Stock Code:4105

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address：3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan
Telephone：886-2-2652-5999

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TTY Biopharm Company Limited and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY Biopharm Company Limited
Chairman: Lin-Chuan
Date: March 29, 2018

安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited :

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries (" the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in 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 of 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, and we do not provide a separate opinion on these matters. Key audit matters for the consolidated financial statements are stated as follows:

1. Impairment of accounts receivable

   Please refer to Notes 4(g), 5(a) and 6(c) of the consolidated financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Group judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating the impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Group's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

2. Inventory valuation

Please refer to Notes 4(h), 5(b) and 6(d) of the consolidated financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Group's revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between net realizable price and the current selling price, and evaluating the reasonableness of them; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 7.50% and 7.89% of the related consolidated total assets as of December 31, 2017 and 2016, respectively, and the related investment gains represented 4.30% and 8.80% of the consolidated profit before tax for the years ended December 31, 2017 and 2016, respectively.

We also audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2017 and 2016 and have issued an unqualified and a modified unqualified audit report, respectively, thereon.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, 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 auditor's 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 auditor's 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 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.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shin-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (v))	$ 1,441,374	15	2,108,713	23
1150	Notes receivable, net (note 6(c) and (v))	73,339	1	62,278	1
1170	Accounts receivable, net (note 6(c) and (v))	915,846	10	783,373	8
1180	Accounts receivable due from related parties, net (note 6(c), (v) and 7)	8,973	-	13,668	-
1200	Other receivables, net (note 6(c), (v) and 7)	73,622	1	46,309	-
130X	Inventories (note 6 (d))	693,713	7	565,683	7
1410	Prepayments	15,511	-	26,884	-
1476	Other current financial assets (note 6(a), (v) and 8)	1,771,755	19	1,057,186	12
1470	Other current assets	2,457	-	4,186	-
		4,996,590	53	4,668,280	51
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (note 6(b) and (v))	286,586	3	539,205	6
1550	Investments accounted for using equity method, net (note 6(f))	1,024,020	11	1,007,758	11
1600	Property, plant and equipment (note 6(h))	2,548,006	27	2,585,575	28
1760	Investment property, net (note (i))	89,023	1	77,999	1
1780	Intangible assets (note 6(j))	142,203	1	29,648	-
1840	Deferred tax assets (note 6(o))	30,912	-	31,760	-
1915	Prepayments for equipment	169,161	2	181,472	2
1920	Refundable deposits paid (note 6(v) and 7)	28,365	-	24,001	-
1981	Cash surrender value of life insurance (note 6(v))	7,275	-	5,198	-
1984	Other non-current financial assets (note 6(a), (v) and 8)	124,326	1	126,816	1
1990	Other non-current assets	60,600	1	12,593	-
		4,510,477	47	4,622,025	49
	Total assets	$ 9,507,067	100	9,290,305	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term loans (note 6(k) and (v))	$ 1,650,000	18	1,249,010	13
2150	Notes payable (note 6(v))	37,403	-	16,572	-
2160	Notes payable to related parties (note 6(m) and 7)	22,464	-	-	-
2170	Accounts payable (note 6(v))	95,055	1	84,671	1
2230	Current tax liabilities (note 6(o))	131,881	1	193,201	2
2250	Current provisions	-	-	5,327	-
2200	Other payables (note 6(v) and 7)	496,623	5	483,329	6
2300	Other current liabilities (note 7)	49,472	1	48,548	1
2320	Long-term liabilities, current portion (note 6(l))	300,000	3	200,000	3
		2,782,898	29	2,280,658	26
	Non-Current liabilities:				
2540	Long-term loans (note 6(l) and (v))	250,000	3	630,000	7
2570	Deferred tax liabilities (note 6(o))	298,136	3	314,729	3
2640	Net defined benefit liability, non-current (note 6(n))	54,310	1	44,621	-
2645	Guarantee deposits received (note 6(v))	10,086	-	9,985	-
		612,532	7	999,335	10
	Total liabilities	3,395,430	36	3,279,993	36
	Equity attributable to owners of parent (note 6(p)):				
	Share capital:				
3100	Share capital	2,486,500	27	2,486,500	27
	Capital surplus:				
3200	Capital surplus	396,113	4	405,368	4
	Retained earnings:				
3310	Legal reserve	722,945	8	603,613	6
3320	Special reserve	110,154	1	110,154	1
3350	Total unappropriated retained earnings	1,758,633	18	1,487,805	16
3400	Other equity interest	22,431	-	285,088	3
	Equity attributable to the parent company:	5,496,776	58	5,378,528	57
36XX	Non-controlling interests (note 6(p))	614,861	6	631,784	7
	Total equity	6,111,637	64	6,010,312	64
	Total liabilities and equity	$ 9,507,067	100	9,290,305	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(r) and 7)**	$ 4,078,760	100	3,760,717	100
5000	**Cost of sales (note 6(d) and 7)**	1,407,701	35	1,203,773	32
	Gross profit	2,671,059	65	2,556,944	68
5910	Less:Unrealized profit (loss) from sales	6,346	-	4,132	-
5920	Add:Realized (profit) loss on from sales	4,132	-	6,408	-
	Gross profit, net	2,668,845	65	2,559,220	68
6000	**Operating expenses (note 7 and 12):**				
6100	Selling expenses	824,571	20	726,935	19
6200	General and administrative expenses	291,609	7	310,913	8
6300	Research and development expenses	295,675	7	341,685	9
		1,411,855	34	1,379,533	36
	Net operating income	1,256,990	31	1,179,687	32
	Non-operating income and expenses (note 6(t) and 7):				
7010	Other income	35,135	1	26,310	1
7020	Other gains and losses, net	214,440	5	168,648	4
7050	Finance costs, net	(25,191)	(1)	(22,979)	(1)
7070	Share of profit (loss) of associates accounted for using equity method, net (note 6(f))	113,693	3	160,393	4
		338,077	8	332,372	8
	Profit before tax	1,595,067	39	1,512,059	40
7950	Less: Income tax expense (note 6(o))	226,753	6	257,335	7
	Profit of the year	1,368,314	33	1,254,724	33
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements effects of defined benefit plans	(9,701)	-	(2,282)	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(9,701)	-	(2,282)	-
8360	**Other components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(117,382)	(3)	(22,249)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(273,278)	(7)	(36,279)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(u))	(642)	-	(8,361)	-
8399	Less:Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(19,943)	-	(3,794)	-
		(371,359)	(10)	(63,095)	(2)
8300	**Other comprehensive income for the year, net of tax**	(381,060)	(10)	(65,377)	(2)
	Total comprehensive income for the year	$ 987,254	23	1,189,347	31
	Profit attributable to:				
	Owners of parent	$ 1,344,731	32	1,193,324	31
	Non-controlling interests	23,583	1	61,400	2
		$ 1,368,314	33	1,254,724	33
	Comprehensive income attributable to:				
	Owners of parent	$ 1,072,373	25	1,116,119	29
	Non-controlling interests	(85,119)	(2)	73,228	2
		$ 987,254	23	1,189,347	31
	Earnings per share, net of tax (note 6(q))				
	Basic earnings per share	$	5.41		4.80
	Diluted earnings per share	$	5.40		4.79

See accompanying notes to financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital		Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Owners of parent company	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 2,486,500	373,985	482,511	110,154	1,288,140	16,160	343,851	360,011	5,101,301	593,649	5,694,950
Profit	-	-	-	-	1,193,324	-	-	-	1,193,324	61,400	1,254,724
Other comprehensive income	-	-	-	-	(2,282)	(18,522)	(56,401)	(74,923)	(77,205)	11,828	(65,377)
Total comprehensive income	-	-	-	-	1,191,042	(18,522)	(56,401)	(74,923)	1,116,119	73,228	1,189,347
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	121,102	-	(121,102)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(870,275)	-	-	-	(870,275)	(35,093)	(905,368)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	31,383	-	-	-	-	-	-	31,383	-	31,383
Balance at December 31, 2016	2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	287,450	285,088	5,378,528	631,784	6,010,312
Profit	-	-	-	-	1,344,731	-	-	-	1,344,731	23,583	1,368,314
Other comprehensive income	-	-	-	-	(9,701)	(97,372)	(165,285)	(262,657)	(272,358)	(108,702)	(381,060)
Total income(decrease)	-	-	-	-	1,335,030	(97,372)	(165,285)	(262,657)	1,072,373	(85,119)	987,254
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	119,332	-	(119,332)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(944,870)	-	-	-	(944,870)	(51,804)	(996,674)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	5,070	-	-	-	-	-	-	5,070	-	5,070
Disposal of investments accounted for using equity method	-	(14,325)	-	-	-	-	-	-	(14,325)	-	(14,325)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	120,000	120,000
Balance at December 31, 2017	$ 2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	122,165	22,431	5,496,776	614,861	6,111,637

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,595,067	1,512,059
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	133,246	100,691
Amortization expense	8,143	22,355
Interest expense	25,191	22,979
Interest income	(22,273)	(14,190)
Share of profit of associates accounted for using equity method	(113,693)	(160,393)
Loss on disposal of property, plant and equipment	1,967	121
Allocation of deferred income	(1,010)	(1,010)
Gain on disposal of investments	(222,174)	(104,924)
Unrealized profit (loss) from sales	6,346	4,132
Realized loss (profit) from sales	(4,132)	(6,408)
Decrease in current provisions	(5,327)	-
Total adjustments to reconcile profit (loss)	(193,716)	(136,647)
Changes in operating assets and liabilities:		
Notes receivable	(11,061)	(13,148)
Accounts receivable	(128,037)	157,478
Other receivable	3,264	(16,607)
Inventories	(128,256)	(33,711)
Other current assets	13,019	13,483
Total changes in operating assets	(251,071)	107,495
Notes payable	20,831	(4,196)
Notes payable to related parties	22,464	-
Accounts payable	11,427	(68,016)
Other payable	14,394	25,788
Other current liabilities	932	17,374
Net defined benefit liability	(12)	(136)
Total changes in operating liabilities	70,036	(29,186)
Net changes in operating assets and liabilities	(181,035)	78,309
Total adjustments	(374,751)	(58,338)
Cash provided by operating activities	1,220,316	1,453,721
Interest received	20,974	14,190
Dividends received	66,502	47,280
Interest paid	(25,074)	(23,021)
Income taxes paid	(286,198)	(265,647)
Net cash flows from operating activities	996,520	1,226,523
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(20,659)	-
Proceeds from disposal of available-for-sale financial assets	-	64,028
Proceeds from disposal of financial assets measured at cost	-	83,748
Acquisition of investments accounted for using equity method	-	(25,059)
Proceeds from disposal of investments accounted for using equity method	213,714	455,398
Acquisition of property, plant and equipment	(83,787)	(90,262)
Proceeds from disposal of property, plant and equipment	114	220
Increase in refundable deposits paid	(4,367)	(16)
Acquisition of intangible assets	(700)	(1,437)
Increase in other financial assets	(771,268)	(566,190)
Increase in prepayments for equipment	(13,004)	(12,070)
Increase in other non-current assets	(50,110)	(2,625)
Net cash flows used in investing activities	(730,067)	(94,265)
Cash flows from (used in) financing activities:		
Increase in short-term loans	8,719,000	6,263,020
Decrease in short-term loans	(8,318,010)	(6,214,010)
Proceeds from long-term debt	250,000	630,000
Repayments of long-term debt	(530,000)	(500,000)
Increase in guarantee deposits received	101	7,889
Cash dividends paid	(944,870)	(870,275)
Dividends paid to non-controlling interests	(51,804)	(35,093)
Net cash flows used in financing activities	(875,583)	(718,469)
Effect of exchange rate changes on cash and cash equivalents	(58,209)	(15,600)
Net (decrease) increase in cash and cash equivalents	(667,339)	398,189
Cash and cash equivalents at beginning of period	2,108,713	1,710,524
Cash and cash equivalents at end of period	$ 1,441,374	2,108,713

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TTY Biopharm Company Limited (the "Company") was established on July 22, 1960. The Company's registered office address is 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan. The main activities of the Company and its subsidiaries (the "Group") are producing a variety of pharmaceuticals and chemical drugs. Please refer to Note 14.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 29, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial Assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 21 "Levies"	January 1, 2014

The Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the underlying is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments which do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group believes that the new classification requirements will not have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $286,191 that are held for long-term strategic purposes. At initial application of IFRS 9, these investments are measured as FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified in profit or loss on disposal. The Group estimated that there will be no effect for the application of IFRS 9 on January 1, 2018. The fair value of available-for-sale financial assets amounts to $395 is reclassified to current financial assets at fair value through profit or loss, the fair value gains and losses will be recognized as profit or loss for the current period.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group estimated that there will be no effect for the application of IFRS 9's impairment requirements on January 1, 2018.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sales of products, revenue is currently recognized based on the individual terms of each sales agreement when (i) the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer, (ii) sales and costs can be measured reliably and their recoverability is probable and (iii) there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group estimated that the application of IFRS 15 will not have any material impact on its financial statements.

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application, January 1, 2018, will not be restated.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balance for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicate, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Available-for-sale financial assets are measured at fair value; and

2) The net defined benefit liability is recognized as the fair value of plan assets less the present value of the defined benefit obligation with reference to Note 4(r).

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operates. The Group consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group has control over an investee if and only if it has exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of its returns.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the controlling interests in a subsidiary are allocated to the ownership of the parent company and non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Adjustments for financial statements of subsidiaries have been made, and their accounting policies are in accord with the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between adjustment for the non-controlling interest and the fair value of consideration received or paid is directly recognized in equity attributable to the owner.

(ii) List of subsidiaries included in the consolidated financial statements:

			Shareholding ratio	
Investor	**Subsidiary**	**Nature of business**	**December 31, 2017**	**December 31, 2016**
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %
The Company	American Taiwan Biopharma Phils Inc.	Selling medicine	87.00 %	87.00 %
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %
The Company	Enhanx Inc.	Developing medicine	29.41 % (note)	- %
Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding medicine	100.00 %	100.00 %
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %

(Note) In August 2017, the Group and 2-BBB Medicines BV, registered in the Netherlands, established Enhanx Inc., the Group holds more than one half of its directors' position, so Enhanx Inc. became a subsidiary of the Group. According to the investment agreement, the unpaid share capital amounted to $70,000 as of December 31, 2017.

(d) Foreign currencies

(i) Foreign currencies transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(e) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

(i) It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash balances and call deposits with maturities within three months. Cash equivalents are assets that are readily convertible into cash and are subject to an insignificant risk of changes in their fair value. Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

Bank overdrafts which are repayable immediately and are a part of the Group' s overall cash management are considered to be a component of cash and cash equivalents in the statement of cash flows.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest revenue calculated by the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

Interest income arising from debt investment is recognized in profit or loss, and is included in non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt securities with no active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting. Interest income is recognized in profit or loss, under other income of non-operating income and expenses.

3) Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If in a subsequent period, the fair value of an impaired available-for-sale debt security increase and the increase can be related objectively to an event occurring after the impairment was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Impairment losses and recoveries of financial assets are recognized in non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets in profit or loss is included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When changes in an associate' s equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group' s ownership percentage of the associate, the Group recognizes the Group' s share of change in equity of the associate in capital reserves in proportion to its ownership.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group' s share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimate useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	10-55 years
Machinery and equipment	5-10 years

(Continued)

Transportation equipment	5 years
Office and other equipment	5-10 years

The significant components of buildings are the main building, mechanical and electrical equipment, engineering systems, etc. They are amortized over their useful lives of 30-50 years, 10-25 years, and 10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimate, the changes are accounted for as a changes in accounting estimate.

(iv) Reclassification as investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Lease

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Group's consolidated balance sheets.

(Continued)

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

If an asset is sold and leased back, then the recognition of gain (loss) on sale of assets depends on the type of leaseback. If a leaseback transaction is classified as a capital lease, the Group defers and amortizes the amount by which the price exceeds its carrying amount during the leasing period. If a leaseback transaction is classified as an operating lease and the asset's price is equal to or less than its fair value, the gain (loss) on sale of assets shall be recognized when it occurs, except the loss could be compensated by future lease payments at below market price, and be deferred and amortized during the expected useful life. If an asset' s price is higher than its fair value, the gain (loss) on sale of assets shall be deferred and amortized during the expected useful life.

When a sale-leaseback transaction is classified as an operating lease, the Group recognizes the amount by which its fair value is less than carrying amount as loss on sale of assets.

The Group shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of a specific asset or the shift of the use of an asset, such an arrangement is or contains a lease. The Group determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

If an arrangement contains both a lease and other elements, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made, and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

If, on the other hand, the Group concludes for an operating lease that it is impractical to separate the payment reliably, then it treats all payments under the arrangement as lease payments, and discloses the situation accordingly.

(m) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(Continued)

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patent 3.25-6 years

2) Computer software cost 3-10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least on the annual reporting date. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non-financial assets

The Group assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. Such is deemed as an impairment loss, which shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset shall be increased to its recoverable amount by reversing an impairment loss.

(o) Cash surrender value of life insurance

The savings portion of a life insurance policy shall be recognized as a contra item of insurance expense, and increase the carrying amount of the cash surrender value of the life insurance.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an it is probable that outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Service

The Group provides consulting and management services for customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(Continued)

(iii) Commission

When the Group plays the role of an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(iv) Lease revenue

Lease revenue which arises from investment property is recognized on a straight-line basis over the lease term. Lease incentives are considered to be a part of the whole lease revenue and treated as a reduction of lease revenue on a straight-line basis over the lease term. The income from subleasing is recognized as lease revenue, under "non-operating income and expenses".

(r) Employee benefits

(i) Defined contribution plan

Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high-quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Re-measurement of a net defined benefit liability (asset) (including actuarial gains or losses, the return on plan assets or liabilities, and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

(Continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of the defined benefit obligation.

(iii) Other long-term employee benefits

The net obligations are calculated using the projected unit credit method. The amount of future benefit that employees have earned in return for their service in the current or prior period is discounted to determine its fair value. The discount rate is determined based on the market interest rate of high-quality bonds with similar conditions or government bonds.

All the actuarial gains and losses are recognized in profit or loss in the current period.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transactions.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred taxes assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Group discloses the Group' s basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6(c) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 2,905	4,155
Cash in banks	1,241,649	1,687,420
Time deposits	196,820	417,138
	$ 1,441,374	2,108,713

(i) The above cash and cash equivalents were not pledged as collateral.

(ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current and noncurrent.

(iii) Refer to Note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Available-for-sale financial assets

		December 31, 2017	December 31, 2016
Investment:			
Lumosa Therapeutics Co., Ltd.	$	171,100	256,650
Pharmira Laboratories, Inc.		95,051	282,555
Union Bank of Taiwan Preferred Stock A		20,040	-
Fubon S&P US Preferred Stock ETF		395	-
	$	286,586	539,205

(i) 31.82% of Pharmira Laboratories, Inc. owned by TSH Biopharm Co., Ltd. was accounted for using the equity method. The Group's shareholding ratio in Pharmira Laboratories, Inc. dropped to 5.93%, and the Group lost its significant influence over the investments because of a cash capital increase in February 2016 launched by Pharmira Laboratories, Inc. Therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets classified as held for sale to financial assets carried at cost. Pharmira Laboratories, Inc. shares were listed on the emerging market in December 28, 2016, so the investments were reclassified from financial assets carried at cost to available-for-sale financial assets. Please refer to Note 6(e) and 6(f) details.

(ii) Please refer to Notes 6(p) and 6(u) for recognition in other comprehensive income due to changes in fair value and further discussion on reclassification from equity to profit or loss.

(iii) Please refer to Note 6(u) for gains on disposal of the investments in Lumosa Therapeutics Co., Ltd. and Pharmira Laboratories Inc.of $$50,528 and 57,498, respectively.

(iv) As of December 31, 2017 and 2016, the aforesaid available-for-sale financial assets were not pledged as collateral.

(v) If the stock price changes at the reporting date, the changes in other comprehensive income of the Group are estimated as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant, and any impact on forecasted sales and purchases was ignored.):

	For the years ended December 31			
	2017		2016	
Stock Price	**Other comprehensive income, net of tax**	**Profit, net of tax**	**Other comprehensive income, net of tax**	**Profit, net of tax**
Increase by 10%	$ 28,659	-	53,921	-
Decrease by 10%	$ 28,659	-	(53,921)	-

(Continued)

(c) Notes receivable, accounts receivable, and other receivables (including related parties)

	December 31, 2017	December 31, 2016
Notes receivables	$ 73,339	62,278
Accounts receivables	958,158	835,380
Other receivables	73,622	46,309
Less: Allowance for impairment	(33,339)	(38,339)
	$ 1,071,780	905,628

The aging analysis of notes receivables, accounts receivables and other receivables which were overdue but not impaired was as follows:

	December 31, 2017	December 31, 2016
Past due less than 90 days	$ 4,691	2,783
Past due 91-180 days	30	1,487
Past due 181-365 days	-	10
	$ 4,721	4,280

The movements in the allowance for impairment with respect to the receivables during the period were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2017	$ 20,394	17,945	38,339
Reversal on impairment loss	-	(5,000)	(5,000)
Balance as of December 31, 2017	$ 20,394	12,945	33,339
Balance as of January 1, 2016	$ 20,539	31,268	51,807
Amounts written off	(145)	(23)	(168)
Reversal on impairment loss	-	(13,300)	(13,300)
Balance as of December 31, 2016	$ 20,394	17,945	38,339

(i) As of December 31, 2017 and 2016, notes receivable and accounts receivable were not pledged as collateral.

(d) Inventories

	December 31, 2017	December 31, 2016
Merchandise	$ 223,674	151,452
Finished goods	101,497	114,986
Work in process	108,060	102,487
Raw materials	183,436	207,832
Materials	29,650	31,064
Subtotal	646,317	607,821
Goods in transit	97,919	16,689
Total	744,236	624,510
Less: Allowance for inventory market decline and obsolescence	(50,523)	(58,827)
Net amount	$ 693,713	565,683

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2017 and 2016, amounted to $1,383,635 and $1,165,582, respectively. The main item was the costs arising from selling goods. For the years ended December 31, 2017 and 2016, the inventory write-down to net realizable value or reversal of gain from valuation of inventories at net realizable value was recognized as an increase (decrease) in cost of goods sold of $(8,304) and $38,191, respectively.

As of December 31, 2017 and 2016, the aforesaid inventories were not pledged as collateral.

(e) Noncurrent assets classified as held for sale

On October 20, 2015, the Board of Directors meeting resolved to sell half of its ownership of Pharmira Laboratories, Inc. for a total of 2,625 thousand shares, and signed a share sales agreement on December 7, 2015. The book value of these investments amounted to $27,791 for the year ended December 31, 2015. The aforesaid investments which were previously classified as held for sale were reclassified to noncurrent assets. The investment was sold in June 2016. Please refer to Notes 6(b) and 6(f) for details.

(f) Investments accounted for using equity method

The Group' s financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2017	December 31, 2016
Associates	$ 1,024,020	1,007,758

(i) Associates

1) As of December 31, 2017 and 2016, the carrying value of associates which had a quoted market price amounted to $771,239 and $792,619, respectively, while fair value amounted to $4,386,636 and $4,545,226, respectively.

2) Chuang Yi Biotech Co., Ltd.'s shares were listed on the emerging market in January 2016. Chuang Yi Biotech Co., Ltd. launched a cash capital increase and the Group invested $25,059 for 626,465 shares in 2016, resulting in a decrease in ratio from 27.84% to 27.54%. As the Group did not subscribe in proportion to the shareholding ratio in 2016, such increase was credited to capital surplus of $2,068.

3) For the years ended December 31, 2017 and 2016, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased treasury shares, which led to a change in the shareholding ratio, and such change was (charged) credited to capital surplus of $5,070and $29,315, respectively. In 2017, the Company sold the shares of PharmaEngine, Inc, and such change was credited to a capital surplus of $14,325, and recognized a gain on disposal of investment of 222,174. The Group decrease in proportion to the shareholding ratio for the year ended December 31, 2017 and 2016 from 19.30% to18.22% and from 19.32% to 19.30%, respectively.

4) TSH Biopharm Co., Ltd. paid $70,000 as cash right issue of Pharmira Laboratories, Inc. and acquired 31.82% ownership in June 2014. Based on the evaluation of significant influence, such investment was accounted for using the equity method. The Group' s shareholding ratio in Pharmira Laboratories, Inc. dropped to 5.93%, and the Group lost its significant influence over the investments because of share capital increase in February 2016 by Pharmira Laboratories, Inc.; therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets reclassified as held for sale to financial assets carried at cost. The fair value of investments was re-measured during the reclassification. The difference between the fair value and the carrying amount of $3,102 was recognized as disposal loss under other income and loss in the statement of comprehensive income.

(ii) Associates that had materiality were as follows:

			Equity ownership	
Associate	**Nature of relationship**	**Country of registration**	**December 31, 2017**	**December 31, 2016**
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.22 %	19.30 %

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Summary financial information on significant associates

The following is a summary of financial information on the Company' s significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information.

- Summary financial information on PharmaEngine, Inc.

	December 31, 2017	December 31, 2016
Current assets	$ 4,071,199	3,935,733
Non-current assets	39,732	23,528
Current liabilities	(199,899)	(150,038)
Non-current liabilities	-	(10,445)
Net assets	$ 3,911,032	3,798,778
Net assets attributable to non-controlling interests	$ 712,642	733,329
Net assets attributable to investee owners	$ 3,198,390	3,065,449

	For the years ended December 31	
	2017	2016
Revenue	$ 853,677	1,134,782
Profit for the year	$ 387,063	689,625
Other comprehensive income	187	(253)
Comprehensive income	$ 387,250	689,372
Comprehensive income attributable to non-controlling interests	$ 68,640	133,049
Comprehensive income attributable to investee owners	$ 318,610	556,323

	For the years ended December 31	
	2017	2016
Net assets attributable to the Group, January 1	$ 733,329	610,352
Recognition of capital surplus due to change in associates	5,070	29,315
Comprehensive income attributable to the Group	68,640	133,049
Cash dividends received from associates	(59,086)	(39,387)
Disposal of associates	(35,311)	-
Net assets attributable to the Group, December 31	712,642	733,329
Carrying amount of interest in associates, December 31	$ 712,642	733,329

(Continued)

2) Summary financial information on individually insignificant associates

The following is the summary financial information on individually insignificant associates that were accounted for under the equity method:

		December 31, 2017	December 31, 2016
Carrying amount of interest in individually insignificant associates	$	311,378	274,429

		For the years ended December 31 2017	2016
Attributable to the Group:			
Profit for the year	$	45,088	27,276
Other comprehensive income		480	(10,707)
Comprehensive income	$	45,568	16,569

(iii) Collateral

As of December 31, 2017 and 2016, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(g) Subsidiary with significant non-controlling interest

Subsidiary with significant non-controlling interest were as follows:

		Ownership and voting rights ratio	
Subsidiary	Country of registration	December 31, 2017	December 31, 2016
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %
Enhanx Inc.	Taiwan	29.41 %	- %

The financial information below is prepared in accordance with IFRSs and reflects the adjustments for fair value on the acquisition date and difference in accounting policies. The amounts have not yet been eliminated from intra-group transactions. Information on the aforementioned subsidiary is as follows:

(i) Summary financial information on TSH Biopharm Co., Ltd.

		December 31, 2017	December 31, 2016
Current assets	$	997,419	1,053,086
Non-current assets		284,284	514,148
Current liabilities		(135,082)	(116,872)
Net assets	$	1,146,621	1,450,362
Non-controlling interest	$	498,822	631,189

(Continued)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2017	**2016**
Revenue	$ 486,277	492,465
Profit for the year	$ 64,971	141,203
Other comprehensive (loss) income	(249,678)	27,306
Comprehensive (loss) income	$ (184,707)	168,509
Profit attribute to non-controlling interest	$ 28,097	61,452
Comprehensive (loss) income attribute to non-controlling interest	$ (80,563)	73,336

	For the years ended December 31	
	2017	**2016**
Cash flows from operating activities	$ 81,132	42,848
Cash flows from investing activities	109,706	95,617
Cash flows from financing activities	(119,034)	(80,636)
Net increase in cash	$ 71,804	57,829
Dividends paid to non-controlling interests	$ 51,804	35,093

(ii) Summary financial information on Enhanx Inc.

	December 31, 2017
Current assets	$ 45,688
Non-current assets	121,077
Current liabilities	(1,879)
Net assets	$ 164,886
Non-controlling interest	$ 116,390

	For the year ended December 31
	2017
Revenue	$ -
Deficit for the year	$ (5,113)
Other comprehensive income	-
Comprehensive loss	$ (5,113)
Deficit attribute to non-controlling interest	$ (3,609)
Comprehensive loss attribute to non-controlling interest	$ (3,609)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31 2017
Cash flows from operating activities	$ (4,524)
Cash flows from investing activities	(30)
Cash flows from financing activities	50,000
Net increase in cash	$ 45,446

In August 2017, the Group, and 2-BBB Medicines BV, established Enhanx Inc.. The Group invested $50,000 in cash and 2-BBB Medicines BV used its technology and skills amounted to $120,000 as its investment. The Group holds more than one half of its directors' position; therefore, Enhanx Inc. became a subsidiary of the Group.

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost:								
Balance on January 1, 2017	$ 816,169	1,273,278	664,686	3,171	405,557	6,975	126,957	3,296,793
Additions	-	11,902	2,160	2,584	19,052	118	47,971	83,787
Disposals	-	(4,233)	(1,118)	-	(10,141)	-	-	(15,492)
Reclassifications	-	10,210	(498)	-	22,034	-	(18,494)	13,252
Effect of changes in foreign exchange rate	-	(463)	-	-	(80)	(15)	-	(558)
Balance on December 31, 2017	$ 816,169	1,290,694	665,230	5,755	436,422	7,078	156,434	3,377,782
Balance on January 1, 2016	$ 816,169	783,796	403,143	4,371	358,038	6,298	546,098	2,917,913
Additions	-	32,277	15,790	-	11,709	686	29,800	90,262
Disposals	-	(5,346)	(635)	(1,200)	(4,509)	-	-	(11,690)
Reclassifications	-	463,923	246,388	-	40,488	-	(448,941)	301,858
Effect of changes in foreign exchange rate	-	(1,372)	-	-	(169)	(9)	-	(1,550)
Balance on December 31, 2016	$ 816,169	1,273,278	664,686	3,171	405,557	6,975	126,957	3,296,793
Depreciation:								
Balance on January 1, 2017	$ -	205,015	240,234	1,234	262,034	2,701	-	711,218
Depreciation for the year	-	58,966	43,040	478	29,464	703	-	132,651
Disposals	-	(4,179)	(1,089)	-	(8,143)	-	-	(13,411)
Reclassifications	-	(96)	(498)	-	-	-	-	(594)
Effect of changes in foreign exchange rate	-	3	-	-	(77)	(14)	-	(88)
Balance on December 31, 2017	$ -	259,709	281,687	1,712	283,278	3,390	-	829,776

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1, 2016	$ -	173,723	207,709	1,838	237,055	2,061	-	622,386
Depreciation for the year	-	36,641	33,153	396	29,497	649	-	100,336
Disposals	-	(5,343)	(628)	(1,000)	(4,378)	-	-	(11,349)
Reclassifications	-	-	-	-	(3)	-	-	(3)
Effect of changes in foreign exchange rate	-	(6)	-	-	(137)	(9)	-	(152)
Balance on December 31, 2016	$ -	205,015	240,234	1,234	262,034	2,701	-	711,218
Carrying amounts:								
Balance on December 31, 2017	$ 816,169	1,030,985	383,543	4,043	153,144	3,688	156,434	2,548,006
Balance on January 1, 2016	$ 816,169	610,073	195,434	2,533	120,983	4,237	546,098	2,295,527
Balance on December 31, 2016	$ 816,169	1,068,263	424,452	1,937	143,523	4,274	126,957	2,585,575

(i) Collateral

As of December 31, 2017 and 2016, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $156,434, including capitalized loan cost.

(i) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2017	$ 69,152	15,526	84,678
Reclassification	-	11,564	11,564
Effect of changes in foreign exchange rate	-	156	156
Balance on December 31, 2017	$ 69,152	27,246	96,398
Balance on January 1, 2016	$ 69,152	15,526	84,678
Balance on December 31, 2016	$ 69,152	15,526	84,678
Depreciation and impairment loss:			
Balance on January 1, 2017	$ -	6,679	6,679
Depreciation	-	595	595
Reclassification	-	96	96
Effect of changes in foreign exchange rate	-	5	5
Balance on December 31, 2017	$ -	7,375	7,375
Balance on January 1, 2016	$ -	6,324	6,324
Depreciation	-	355	355
Balance on December 31, 2016	$ -	6,679	6,679

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		Land	Building and construction	Total
Carrying amount:				
Balance on December 31, 2017	$	69,152	19,871	89,023
Balance on January 1, 2016	$	69,152	9,202	78,354
Balance on December 31, 2016	$	69,152	8,847	77,999
Fair value:				
Balance on December 31, 2017			$	114,572
Balance on December 31, 2016			$	129,395

(i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.

(ii) As of December 31, 2017 and 2016, investment properties were not pledged as collateral.

(j) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2017 and 2016, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
Balance on January 1, 2017	$	36,489	42,386	78,875
Additions		700	120,000	120,700
Disposals		(4,611)	-	(4,611)
Effect of changes in foreign exchange rate		(4)	-	(4)
Balance on December 31, 2017	$	32,574	162,386	194,960
Balance on January 1, 2016	$	37,099	87,392	124,491
Additions		1,437	-	1,437
Disposals		(2,077)	(44,552)	(46,629)
Reclassifications		31	-	31
Effect of changes in foreign exchange rate		(1)	(454)	(455)
Balance on December 31, 2016	$	36,489	42,386	78,875
Amortization and impairment loss:				
Balance on January 1, 2017	$	22,344	26,883	49,227
Amortization for the year		5,725	2,418	8,143
Disposals		(4,611)	-	(4,611)
Effect of changes in foreign exchange rate		(2)	-	(2)
Balance on December 31, 2017	$	23,456	29,301	52,757

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	Computer software	Patent and franchise	Total
Balance on January 1, 2016	$ 18,463	55,248	73,711
Amortization for the year	5,956	16,399	22,355
Disposals	(2,077)	(44,552)	(46,629)
Reclassifications	3	-	3
Effect of changes in foreign exchange rate	(1)	(212)	(213)
Balance on December 31, 2016	$ 22,344	26,883	49,227
Carrying amount:			
Balance on December 31, 2017	$ 9,118	133,085	142,203
Balance on January 1, 2016	$ 18,636	32,144	50,780
Balance on December 31, 2016	$ 14,145	15,503	29,648

Amortization expenses for intangible assets for the years ended December 31, 2017 and 2016 were recorded as operating expenses and operating costs, respectively, were as follows:

	For the years ended December 31	
	2017	2016
Operating costs	$ 347	347
Operating expenses	7,796	22,008
	$ 8,143	22,355

In August 2017, the Group, and 2-BBB Medicines BV, established Enhanx Inc.. The Group 2-BBB Medicines BV used its technology and skills amounted to $120,000 as its investment. According to the Investment Board, Ministry of Economic Affairs, the tranferring procedure of the patent right is still in process on December 31, 2017.

As of December 31, 2017 and 2016, the aforementioned intangible assets were not pledged as collateral.

(k) Short-term loans

	December 31, 2017	December 31, 2016
Secured bank loans	$ 1,650,000	1,249,010
Unused credit line	$ 1,170,000	1,455,990
Range of interests rates	0.91%~1.02%	1.00%~1.05%

Please refer to Note 6(v) for relevant information about exposure to interest rate risk and liquidity risk.

(l) Long-term loans

	December 31, 2017			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.115%~1.298%	2020	$ 550,000
Less: Current portion				(300,000)
Total				$ 250,000
Unused credit line				$ 430,000

	December 31, 2016			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.135%~1.298%	2018	$ 830,000
Less: Current portion				(200,000)
Total				$ 630,000
Unused credit line				$ -

(m) Operating leases

(i) Leases as lessee

Non-cancellable rentals payable of operating lease were as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 2,608	3,710
Between one and five years	6,017	8,530
	$ 8,625	12,240

(ii) Leases as lessor

The Group leases out its investment properties (see Note 6(i)). The future minimum leases payments under non-cancellable leases are as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 7,629	7,894
Between one and five years	6,607	20,360
More than five years	-	110
	$ 14,236	28,364

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(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$ 117,605	115,353
Fair value of plan assets	(63,295)	(70,732)
Net defined benefit liabilities (assets)	$ 54,310	44,621

The emlpoyee benefit liabilities were as below:

	December 31, 2017	December 31, 2016
Vacation liability	$ 11,416	13,880

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The balance of labor pension reserve account for the Group is $63,295 as of December 31, 2017. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

The movement in the present value of the defined benefit obligations for the Group, were as follows:

	For the years ended December 31	
	2017	**2016**
Defined benefit obligation, January 1	$ 115,353	113,021
Current service costs and interest	2,645	3,019
Re-measurement of the net defined benefit liability (asset)		
—Return on plan assets excluding interest income	9,436	1,704
Benefits paid	(9,829)	(2,391)
Defined benefit obligation, December 31	$ 117,605	115,353

3) Movements in the fair value of plan assets

The movements in the fair value of the plan assets for the Group, were as follows:

	For the years ended December 31	
	2017	**2016**
Fair value of plan assets, January 1	$ 70,732	70,546
Re-measurement of the net defined benefit liability (asset)		
—Return on plan assets excluding interest income	667	499
Contributions made	1,725	2,078
Benefits paid	(9,829)	(2,391)
Fair value of plan assets, December 31	$ 63,295	70,732

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2017 and 2016, were as follows:

	For the years ended December 31	
	2017	**2016**
Current service cost	$ 1,145	1,289
Net interest of net liabilities for defined benefit obligation	1,500	1,730
Curtailment or settlement gains	(933)	(1,077)
	$ 1,712	1,942

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TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES
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	For the years ended December 31	
	2017	2016
Operating costs	$ 655	764
Selling expenses	472	394
Administrative expenses	265	470
Research and development expenses	320	314
	$ 1,712	1,942

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2017 and 2016, was as follows:

	For the years ended December 31	
	2017	2016
Accumulated amount, January 1	$ (3,064)	(5,346)
Recognized during the period	9,701	2,282
Accumulated amount, December 31	$ 6,637	(3,064)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2017.12.31	2016.12.31
Discount rate	1.15 %	1.30 %
Future salary increases	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $1,686.

The weighted-average duration of the defined benefit plan is 5 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influence of defined defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2017		
Discount rate	$ (5,364)	5,757
Future salary increase	5,063	(4,786)

(Continued)

		Influence of defined defined benefit obligation	
		Increase by 0.50%	**Decrease by 0.50%**
December 31, 2016			
Discount rate	$	(5,447)	5,858
Future salary increase		5,179	(4,885)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

The Group has made monthly contributions equal to 6% of each employee's monthly salary to employee's pension accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $25,694 and $23,819 for the years ended December 31, 2017 and 2016, respectively.

(o) Income Tax

(i) Income tax expense

The components of income tax in 2017 and 2016, were as follows:

		For the years ended December 31	
		2017	**2016**
Current tax expense			
Current period incurred	$	233,299	254,420
Adjustment for prior periods		(9,199)	6,026
		224,100	260,446
Deferred tax expense			
Origination and reversal of temporary difference		2,653	(3,111)
Income tax expense	$	**226,753**	**257,335**

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The following are details of the income tax (expense) benefit recognized under other comprehensive income:

	For the years ended December 31	
	2017	2016
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	$ (19,947)	3,773
Share of other comprehensive income of associates and joint ventures accounted for under equity method	4	21
	$ (19,943)	3,794

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2017 and 2016, as follows:

	For the years ended December 31	
	2017	2016
Profit before income tax	$ 1,595,067	1,512,059
Income tax using the company's domestic tax rate	$ 277,386	270,406
Non-deductible expenses	8,616	5,951
Gains derived from securities transactions	(37,770)	(17,837)
Tax incentives	(7,851)	(7,248)
Change in provision in prior periods	(9,199)	6,026
Undistributed earnings additional tax at 10%	13,489	21,964
Basic income tax	19	9,930
Others	(17,937)	(31,857)
	$ 226,753	257,335

(ii) Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2017 and 2016, were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:			
Balance, January 1, 2017	$ 253,858	60,871	314,729
Recognized in profit or loss	3,350	-	3,350
Recognized in other comprehensive income	(19,943)	-	(19,943)
Balance, December 31, 2017	$ 237,265	60,871	298,136

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	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Balance, January 1, 2016	$ 255,614	60,871	316,485
Recognized in profit or loss	2,038	-	2,038
Recognized in other comprehensive income	(3,794)	-	(3,794)
Balance, December 31, 2016	$ 253,858	60,871	314,729

	Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance, January 1, 2017	$ 5,833	10,000	15,927	31,760
Recognized in profit or loss	(3)	(1,411)	2,111	697
Exchange differences on translation of foreign operations	-	-	(1,545)	(1,545)
Balance, December 31, 2017	$ 5,830	8,589	16,493	30,912
Balance, January 1, 2016	$ 5,856	3,507	17,478	26,841
Recognized in profit or loss	(23)	6,493	(1,321)	5,149
Exchange differences on translation of foreign operations	-	-	(230)	(230)
Balance, December 31, 2016	$ 5,833	10,000	15,927	31,760

(iii) Examination and approval

The Company's income tax returns through 2014 have been examined and approved by the Tax Authority.

(iv) Stockholders' imputation tax credit account and tax rate

	December 31, 2017	December 31, 2016
Unappropriated earnings generated in and after 1998	(Note)	$ 1,487,805
Balance of imputation credit account	(Note)	$ 110,951

	For the years ended December 31	
	2017 (Estimated)	2016 (Actual)
Creditable ratio for earnings distribution to R.O.C. residents	(Note)	18.57 %

The above stated information was prepared in accordance with information letter No.10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

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Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective from January 1, 2018, companies will no longer required to establish, record, calculate, or distribute the ICA due to the abolishment of the imputation tax system.

(p) Capital and other equity

As of December 31, 2017 and 2016, the authorized capital of the Company amounting to \$3,500,000 consisted of 350,000 thousand shares, with par value of \$10 per share. The share capital was \$2,486,500. The outstanding shares are 248,650 thousand shares.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2017	December 31, 2016
Share capital	$ 484	484
Long term investment	395,629	404,884
	$ 396,113	405,368

According to the R.O.C. Company Act amended in 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the board of directors.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 70% of the distribution

1) Legal reserve

In accordance with the Company Act amended in 2012, 10 percent of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25 percent of the actual share capital.

2) Special reserve

The Company has elected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of $82,429 and unrealized revaluation increments of $27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of December 31, 2017 and 2016, the special reserve appropriated from the undistributed earnings amounted to $110,154 and $110,154, respectively.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall quality for additional distributions.

3) Earnings distribution

Earnings distribution for 2016 and 2015 was decided via the general meeting of shareholders held on June 16, 2017 and June 24, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	2016		2015	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.80	944,870	3.50	870,275

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(iii) Other equity accounts (net of tax)

		Exchange differences on translation of foreign financial statements	Available-for-sale investments	Total
Balance, January 1, 2017	$	(2,362)	287,450	285,088
Exchange differences on translation of foreign operations		(97,392)	-	(97,392)
Share of exchange differences of subsidiaries and associates accounted for using equity method		20	-	20
Unrealized gains (losses) on available-for-sale financial assets		-	(164,618)	(164,618)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method		-	(667)	(667)
Balance, December 31, 2017	$	(99,734)	122,165	22,431
Balance, January 1, 2016	$	16,160	343,851	360,011
Exchange differences on translation of foreign operations		(18,421)	-	(18,421)
Share of exchange differences of subsidiaries and associates accounted for using equity method		(101)	-	(101)
Unrealized gains (losses) on available-for-sale financial assets		-	(48,162)	(48,162)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method		-	(8,239)	(8,239)
Balance, December 31, 2016	$	(2,362)	287,450	285,088

(iv) Non-controlling interests

		For the years ended December 31	
		2017	2016
Balance, January 1	$	631,784	593,649
Attributable to non-controlling interests:			
Profit for the year		23,583	61,400
Foreign currency translation differences-foreign operations		(42)	(55)
Unrealized (loss) gain on available-for-sale financial assets		(108,660)	11,883
Cash dividends received		(51,804)	(35,093)
Increase in non-controlling interest		120,000	-
Balance, December 31	$	614,861	631,784

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(q) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2017	2016
Basic earnings per share		
Profit attributable to ordinary shareholders	$ 1,344,731	1,193,324
Weighted-average number of ordinary shares	248,650	248,650
	$ 5.41	4.80
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 1,344,731	1,193,324
Weighted-average number of ordinary shares	248,650	248,650
Employee stock bonus	337	259
Weighted-average number of ordinary shares (diluted)	248,987	248,909
	$ 5.40	4.79

(r) Revenue

The details of revenue of the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Sale of goods	$ 3,987,090	3,697,272
Rendering of service	18,658	56,687
License	73,012	6,758
	$ 4,078,760	3,760,717

(s) Remuneration of employees and of directors and supervisors

Based on the Company's articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 1% to 8% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the years ended December 31, 2017 and 2016, remuneration of employees of $24,040 and $22,048, respectively, and of directors' and supervisors' of $14,950 and $15,786, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. There were no difference between the amount approved by the Board of Directors meeting and the amount recognized in the financial statements.

(t) Non-operating income and expenses

(i) Other income

The details of other income for the years ended December 31, 2017 and 2016 were as follows:

		For the years ended December 31	
		2017	**2016**
Interest revenue	$	22,273	14,190
Rental revenue		12,862	12,120
	$	35,135	26,310

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2017 and 2016 were as follows:

		For the years ended December 31	
		2017	**2016**
Foreign exchange losses	$	(42,440)	(23,349)
Gain on disposal of investment		222,174	104,924
Losses on disposal of property, plant and equipment		(1,967)	(121)
Gain on reversal of uncollectable account		5,000	13,300
Other		31,673	73,894
	$	214,440	168,648

(iii) Finance costs

The details of finance costs for the years ended December 31, 2017 and 2016 were as follows:

		For the years ended December 31	
		2017	**2016**
Interest expenses	$	25,191	22,979

(u) Reclassification adjustments of components of other comprehensive income

		For the years ended December 31	
		2017	**2016**
Net fair value change in available-for-sale financial assets recognized in:			
Other comprehensive income changes in the current years fair value	$	(273,278)	14,249
Changes in fair value reclassified to profit or loss		-	(50,528)
Net fair value change recognized in other comprehensive income	$	(273,278)	(36,279)

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(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group' s maximum credit exposure. Such maximum credit exposure on December 31, 2017 and 2016, amounted to $4,731,461 and $4,766,747, respectively.

2) Credit risk concentrations

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2017 and 2016, the accounts receivable from the Group's top ten customers represented 38% and 35%, respectively, of accounts receivable.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2017					
Non-derivative financial liabilities					
Unsecured bank loans	$ 2,200,000	2,211,658	1,959,046	252,612	-
Non-interest-bearing liabilities (including related parties)	651,545	651,545	651,545	-	-
	$ 2,851,545	2,863,203	2,610,591	252,612	-
December 31, 2016					
Unsecured bank loans	$ 2,079,010	2,105,184	1,467,918	637,266	-
Non-interest-bearing liabilities (including related parties)	584,572	584,572	584,572	-	-
	$ 2,663,582	2,689,756	2,052,490	637,266	-

The Group does not expect the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group' s exposure to significant currency risk was from its foreign currency-denominated financial assets and liabilities as follows:

	December 31, 2017			December 31, 2016		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 35,646	29.76	1,060,833	57,608	32.25	1,857,851
CNY	4,441	4.57	20,271	5,275	4.62	24,353
JPY	59,592	0.26	15,744	66,488	0.28	18,324
PHP	2,981	0.59	1,756	16,532	0.67	11,050
EUR	2,621	35.57	93,223	3,350	33.90	113,567
Nonmonetary items						
USD	47,304	29.76	1,407,763	750	32.25	24,173
CNY	51,156	4.57	233,526	52,206	4.62	241,037
THB	240,536	0.92	221,293	216,982	0.91	196,368

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and loans and accounts payable that are denominated in foreign currency. Net investments in a foreign operation are strategic investments, so the Group does not treat them as a hedge.

A 1% of appreciation of each major foreign currency against the Group' s functional currency as of December 31, 2017 and 2016, would have increased or decreased the after-tax net income by $9,892 and $16,809, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2017 and 2016, the foreign exchange gain, including both realized and unrealized, amounted to $42,440 and $23,349, respectively.

(iv) Interest rate analysis

The exposure to interest rate risk on financial assets and liabilities is disclosed in the note on liquidity risk management.

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The Group mainly borrows capital at floating interest rates, so the cash flow risk arises from changes in interest rates. The Group's main source of borrowed capital is bank loans.

The following sensitivity analysis is based on the exposure to interest rate risk on derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group' s internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by $2,142 and $3,422 for the years ended December 31, 2017 and 2016, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

1) Categories of financial instruments

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 286,586	286,586	-	-	286,586
Loans and receivables					
Cash and cash equivalents	1,441,374	-	-	-	-
Notes receivable and accounts receivable (including related party)	998,158	-	-	-	-
Other receivables (including related party)	73,622	-	-	-	-
Other financial assets	1,896,081	-	-	-	-
Cash surrender value of life insurance	7,275	-	-	-	-
Refundable deposits	28,365	-	-	-	-
Total	$ 4,731,461	286,586	-	-	286,586

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	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	$ 2,200,000	-	-	-	-
Notes payable and accounts payable (including related party)	154,922	-	-	-	-
Other payables (including related party)	496,623	-	-	-	-
Guarantee deposit received	10,086	-	-	-	-
Total	$ 2,861,631	-	-	-	-

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 539,205	539,205	-	-	539,205
Loans and receivables					
Cash and cash equivalents	2,108,713	-	-	-	-
Notes receivable and accounts receivable (including related party)	859,319	-	-	-	-
Other receivables (including related party)	46,309	-	-	-	-
Other financial assets	1,184,002	-	-	-	-
Cash surrender value of life insurance	5,198	-	-	-	-
Refundable deposits	24,001	-	-	-	-
Total	$ 4,766,747	539,205	-	-	539,205
Financial liabilities measured at amortized cost					
Bank loans	$ 2,079,010	-	-	-	-
Notes payable and accounts payable (including related party)	101,243	-	-	-	-
Other payables (including related party)	483,329	-	-	-	-
Guarantee deposit received	9,985	-	-	-	-
Total	$ 2,673,567	-	-	-	-

(Continued)

2) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Valuation techniques for financial instruments which are not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The expiry date of financial instruments, such as cash and cash equivalents, receivables, other financial assets, cash surrender value of life insurance, refundable deposits, bank loans, payables, and guarantee deposit received, is very close or their future price is close to carrying value. Financial instruments' fair value is estimated on the basis of their carrying value.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices.

The market prices from the main exchanges and government bond exchanges are the basis of the fair value of OTC equity instruments and debt instruments which have a quoted market price in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, only small volumes are traded, or bid-ask spreads are very wide.

If financial instruments the Group obtained are traded in active markets and meet the criteria, their fair value is determined on the basis of market quotation.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended in December 31, 2017 and 2016, so there was no transfer between levels.

(w) Financial risk management

(i) Overview

The nature and the extent of the Group' s risks arising from financial instruments, which include credit risk, liquidity risk, and market risk, are discussed below. Also, the Group' s objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes to the consolidated financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

1) Accounts receivable and other receivables

The Group' s credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Group transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group uses other publicly available financial information and the records of transactions with its customers. The Group continues to monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review by the finance department to manage the credit exposure.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The exposure to credit risk related to bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, management believes that the Group does not have compliance issues or significant credit risk.

3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2017 and 2016.

(iv) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(x) Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Group manages capital by the debt-to-equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

The Group monitors capital by regularly reviewing the asset-to-liability ratio. "Total equity" on the balance sheet represents the Group's capital, which also represents total assets less total liabilities.

The Group's debt-to-equity ratios at the balance sheet date were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 3,395,430	3,279,993
Less: cash and cash equivalents	(1,441,374)	(2,108,713)
Net debt	1,954,056	1,171,280
Total capital	6,111,637	6,010,312
Adjusted capital	$ 8,065,693	7,181,592
Debt to equity ratio	24.23 %	16.31 %

(7) **Related-party transactions:**

(a) List of subsidiaries

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate
Pharmira Laboratories, Inc.	An associate (Note A)
TOT Biopharm Co., Ltd.	The entity's director is the president of the Company (Note B)
TOT Biopharm International Co., Ltd.	The entity's director is the president of the Company (Note B)
Lumosa Therapeutics Co., Ltd.	The entity's director is the president of the Company (Note B)
Center Laboratories, Inc.	The entity's director is the president of the Company (Note B)
TPG Biologics, Inc.	The entity's director is the president of the Company (Note B)
Mycenax Biotech Inc.	The entity's director is the president of the Company (Note B)
Shengbang Pharmaceutical Technology Co., Ltd.	The entity's director is the president of the Company (Note B)

Note A: The Group did not subscribe in the cash capital increase of the entity. Therefore, the Group lost its significant influence in February 2016.

Note B: The entity was no longer a related party of the Group since June 24, 2016 due to its newly elected board of directors.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	For the years ended December 31	
	2017	**2016**
Associates	$ 67,913	44,252
Other related parties	-	4,548
	$ 67,913	48,800

1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

2) There were no significant differences between the terms and pricing of sales transactions with related parties and those with distributors. The collection period was ninety days. If paid within one month, a cash discount of 1% was offered.

(ii) Service revenue

Recognized item	Category	December 31, 2017	December 31, 2016
Service revenue	Other related parties	$ -	3,815

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties and the outstanding balances were as follows:

Recognized item	Category	December 31, 2017	December 31, 2016
Purchases	Associates-Chuang Yi Biotech Co., Ltd.	$ 21,394	-
	Other related parties-Center Laboratories, Inc.	-	20,743
		$ 21,394	20,743

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions was sixty days or one month, to ninety days which is similar to that of other vendors.

(iv) Rental revenue

		For the years ended December 31	
Recognized item	**Category**	**2017**	**2016**
Rental revenue	Associates-Chuang Yi Biotech Co., Ltd.	$ 3,137	2,645
	Other related parties	-	172
		$ 3,137	2,817

Rent was based on recent market transactions on arm's-length terms.

(v) Rent expense

		For the years ended December 31	
Recognized item	**Category**	**2017**	**2016**
Rental expense	Other related parties-TPG Biologics, Inc.	$ -	2,628

The rental was based on recent market transactions on arm's-length terms.

(vi) Other income

		For the years ended December 31	
Recognized item	**Category**	**2017**	**2016**
Other income	Associates-American Taiwan Biopharm (Thailand)	$ 13,242	14,350
	Associates-Chuang Yi Biotech Co., Ltd.	1,339	-
	Other related parties-TOT Biopharm International Co., Ltd.	-	22,599
		$ 14,581	36,949

1) Based on management services agreements, the associates should pay the Group for information services, daily accounting tasks, development in the Pharmaceutical Industry or registration of new pharmaceutical products.

2) The credit term for revenue from daily accounting tasks is three months.

(vii) Operating expense

		For the years ended December 31	
Recognized item	**Category**	**2017**	**2016**
Research expense	Other related parties-Mycenax Biotech Inc.	$ -	18,004

There was no significant differences between the terms with related partied and those with other research providers.

(c) Assets and liabilities with related parties

Recognized item	Category	December 31, 2017	December 31, 2016
Notes receivable	Associates	$ 26	-
Accounts receivable	Associates	$ 8,973	13,668
Other receivables	Associates-American Taiwan Biopharm (Thailand)	$ 7,929	979
	Associates	377	594
	Other related parties-TOT Biopharm Co., Ltd.	-	14,411
	Other related parties	-	2,715
		$ 8,306	18,699
Refundable deposits paid	Other related parties-TPG Biologics, Inc.	$ -	582
Note payable	Associates-Chung Yi Biotech Co., Ltd.	$ 22,464	-
Other payables	Associates	$ 48	-
	Other related parties	-	6,150
		$ 48	6,150

(d) Key management personnel compensation

	For the years ended December 31	
	2017	2016
Salaries and other short-term employee benefits	$ 90,144	79,821
Post-employment benefits	1,218	1,010
	$ 91,362	80,831

(8) Pledged assets:

As of December 31, 2017 and 2016, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2017	December 31, 2016
Other financial asset—current	Grants for research and development project	$ -	635
Other financial asset—noncurrent	Provisional guarantee	120,010	120,010
		$ 120,010	120,645

(9) Commitments and contingencies:

(a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to $41,352 and $36,361 for the years ended December 31, 2017 and 2016, respectively.

(b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $617,623 and $678,455, and the unpaid amount was $261,250 and $320,534 as of December 31, 2017 and 2016, respectively.

(c) As of December 31, 2017 and 2016, performance bonds from financial institutions for the sale of medicine amounted to $57,189 and $17,659, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman of the company, Rong-Jin Lin, for the offense of breach of trust under the Securities and Exchange Act. According to the verdict, the ex-chairman was found guilty for violating the Securities and Exchange act on September 1, 2017. The ex-chairman was later handed over to the civil court for further trial on a different case in September 6, 2017.

(e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

(f) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.

(g) With regard to the litigation of generic Risperidone, Center Laboratories, Inc. initiated an action for a declaratory judgment confirming the contractual relation against the Company in Taipei District Court on July 1, 2016. Taipei District Court rendered the judgment on March 1, 2018 confirming the contractual relation. The Company is not satisfied with the judgment which did not consider the facts and evidence comprehensively in time and the Company will appeal to fight for its rights.

(10) Losses Due to Major Disasters:None

(Continued)

(11) Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY 2018 corporate income tax return. This increase does not affect the amounts of the current and deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current and deferred tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and unused tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $4,612 and $52,612, respectively.

(12) Other:

(a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

	For the years ended December 31					
	2017			2016		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 211,569	513,536	725,105	217,411	486,122	703,533
Health and labor insurance	16,607	33,322	49,929	15,525	29,383	44,908
Pension	8,688	18,718	27,406	8,392	17,369	25,761
Others	8,614	67,060	75,674	15,366	73,305	88,671
Depreciation	103,482	29,764	133,246	66,379	34,312	100,691
Amortization	347	7,796	8,143	347	22,008	22,355

(b) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

(c) Others

(i) The Group donated $48,406 and $34,128 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2017 and 2016, respectively.

(ii) TSH Biopharm Co., Ltd. signed a grant agreement, " Industrial Technology Development Program-TUNEX Phase III Clinical Trial Program", with the Institute for Information Industry in September 2013. The total budget for the program amounted to $81,867, and the period was from May 1, 2013 to April 30, 2016. Grant funds of $14,324 had been received, and the actual expenditure amounted to $14,324 as of December 31, 2017.

(iii) TSH Biopharm Co., Ltd. signed a grant agreement, " TRIA11 Osteoporosis Treatment Biopharmaceutical Program", with the Institute for Information Industry in October 2014. The total budget for the program amounted to $90,000, and the period was from May 1, 2014 to January 31, 2017. The grant for the program amounted to $22,500. Grant funds of $22,498 had been received, and the actual expenditure amounted to $22,498, as of December 31, 2016.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	Yes	50,592 USD 1,700	50,592 USD 1,700	50,592 USD 1,700	0.5%	2	-	Operating capital	-	-	-	233,527 CNY51,156	233,527 CNY51,156
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	74,400 USD 2,500	74,400 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	93,409 CNY 20,462	93,409 CNY 20,462
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	505,920 USD 17,000	505,920 USD 17,000	-	0.9%	2	-	Operating capital	-		-	550,352 USD 18,493	550,352 USD 18,493

The exchange rate of USD to NTD as of the reporting date is 1:29.76, and the average exchange rate of USD to NTD as of the reporting date is 1:30.403.

(Continued)

The exchange rate of CNY to NTD as of the reporting date is 1:4.565, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.504.

Note 1): Nature of financing activities is as follows:

1.Trading partner, the number is "1".

2.Short-term financing, the number is "2".

Note 2): The total amount for lending to a company shall not exceed 40% of the lending company's net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company's net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2017.

Note 5): The amounts were approved by the board of Directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:None

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(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd.	Note	Available-for-sale financial assets – noncurrent	1,600	47,200	1.68 %	47,200	1.90 %	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd.	Note	〃	4,200	123,900	4.40 %	123,900	4.46 %	
〃	Pharmira Laboratories, Inc.	-	〃	2,625	95,051	2.51 %	95,051	2.51 %	
〃	Fubon S&P US Preferred Stock ETF	-	〃	20	395	- %	395	- %	
〃	Union Bank of Taiwan Preferred Stock A	-	〃	400	20,040	0.02 %	20,040	0.02 %	

Note：A director of the Group is its chairman, who resigned on March 24, 2016.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	113,819	3.10 %	30 days	-		14,805	1.64%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Commission revenue	39,200	By contract	0.96%
0	〃	〃	1	Accounts receivable	24,317	〃	0.26%
0	〃	TSH Biopharm Co., Ltd.	1	Sale revenue	113,819	〃	2.79%
0	〃	〃	1	Service revenue	2,516	〃	0.06%
0	〃	〃	1	Other receivables	5,885	〃	0.06%
0	〃	〃	1	Rental revenue	4,167	〃	0.10%
0	〃	〃	1	Other income	7,957	〃	0.20%
0	〃	〃	1	Accounts receivable	14,805	〃	0.16%
0	〃	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	4,546	〃	0.05%
0	〃	〃	1	Other receivables	8,444	〃	0.09%
0	〃	〃	1	Sale revenue	4,255	〃	0.10%

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No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	1	Other receivables	50,592	By contract	0.53%
1	〃	〃	1	Other payables	9,249	〃	0.10%
1	〃	〃	1	Other receivables	57,861	〃	0.61%

Note 1): The numbering is as follows:
1."0" represents the parent company.
2.Subsidiaries are sequentially numbered from 1 by company.

Note 2): The types of transaction between the parent company and subsidiaries are as follows:
1.Transactions from parent company to subsidiary.
2.Transactions from subsidiary to parent company.
3.Transactions between subsidiaries.

Note 3): The transactions have been eliminated in the consolidated financial statements.

Note 4): The above table only discloses the related-party transactions, with each amounting to at least NT$1,000 thousand; transactions which were more than NT$1,000 thousand were not disclosed.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,375,865	100.00 %	(6,902)	(6,902)	Subsidiary
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	233,526	100.00 %	(4,732)	(4,732)	Subsidiary
〃	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(4,336)	87.00 %	(6,952)	(6,048)	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	645,434	56.48 %	64,971	36,464	Subsidiary

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Enhanx Inc.	Taiwan	Developing chemical medicine	50,000	-	5,000	29.41 %	48,496	29.41 %	(5,113)	(1,504)	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	350,659	371,070	26,809	18.22 %	712,642	18.22 %	387,063	68,605	Investments accounted for using equity method
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	221,293	40.00 %	65,895	26,358	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	31,898	40.00 %	46,130	18,452	Investments accounted for using equity method
〃	Chuang Yi Biotech Co., Ltd.	Taiwan	Developing chemical medicine	82,059	82,059	6,326	27.54 %	58,597	27.54 %	4,023	278	Investments accounted for using equity method

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	303,552 USD 10,200	(2)	323,433	-	-	323,433	(2,238) CNY (497)	100 %	100 %	(2,238) CNY (497)	(67,599) CNY (14,808)	-
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling chemical medicine	54,323 CNY 11,900	(2)	91,893 CNY 20,130	-	-	91,893 CNY 20,130	(432) CNY (96)	100 %	100 %	(432) CNY (96)	50,188 CNY 10,994	-

The exchange rate of USD to NTD as of the reporting date is 1:29.76, and the average exchange rate of USD to NTD as of the reporting date is 1:30.403.

The exchange rate of CNY to NTD as of the reporting date is 1:4.565, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.504.

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Note 1): There are three ways to invest in Mainland China, and only the categories are identified.

1.Remittance from third-region companies to invest in Mainland China.

2.Through the establishment of third-region companies, then investing in Mainland China.

3.Through transfer of investment to third-region existing companies, then investing in Mainland China.

4.Other method.

Note 2): The investment income (loss) is recognized on the following basis, and should be specified:

1.The financial report was audited by an international accounting firm in cooperation with an accounting firm registered in the R.O.C.

2.The financial report was audited by the CPA of the parent company in Taiwan.

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
423,982	1,390,625 (USD 46,728)	3,298,066

(iii) Significant transactions:

Please refer to Note 7.

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(14) Segment information:

(a) General information

The Group' s operating segments required to be disclosed are categorized as Oncology Business Unit, Health Care Unit, Anti-Infection Business Unit, Domestic Cardiovascular and Gastrointestinal Drugs Business Unit, China Medicine Business Unit, etc. The Group has other operating segments that are below the quantitative criteria located in the Philippines.

The segments' profit is measured at profit before tax. The Group assesses performance of the segments based on the segments' profit. The operating segments' accounting policies are similar to those described in Note 4 "significant accounting policies".

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group's operating segment information and reconciliation were as follows:

For the Year Ended December 31, 2017	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	$ 2,484,753	223,796	803,702	486,277	67,590	12,642	-	4,078,760
Intersegment revenues	159,790	-	-	-	-	-	(159,790)	-
Interest revenue	3,328	80	-	3,913	14,944	8	-	22,273
Total revenue	$ 2,647,871	223,876	803,702	490,190	82,534	12,650	(159,790)	4,101,033
Interest expense	$ 25,191	-	-	-	-	-	-	25,191
Depreciation and amortization	134,109	237	362	5,922	734	25	-	141,389
Share of profit of associates and joint ventures accounted for using equity method	68,883	44,810	-	-	-	-	-	113,693
Reportable segment profit or loss	$ 1,240,288	59,064	264,346	74,142	(11,625)	(13,459)	(17,689)	1,595,067
Assets:								
Investments accounted for using equity method	$ 771,239	252,781	-	-	-	-	-	1,024,020
Reportable segment assets	$ 8,269,994	235,597	256,752	1,281,703	1,648,403	177,621	(2,363,003)	9,507,067
For the Year Ended December 31, 2016								
Revenue:								
Revenue from external customers	$ 2,473,183	205,162	508,113	492,465	64,703	17,091	-	3,760,717
Intersegment revenues	154,676	3,128	-	-	-	-	(157,804)	-
Interest revenue	563	1,945	-	4,900	9,166	6	(2,390)	14,190
Total revenue	$ 2,628,422	210,235	508,113	497,365	73,869	17,097	(160,194)	3,774,907
Interest expense	$ 25,361	-	-	-	-	-	(2,382)	22,979
Depreciation and amortization	106,689	839	329	6,731	325	39	8,094	123,046
Share of profit of associates and joint ventures accounted for using equity method	122,306	38,067	-	20	-	-	-	160,393
Reportable segment profit or loss	$ 1,167,414	71,155	193,468	158,591	(16,615)	(392)	(61,562)	1,512,059
Assets:								
Investments accounted for using equity method	$ 792,619	215,139	-	-	-	-	-	1,007,758
Reportable segment assets	$ 7,791,524	553,953	206,643	1,567,234	1,760,966	17,802	(2,607,817)	9,290,305

(c) Information

The Group's information about revenue from external customers was as follows:

Product and Service	2017	2016
Medical and functional food	$ 3,987,090	3,697,272
Service revenue	91,670	63,445
Total	$ 4,078,760	3,760,717

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Region	2017	2016
External sales：		
Taiwan	$ 3,172,350	2,729,908
China	-	12,784
Others	906,410	1,018,025
Total	$ 4,078,760	3,760,717
Noncurrent assets：		
Taiwan	$ 2,781,209	2,689,782
China	26,319	27,371
Others	69	70
Total	$ 2,807,597	2,717,223

The Group's segment revenue is calculated on the basis of the region in which payment is received. Noncurrent assets include property, plant and equipment investment property, intangible assets, and refundable deposits.

(e) Major customer

The Group's information about the major customer for the years ended December 31, 2017 and 2016 are as follows:

Costumer	2017	2016
A Company	$ 639,576	864,563