Description:

- (1) The Directors of the Board will be end on June 14, 2019; accordingly, the company proposes to duly elect new Board members at this year’s Annual Meeting of Shareholders. The original Director was dismissed after the election of the new Director.
- (2) The shareholders’ meeting shall elect 9 Directors (including 3 independent Directors). New Directors take office after the election and their three-year term will start from June 13, 2019 and conclude on June 12, 2022.
All Directors shall be elected according to the nomination system from the company Article 15 of the Articles of Incorporation. Shareholders shall elect directors and independent directors form the list of candidates.
- (3) The qualification of the directors (including Independent Directors) has been reviewed by the Board Meeting on May 2, 2019. The candidate list is attached herein as Appendix 4 and Appendix 5 (please refer to page 24-25).

Resolution:

VI. Other Matters

Case No. 1 Proposed by the Board of Directors

Proposal:

Proposal for releasing the prohibition on newly elected Directors or its representatives from participation in competitive business

Description:

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

Resolution:

VII. Questions and Motions

VIII. Adjournment

IX. Appendices

Appendix 1.

PharmaEngine, Inc.

2018 Business Report and 2019 Business Plans

2018 marks PharmaEngine's 15th anniversary - a major milestone for any company and a significant accomplishment in the business with such long development cycles. Our commitment to develop new oncology drugs and make a meaningful impact on the lives of cancer patients has never been stronger. This is a responsibility we take very seriously and continues to drive our work. Next, let us further address an overview of our performance in 2018 and business plan in 2019.

【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[®] 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, South Korea, Singapore and other countries; PEP503 (NBTXR3), a first-in-class product, is a nanoparticle formulation of hafnium oxide crystals for the local treatment of tumors to enhance the efficacy of radiotherapy (radioenhancer). PEP503 is in a positive global pivotal trial of soft tissue sarcoma. In addition to soft tissue sarcoma, Nanobiotix and PharmaEngine are performing clinical trials in head & neck cancers, liver cancers (liver metastasis and hepatocellular carcinoma), rectal cancer, prostate cancer, as well as in combination with anti-PD1 antibodies in head & neck cancers and non-small cell lung cancer ; and PEP06, a new chemical entity (NCE) for cancer treatment, is currently in preclinical development.

【Operational Performance】

The Revenue of PharmaEngine in 2018 was NT\$293,430 thousand dollars. The Cost, including operating cost and operating expenses, was NT\$250,990 thousand dollars. The Operating Income was NT\$42,440 thousand dollars. The Net Non-operating profits were NT\$121,332 thousand dollars. The Income before Tax was NT\$163,772 thousand dollars. The Net Income was NT\$129,362 thousand dollars.

【Status of Budget Implementation】

In reviewing the status of budget implementation in 2018, PharmaEngine generated NT\$293,430 thousand dollars in revenue in 2018, which accounts for 108.53 % of the budget target. Milestone payments of US\$3 million dollars (NT\$90,960 thousand dollars) were retained as a result of the launch of ONIVYDE[®] in the third major European country. Sublicensing revenue were US\$171 thousand dollars (NT\$5,261 thousand dollars) in 2018. Royalties from sales of goods in Europe and Asia were NT\$109,825 thousand dollars, and sales of goods in Taiwan were NT\$87,384 thousand dollars. For the Income before Tax in 2018, PharmaEngine generated NT\$163,772 thousand dollars, better than the budget target of losses of NT\$114,177 thousand dollars.

【Analysis of Profitability】

In 2018, the Net Income was NT\$129,362 thousand dollars; the Net Profit Margin was 44.09 %; the Return on Assets was 3.25%; and the Return on Equity was 3.40%. Generally, the profitability of PharmaEngine was fairly good.

【Status of Research and Development】

In June 2018, PEP503 met endpoints in a global pivotal phase II/III trial in patients with locally advanced soft tissue sarcoma. The detailed results were then presented orally in ESMO 2018 Congress and 2018 ASTRO Annual Meeting. As for ONIVYDE[®], it obtained reimbursement from Taiwan's National Health Insurance Administration starting from August 1, 2018.

Looking into 2019, we will be actively seeking strategic partners in Asia-Pacific region to out-license PEP503 and advance its development. In the meantime, we will also continue to initiate new development projects to enrich our pipeline. In the years ahead, we aim to establish a strong and diversified portfolio, build different business units to maximize global presence and raise funding for new drug development projects if needed or list in other stock market.

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 2018 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 19, 2019

Appendix 3

REPORT OF FINANCIAL STATEMENTS 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, 2018 and 2017, 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, 2018 and 2017, 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\$206,046 thousand, constituting 70% of total operating revenue for the year ended December 31, 2018. 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

The audit procedures performed 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\$358,348 thousand at December 31, 2018, constituting 9% 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, 2018, time deposits that did not meet the definition of cash equivalents amounted to NT\$3,304,512 thousand, constituting 86% 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

The audit procedures performed 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, assessing the 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 shown as Cash and Cash equivalents meet the definition described in Note 4(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, 2018 and 2017.

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 19, 2019

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

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 358,348	9	\$ 575,364	14
1170	Accounts receivable, net	6(2) and 12(4)	31,666	1	763,898	19
1200	Other receivables		18,487	-	11,259	-
1220	Current tax assets		86,260	2	-	-
130X	Inventories	6(3)	19,552	1	16,154	-
1410	Prepayments		1,061	-	1,066	-
1476	Other current financial assets	6(4)	3,304,512	86	2,702,661	66
1479	Other current assets		214	-	797	-
11XX	Total current assets		<u>3,820,100</u>	<u>99</u>	<u>4,071,199</u>	<u>99</u>
Non-current assets						
1600	Property, plant and equipment, net	6(5)	5,055	-	7,410	-
1780	Intangible assets		602	-	678	-
1840	Deferred income tax assets		18,626	1	27,839	1
1900	Other non-current assets	6(6)	2,402	-	3,805	-
15XX	Total non-current assets		<u>26,685</u>	<u>1</u>	<u>39,732</u>	<u>1</u>
1XXX	Total assets		<u>\$ 3,846,785</u>	<u>100</u>	<u>\$ 4,110,931</u>	<u>100</u>
Liabilities and Equity						
Current liabilities						
2150	Notes payable		\$ 1,151	-	\$ 632	-
2170	Accounts payable		20,081	1	-	-
2200	Other payables	6(7)	118,905	3	68,520	2
2230	Current tax liabilities		11,748	-	126,216	3
2300	Other current liabilities		786	-	4,531	-
21XX	Total current liabilities		<u>152,671</u>	<u>4</u>	<u>199,899</u>	<u>5</u>
2XXX	Total liabilities		<u>152,671</u>	<u>4</u>	<u>199,899</u>	<u>5</u>
Share capital						
3110	Common stock	6(10)	1,473,028	38	1,471,288	36
Capital surplus						
3200	Capital surplus	6(11)	1,640,135	43	1,619,927	39
Retained earnings						
3310	Legal reserve	6(12)	159,429	4	120,723	3
3320	Special reserve		108	-	295	-
3350	Unappropriated retained earnings		495,213	13	698,907	17
Other equity interest						
3400	Other equity interest		(154)	-	(108)	-
3500	Treasury shares		(73,645)	(2)	-	-
3XXX	Total equity		<u>3,694,114</u>	<u>96</u>	<u>3,911,032</u>	<u>95</u>
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity		<u>\$ 3,846,785</u>	<u>100</u>	<u>\$ 4,110,931</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, 2018 AND 2017

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

Items	Notes	Years ended December 31,				
		2018		2017		
		Amount	%	Amount	%	
4000	Operating revenue	6(13) and 12(5)	\$ 293,430	100	\$ 853,677	100
5000	Operating costs	6(3)(14)	(12,883)	(4)	(2,835)	-
5900	Gross profit		<u>280,547</u>	<u>96</u>	<u>850,842</u>	<u>100</u>
	Operating expenses	6(17)(18)				
6100	Selling expenses		(35,829)	(12)	(40,224)	(5)
6200	General and administrative expenses		(77,404)	(26)	(75,746)	(9)
6300	Research and development expenses		(124,874)	(43)	(121,901)	(14)
6000	Total operating expenses		(238,107)	(81)	(237,871)	(28)
6900	Operating income		<u>42,440</u>	<u>15</u>	<u>612,971</u>	<u>72</u>
	Non-operating income and expenses					
7010	Other income	6(15)	65,850	22	46,328	5
7020	Other gains and losses	6(16)	<u>55,482</u>	<u>19</u>	(162,312)	(19)
7000	Total non-operating income and expenses		<u>121,332</u>	<u>41</u>	(115,984)	(14)
7900	Income before income tax		<u>163,772</u>	<u>56</u>	<u>496,987</u>	<u>58</u>
7950	Income tax expense	6(19)	(34,410)	(12)	(109,924)	(13)
8200	Profit for the year		<u>\$ 129,362</u>	<u>44</u>	<u>\$ 387,063</u>	<u>45</u>
	Other comprehensive (loss) income, net					
	Components of other comprehensive (loss) income that will be reclassified to profit or loss (after tax)					
8361	Exchange differences on translation		(\$ 46)	-	\$ 187	-
8300	Other comprehensive (loss) income for the year		(\$ 46)	-	\$ 187	-
8500	Total comprehensive income for the year		<u>\$ 129,316</u>	<u>44</u>	<u>\$ 387,250</u>	<u>45</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 129,362</u>	<u>44</u>	<u>\$ 387,063</u>	<u>45</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 129,316</u>	<u>44</u>	<u>\$ 387,250</u>	<u>45</u>
	Earnings per share	6(20)				
9750	Basic earnings per share		<u>\$ 0.88</u>	<u>0.88</u>	<u>\$ 2.63</u>	<u>2.63</u>
9850	Diluted earnings per share		<u>\$ 0.88</u>	<u>0.88</u>	<u>\$ 2.62</u>	<u>2.62</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, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent									
		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	
<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
Profit after income tax for the year ended December 31, 2017		-	-	-	-	-	-	387,063	-	-	387,063
Other comprehensive income		-	-	-	-	-	-	-	187	-	187
Total comprehensive income		-	-	-	-	-	-	387,063	187	-	387,250
Amortization 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)	-	-	-	-	-	-
Appropriation and distribution of 2016 retained earnings	6(12)										
Legal reserve		-	-	-	-	68,962	-	(68,962)	-	-	-
Special reserve		-	-	-	-	-	295	(295)	-	-	-
Cash dividends		-	-	-	-	-	-	(245,166)	-	-	(245,166)
Stock dividends		122,583	-	-	-	-	-	(122,583)	-	-	-
Cash dividends from capital surplus	6(12)	-	(61,292)	-	-	-	-	-	-	-	(61,292)
Stock dividends from capital surplus	6(12)	122,583	(122,583)	-	-	-	-	-	-	-	-
Balance at December 31, 2017		\$ 1,471,288	\$ 1,521,717	\$ 26,197	\$ 72,013	\$ 120,723	\$ 295	\$ 698,907	(\$ 108)	\$ -	\$ 3,911,032

(Continued)

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	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	
<u>Year ended December 31, 2018</u>											
Balance at January 1, 2018		\$ 1,471,288	\$ 1,521,717	\$ 26,197	\$ 72,013	\$ 120,723	\$ 295	\$ 698,977	(\$ 108)	\$ -	\$ 3,911,102
Effects of retrospective application of new standards		-	-	-	-	-	-	(299)	-	-	(299)
Equity at beginning of year 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 year ended December 31, 2018		-	-	-	-	-	-	129,362	-	-	129,362
Other comprehensive loss		-	-	-	-	-	-	-	(46)	-	(46)
Total comprehensive income (loss)		-	-	-	-	-	-	129,362	(46)	-	129,316
Amortization of compensation cost of employee stock options	6(9)	-	-	-	15,246	-	-	-	-	-	15,246
Exercise of employee stock options converted to shares	6(9)(10)	1,740	7,723	-	(2,761)	-	-	-	-	-	6,702
Purchase of treasury shares		-	-	-	-	-	-	-	-	(73,645)	(73,645)
Appropriation and distribution of 2017 retained earnings	6(12)	-	-	-	-	38,706	-	(38,706)	-	-	-
Legal reserve		-	-	-	-	-	-	187	-	-	-
Special reserve		-	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(294,308)	-	-	(294,308)
Balance at December 31, 2018		<u>\$ 1,473,028</u>	<u>\$ 1,529,440</u>	<u>\$ 26,197</u>	<u>\$ 84,498</u>	<u>\$ 159,429</u>	<u>\$ 108</u>	<u>\$ 495,213</u>	<u>(\$ 154)</u>	<u>(\$ 73,645)</u>	<u>\$ 3,694,114</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, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2018	2017
<u>Cash flows from operating activities</u>			
Profit before income tax for the year		\$ 163,772	\$ 496,987
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	2,742	2,721
Amortization	6(17)	186	324
Amortization of compensation cost of employee stock options	6(9)	15,246	17,310
Interest income	6(15)	(61,909)	(44,540)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable, net		732,003	(759,434)
Other receivables		257	736
Inventories		(3,398)	(5,969)
Prepayments		5	605
Other current assets		583	(248)
Net changes in liabilities relating to operating activities			
Notes payable		519	333
Accounts payable		20,081	-
Other payables		(33,549)	(5,947)
Other current liabilities		(3,745)	3,533
Cash provided by (used in) operations		832,793	(293,589)
Interest received		54,424	42,561
Income taxes paid		(141,991)	(88,275)
Net cash provided by (used in) operating activities		745,226	(339,303)
<u>Cash flows from investing activities</u>			
Increase in other current financial assets		(3,930,335)	(2,847,661)
Decrease in other current financial assets		3,328,484	2,212,731
Acquisition of property, plant and equipment	6(5)	(400)	(138)
Increase in computer software cost		(110)	(351)
Decrease in other non-current assets		1,403	1,152
Net cash used in investing activities		(600,958)	(634,267)
<u>Cash flows from financing activities</u>			
Employees stock options exercised		6,702	14,152
Cash dividends from capital surplus		-	(61,292)
Cash dividends distributed to shareholders		(294,308)	(245,166)
Purchase of treasury shares		(73,645)	-
Net cash used in financing activities		(361,251)	(292,306)
Effect of exchanges rate changes		(33)	123
Net decrease in cash and cash equivalents		(217,016)	(1,265,753)
Cash and cash equivalents at beginning of year		575,364	1,841,117
Cash and cash equivalents at end of year		\$ 358,348	\$ 575,364

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

Appendix 4

The Candidates of Director

1. Jeffrey Suen,
Legal Representative of TTY Biopharm Co., Ltd.
2. C. Grace Yeh, Ph. D.
3. Kang-Chi Chou
4. Frank Li-Sheng Chu
5. Jin-Rong Lin
6. Rui-Wen Wu,
Legal Representative of TTY Biopharm Co., Ltd.
7. Chi-Ying Huang,
Legal Representative of National Development Fund, Executive Yuan
8. Yi-Hui Lin,
Legal Representative of National Development Fund, Executive Yuan
9. Li-Tzong Chen, M.D., Ph. D.
10. Shin-San Michael Su, Ph. D.

Appendix 5

The Candidates of Independent Director

1. Sonny Wang
2. Wang, Chih-Li
3. Peter Kurz
4. Gary Hsiao
5. Yu-Ching Su

Appendix 6

Articles of Incorporation of PharmaEngine, Inc.

Section I General Provision

Article 1

The Company, PharmaEngine, Inc., is organized and existing under CHAPTER V Company Limited by Shares of the Company Act in the Republic of China.

Article 2

The scope of business of the Company are listed as follows:

1. IG01010 Biotechnology Services
2. I103060 Management Consulting Services
3. IC01010 Pharmaceuticals Examining Services
4. F601010 Intellectual property
5. F102170 Wholesale of Food and Grocery
6. ZZ99999 Any business not prohibited or restricted by laws, except those which are subject to special approval.
7. F208021 Retail sale of drugs or medicines
8. F108021 Wholesale of drugs or medicines
9. F108031 Wholesale of Drugs, Medical Goods

Article 3

The Company may provide endorsement and guarantee to other companies in accordance with the Operational Procedures for Endorsements and Guarantees of the Company.

Article 4

The total reinvestment amount of the Company may exceed forty percent of the Company's paid-in capital. The investment will enter into effect after receiving the approval from the Board of Directors and being recorded in the Meeting Minutes of the Board of Directors.

Article 5

The Company has its head office located in Taipei, Taiwan, Republic of China. The branch offices of the Company may be established at various locations wherever and whenever the Company deems it necessary.

Article 6

The Company shall make public announcements in accordance with the Article 28 of the Company Act.

Section II Shares

Article 7

The total capital of the Company is One Thousand and Eight Hundred Million New Taiwan Dollars (NTD\$1,800,000,000), divided into 180,000,000 shares at Ten New Taiwan Dollars (NTD\$10) each, and may be paid-up in installments. The Company may issue unpaid-up shares in accordance with the resolutions of the Board of Directors whenever needed.

Among the foresaid total capital, One Hundred and Fifty Million New Taiwan Dollars (NT\$150,000,000) are retained and divided into 15,000,000 shares for employees' stock options.

Article 8

Share certificates shall be in registered form, signed by three or more directors of the Company, and duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance.

The shares to be issued by the Company may be exempted from printing share certificates: however, the Company shall appoint a centralized securities custody enterprise institution to be responsible for the registration of such shares.

Article 9

Registration for transferring shares shall be suspended within 60 days before the annual meeting of shareholders, within 30 days before the interim meeting of shareholders, or within 5 days before the day on which dividend, bonus or any other benefit is scheduled to be paid by the Company.

Section III Meeting of Shareholders

Article 10

The regular meeting of shareholders shall be convened by the Board of Directors within six months after the close of each fiscal year. The interim meeting of shareholders shall be held in accordance with the laws or regulations of the Republic of China, whenever necessary.

Article 11

Unless otherwise provided in the relevant laws and regulations, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 12

If a shareholder is unable to attend a shareholder meeting, the shareholder may appoint a proxy to attend the meeting on behalf of the shareholder by executing a power of attorney, which is provided by the Company, in accordance with Article 177 of the Company Act and Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

Article 12-1

The chairman of the shareholders' meeting and the chairman of the board of directors shall be the same. In case that the chairman of the board of directors is absent from the shareholders' meeting, the chairman of the Board of Directors shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect an acting chairman of the Board of Directors among themselves.

Article 13

Unless otherwise provided in the Company Act, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 13-1

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the meeting.

The distribution of the minutes of shareholders' meeting as required above may be effected by means of a public announcement.

The date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting shall be recorded in the minutes of shareholders' meeting. The minutes shall be kept persistently throughout the life of the Company.

The attendee list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company for a minimum period of at least one year. If a lawsuit has been instituted by a shareholder in accordance with the provisions of Article 189 of the Company Act hereof, the minutes of the shareholders' meeting involved shall be kept by the Corporation until the legal proceedings of the foregoing lawsuit have been concluded.

Article 14

To revoke the publicity of the Company, the Company shall obtain a resolution at a shareholders meeting. This Article shall not be changed during the emerging and listed (TWSE/GTSM) period of the Company.

Section IV Directors

Article 15

The Company shall have seven to nine Directors who shall be elected by the shareholders' meeting from the list of director candidates in accordance with the candidate nomination system for the election adopted by the Company. The term of office of a Director shall not exceed three years; but he/she may be eligible for re-election.

The Company shall adopt the open-ballot, cumulative voting method for the election of the Directors.

Article 15-1

At least two independent Directors of the Company shall be existed among the number of Directors mentioned in the preceding Article, and the numbers of such independent Directors shall not be less than one-fifth of the total number of Directors.

The election of independent Directors and Directors shall be held together; provided, however, the number of independent Directors and Directors elected shall be calculated separately.

The qualifications, shareholding, participation in other business restricted, nomination, election and any other matters of the independent Directors shall meet the requirements as specified by the authority in charge of securities affairs.

Article 15-2

The Board of Directors may set up various Commissions with respect to the functions of audit, remuneration and others. The Audit Committee shall comprise all the independent directors.

The responsibilities, regulations, power and other compliance requirements of the foresaid Audit Committee shall comply with relevant rules and regulations of the authority in charge of securities affairs and the Company.

Article 16

In case that no election of new Directors is held before or right after the expiry date of the term of office of existing directors, the term of office of the original directors shall be extended until the new directors are elected and assumed their offices.

Article 17

When the numbers of vacancies of the Board of Directors of the Company reach one third of the total numbers of directors, the Board of Directors shall call a special meeting of shareholders to elect the succeeding directors to fill the vacancies in accordance with the Company Act. The term of office of the succeeding directors shall be restricted to the remaining term of office of the original directors.

Article 18

The Meeting of the Board of Directors shall be held at least once per quarter. The Company shall provide a notice with the subject(s) to be discussed at the meeting to each Director no later than 7 days prior to the scheduled meeting date while convening the meeting of the Board of Directors. Notwithstanding the foregoing, in the case of any emergent event, such meetings can be convened at any time. The foresaid notice can be circulated by means of documents, fax or electronic transmission.

Article 19

The Board of Directors shall consist of the directors. A chairman and a vice chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting which over two-thirds of the directors attend.

The chairman of the Board of Directors shall have the authority to represent the Company.

In case that the chairman of the Board of Directors is on leave or cannot exercise his power and authority for any cause, the proxy of the chairman shall be designated in accordance with the Article 208 of the Company Act.

Article 20

Each director shall attend the meeting of the Board of Directors in person unless as otherwise in accordance with the provisions of Article 205 of the Company Act thereof, a director may be represented by another director. In case a meeting of the Board of Directors is proceeded via visual communication network, the Directors participating in such a visual communication meeting shall be deemed to have attended the meeting in person. If a director is unable to attend a Board Meeting, he/she may appoint a proxy to attend a Board Meeting on his/her behalf by executing a power of attorney to the proxy; however, each director shall be restricted to accept an appointment to act as the proxy only.

Unless otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Article 20-1

In order to reduce the risk of directors arising from shareholders or other related parties to institute an action against directors due to executing their duties, the Company may purchase the liability insurance for the directors.

Article 20-2

The Company shall pay remuneration to the directors for their services, regardless the Company made a profit or sustained a loss. The remuneration for the directors shall be determined by the Board of Directors in consideration of the extent of participation of the directors and the value of the services provided by the directors for the management of the Company and the general standard of the same industry. In case the Company generates earnings in a certain year, the Company shall allocate the remuneration subject to the provisions set forth in Article 25 of these Articles.

Article 21

Unless otherwise provided in the Company Act, the power of the Board of Directors is listed as follows:

- (1) To propose the amendments to this Articles of Incorporation;
- (2) To determine the operational policy, to review the business plan and to monitor the implementation of the business plan;
- (3) To determine the budget and the final account;
- (4) To draft and amend the internal regulations and organization charter of the Company;
- (5) To approve a reinvestment or joint ventures, or the assignment of the shares of the reinvestment or joint ventures;
- (6) To review the fund borrowed;
- (7) To approve the endorsement and guarantees to other companies;
- (8) To propose the assignment, sell, lease, pledge, mortgage or disposition or any other way of acquisition and disposal for the whole or any essential part of the Company`s assets;
- (9) To elect the chairman of the Board of Directors;
- (10) To approve the appointment, discharge of the Chief Executive Officer and the technical team, as well as their compensation;
- (11) To appoint or discharge of a certified public accountant and lawyers;
- (12) To appoint and discharge of the underwriters and co- underwriters of IPO;
- (13) To setup and dissolve branch offices;
- (14) To implement any other power in accordance with the Company Act or the resolution of a shareholders meeting;
- (15) To approve the important technical skills and the acquisition, transfer, pledge, license, lease or disposal of patent right, trademark right and copyright of the Company as well as major technique collaboration contracts;
and
- (16) To implement all matters not provided for in this Articles but set forth in the relevant regulations or laws.

Article 22(Deleted)

Section V Managerial personnel

Article 23

The Company may appoint one or more managerial personnel. The appointment, discharge and the remuneration of the managerial personnel shall be made in accordance with the Article 29 of the Company Act.

Section VI Accounting

Article 24

The fiscal year of the Company shall be from January 1 to December 31 of each year. The Company shall close accounts at the end of the year. At the close of each fiscal year, the Board of Directors shall prepare the following statements and records which shall be forwarded to the supervisors for their auditing not later than the 30th day prior to the meeting date of a general meeting of shareholders:

1. the business report;
2. the financial statements; and
3. the surplus earning distribution or loss off-setting proposals.

Article 25

The Company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as the legal reserve, and set aside another sum as the special reserve, whenever necessary. The rest of the distribution ratio shall be proposed by the Board of Directors to the Shareholders' Meeting for resolution.

In the case that any earnings is retained in a certain year, the Board of Directors shall resolve the employee compensation ranged from 2% to 8% of the profits and Director compensation ranged not more than 2% of the profits . However, in the case that any accumulated loss is remained, the Company shall reserve a certain amount to offset such losses and report to the Shareholders' Meeting.

The employee compensation may be made either by stock or by cash. The employees, who are distributed stock or cash to, may include the employees of its subsidiaries of the Company who satisfy certain specified conditions.

The profits retained in certain year, which are specified in the Item 1 of this Article, means a number which is obtained by the net income before income tax deducted out of the employee compensation and Board compensation.

Article 25-1

The distribution of dividend shall be considered on the basis of the factors of company profits, capital and financial structure, future operational requirements, the accumulated surplus and statutory reserves, market competition and etc. by the Board of Directors at the end of each fiscal year. The Board of Directors shall propose a surplus allocation motion, drew a resolution and submit them to the regular shareholders` meeting for resolution.

For improving the financial structure of the Company and taking into account the interests of investors, the Company shall adopt a balance dividend policy to distribute the cash dividend at the rate over 10% of total distribution.

Section VII Supplemental Provisions

Article 26

The organization charter of the Company and its detail procedures shall be determined by the Board of Directors.

Article 27

Regarding any matters not provided for in these Articles, the Company Act and other relevant laws and regulations shall govern.

Article 28

This Article of Incorporation was established on August 1, 2002.
The first Amendment was entered into force as of January 5, 2003.
The second Amendment was entered into force as of June 18, 2003.
The third Amendment was entered into force as of September 17, 2004.
The fourth Amendment was entered into force as of June 30, 2006.
The fifth Amendment was entered into force as of June 24, 2010.
The sixth Amendment was entered into force as of June 29, 2011.
The seventh Amendment was entered into force as of November 28, 2011.
The eighth Amendment was entered into force as of June 28, 2012.
The ninth Amendment was entered into force as of June 11, 2014.
The tenth Amendment was entered into force as of June 15, 2016.
The eleventh Amendment was entered into force as of June 13, 2017.

Jeffrey Suen
Chairman
PharmaEngine, Inc.

Appendix 7

Rules and Procedures of Shareholder's Meeting

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
2. A sign-in booklet has been installed for shareholders to sign in or shareholders are required to bring their attendance certification to attend the meeting. The number of shares in attendance shall be based on the sign-book or the number of sign-in cards submitted.
3. Attendance and votes of Shareholders' Meetings shall be counted based upon the number of shares in attendance.
4. The location of Shareholders' Meetings shall be either where the Company is located or any other place deemed convenient for the shareholders to attend and proper for holding such meeting. The Shareholders' Meetings shall be held no earlier than 9 a.m. and no later than 3 p.m. on the designated meeting date.
5. The Board of Directors shall call the Shareholders' Meetings. The chairman of the Board of Directors shall preside over the meeting. If the chairman of the Board of Directors is not available for the meeting then the chairman shall designate a director of the Board of Directors to act on his/her behalf to preside over the meeting. The Board of Directors shall elect a director to act on the chairman's behalf if the chairman appoints no designee. Other than the Board of Directors, a person entitled by law to call a Shareholders' Meeting shall preside over the meeting.
6. The Company may designate legal attorneys, certified public accountants, or other related persons to attend the meetings. Persons handling affairs of the Meeting shall wear identification cards or badges.
7. Shareholders' meeting shall be taped or recorded, and any tape or recording shall be preserved for at least one year.

8. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting. Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. However, in the event that the Chairman adjourns the Meeting, the shareholders cannot designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.
10. When a shareholder (or their respective representatives) present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman. If any shareholder (or their respective representatives) present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder.

In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder (or their respective representatives) in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption

11. Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates all the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a Company shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.
14. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
15. The chairman shall appoint ballot inspectors and calculation officials, and the inspectors must possess shareholder status. The Ballots result shall be announced and recorded in the meeting.
16. During the Meeting, the chairman may, at his discretion, set time for intermission.
17. Unless otherwise provided for in the Company Law or Company Rules, a motion approved by more than one-half of the votes constitutes final approval. The chairman rules that a resolution may be decided by either a vote or by asking for objections.

18. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
19. The chairman may conduct the disciplinary officers (or the security guard) to assist in keeping order of the Meeting place. Such disciplinary officers (or security guards) shall wear badges marked "Disciplinary Officers" for identification purpose.
20. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Appendix 8

Current Shareholding of Directors

1. The minimum shareholding required for all Directors by law are listed as follows:

Position	Required shares by law	Shares on the book closure date
Directors	8,800,010	49,833,141

Note: Book closure date: April 15, 2019

2. Current Shareholding of Directors

Position	Name	Shares	Remarks
Chairman	Jeffrey Suen, Legal Representative of TTY Biopharm Co., Ltd.	22,866,808	
Director	Rui-Wen Wu, Legal Representative of TTY Biopharm Co., Ltd.	22,866,808	
Director	Jin-Rong Lin, Legal Representative of TTY Biopharm Co., Ltd.	22,866,808	
Director	Gour-Tsair Pan, Legal Representative of National Development Fund, Executive Yuan	22,585,654	
Director	Yi-Hui Lin, Legal Representative of National Development Fund, Executive Yuan	22,585,654	
Director	C. Grace Yeh	4,380,679	
Independent Director	Fu-Shiow Yin	0	
Independent Director	Frank Li-Sheng Chu	0	
Independent Director	Kang-Chi Chou	0	

Note: Book closure date: April 15, 2019