生華生物科技
SENHWA BIOSCIENCES

2018 Annual Report

Stock Symbol: 6492

Bringing Hope to Life

Printed on April 20, 2018
Annual Report Disclosure Website: http://www.senhwabio.com
FSC Information Report Website: http://mops.twse.com.tw

Notice to readers: This English-version annual report is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

I. Name, title, contact number, and email of the Company's spokesperson and deputy spokesperson:

(I) Spokesperson:

Name: Tai-Sen Soong	Contact number: (02)8911-9856
Title: President&CEO	Email: tssoong@senhwabio.com

(II) Deputy Spokesperson:

Name: Mei-Hui Kuo	Contact number: (02)8911-9856
Title: Chief Operating Officer	Email: mhkuo@senhwabio.com
Name: Sarah Chang	Contact number: (02)8911-9856
Title: Chief Financial Officer	Email: sarahchang@senhwabio.com

II. Contact information of the headquarter, branch offices, and plants:

(I) Headquarter:

Address: 10F, No. 225, Section 3, Peihsin Road, Hsintien District, New Taipei City 23143, Taiwan	Contact number: (02)8911-9856

(II) Branch offices and plants:

None

III. Name, address, website, and telephone number of the stock transfer agent:

Name: Department of Stock Affairs, SinoPac Securities Co., Ltd.
http://www.sinotrade.com.tw

Address: 3F, No.17, Bo-ai Road, Jhongjheng Dist., Taipei City (02)2381-6288

IV. Contact information of the CPA-auditor of the Financial Report:

Name of CPAs: Sheng-Wei Teng and Audrey Tseng Website: http://www.pwc.tw

Name of CPA firm: PricewaterhouseCoopers, Taiwan Tel: (02)2729-6666

Address: 27F, No. 333, Section 1, Keelung Rd, Xinyi District, Taipei City

V. Name of any overseas securities trading agency and method for searching the information of the said overseas securities trading agency: None

VI. Company Website: http://www.senhwabio.com

Table of Contents


H
N
S
N
CH3
O
O
O
Na.H2O
OH
OH
OH
HO
OH
OH
OH
OH
OH
OH

Chapter 1 Letter to Shareholders

Ladies and Gentlemen:

First of all, I would like to thank all shareholders for your support for the Company in the past year, with which the Company had a smooth operation and growth in 2018. This year has been a fruitful year for Senhwa . Below a summary of the 2018 Operation Report and the 2019 Business Plan is provided here:

I. 2018 Operation Report

Senhwa lived up to the expectations of its shareholders in 2018 and met business objectives in all its business development sectors.

(I) Implementation of Business Plan

In addition to making good progress in 2018 in terms of R&D results of new drugs, the Company also signed a Development Agreement with Bioyo Biotech to develop a special plant-growth promoter, generating an additioanal income of NT$733 thousand. R&D expenditures on new drugs development plans increased by NT$12,684 thousand compared with2017. However, due to the non-operating income increased by NT$5,373 thousand compared with 2017, the net loss in 2018 was NT$375,850 thousand, which was NT$3,952 thousand or 1.06% higher than the net loss in 2017.

The major advances in the development of new drugs this year will be described by project later.

(II) Analysis of financial revenue and profitability

In Senhwa's consolidated financial statements for 2018, the main expenditure was for research and development of new drugs.

Item		2018
Financial structure	Debt-to-asset ratio (%)	2.93
	Long-term fund-to-PP&E ratio (%)	32916.03
Profitability	Return on assets (%)	(26.17)
	Return on equity (%)	(27.06)
	Net profit rate (%)	(51275.58)
	Earnings per share (NT$)	(5.05)

(III) Research and Development Status:

CX-5461

CX-4945

The achievements of the Company's drug development projects in 2018 are summarized as below:

1. Project CX-5461

In October 2015, the Company's clinical partner Canadian Cancer Trials Group (CCTG), using the Company's new drug CX-5461, was granted the Breast Cancer Dream Team by Stand Up To Cancer Canada (SU2C Canada). The award is for a 4-year period with a total subsidy of CAD 9 million (approximately NT$220 million). The "Dream Team" accomplished a difficult feat by taking lead over numerous participating teams to obtain subsidies. Senhwa provided the CX-5461 to jointly participate in this R&D program. The mission of the "Dream Team" is to bring novel technology research into clinical use to truly conquer cancer for the benefit of mankind. The Company has signed a clinical trial agreement with NCIC Clinical Trials Group (NCIC CTG) in March 2016 to jointly treat solid tumors and officially enrolled the first subject for the phase I/II clinical trial in June, 2016. The trial is currently trying to enroll more subjects.

In March, 2018, the Company's clinical partner CCTG, selected at the highest level of oral presentation, publishedthe preliminary results of the phase I clinical trials of CX-5461, the Company's new breast cancer drug, at the 16th Targeted Anticancer Therapies (TAT 2018) organized by the European Society for Medical Oncology. This year, only 8 papers were selected for oral presentation of the highest level. The report states that the CX-5461 clinical trials in Canada have initially shown positive results. It is expected that the CX-5461, as new drugs developed by other SU2C Dream Teams in the past,will be approved quickly by the US FDA for the benefit of patients and their families.

2. Project CX-4945

(1) Cholangiocarcinoma

The Company's new drug, called CX-4945, has officially entered into an international multi-center, randomized phase II study inUS, Korea, and Taiwan) for treatment of cholangiocarcinoma. In May 2018, the first subject was enrolled at the Mayo Clinic in the United States. The clinical trial is titled "a phase I/II study

of CX-4945 in combination with Gemcitabine plus Cisplatin in the frontline treatment of patients with cholangiocarcinoma." In addition, CX-4945 has been granted orphan drug designation by US FDA on December 22, 2016.

(2) Basal cell carcinoma

The Company's new drug, called CX-4945, is a protein kinase CK2 inhibitor. CK2, which has been found in many preclinical studies as a very important regulator of the Hedgehog signaling pathway, inhabits and regulates protein genes (e.g. Gli) in the downstream of the Hh pathway. Senhwa applied CX-4945 to treat basal cell tumor (a kind of skin cancer) that is resistant to the existing target drugs in the PDX model. The result indicated that CX-4945 can effectively inhibit tumor growth, showing its potential in the treatment of basal cell carcinoma. .

The CX-4945 clinical trial of BCC was approved by the US Food and Drug Administration (FDA) in November 2018. Through the BCC clinical trial, the Company hopes to obtain the Proof of Concept, so as to enter into the pivotal trial as soon as possible, and to accelerate the development and launching of CX-4945.

(3) Medulloblastoma

The Stanford University medical research team applied CX-4945 to the PDX model for the treatment of a drug-resistant medulloblastoma (aba. MB,a kind of pediatric brain tumor). The result indicated that CX-4945 can effectively inhibit tumor growth and further elliminate tumor cells, showing its potential in the treatment of medulloblastoma.

In order to expand the indications of CX-4945 and further verify the efficacy of CX-4945 in the treatment of MB, the Company has collaborated with the medical research team of Stanford University, and signed a cooperation agreement with the Pediatric Brain Tumor Consortium (PBTC) in May 2018 todevelop and bring up to this clinical trial. PBTC, the international authority for the research and treatment of pediatric brain tumors, will be the conductor and supervisor of the human clinical trial and Senwha will provide the drug of CX-4945 for clinical trial use. The cooperation project, listed by PBTC as the focus of 2018, has won not only PBTC's funding, but also received the grant awarded by the Cancer Therapy Evaluation Program (CTEP) of National Cancer Institute (NCI). The Phase I/ II and Surgical study of CX-4945 in both children and adults with recurrent SHH medulloblastoma will be enrolling patients at PBTC's participating member academic research centers and children's hospitals across the United States, in the hope to accelerate the completion of clinical trials.

TheCX-4945clinical trial of MB was approved by the US Food and Drug Administration (FDA) in January 2019.

(IV) Budget Execution

The Company has not disclosed any financial forecasts to the public, but the overall budget

execution is in line with the scope set by the Company.

II. Summary of 2019 Business Plan

(I) Operating Objectives:

Senhwa, since its establishment, is dedicated to developing new drugs with market development potential. Through sourcing, evaluating and screening the high-quality drug candidates, we hope to introduce domestically for further value-added and development in the most favorable way. Adhering to this philosophy, the Company shall remain committed to the model of "Development in parallel with Research" for the development of new drugs in cancer treatment in 2019. The Company adopts professional project management methods to integrate domestic and foreign R&D resources and completes the deployment of the industrial value chain for new development in the most efficient manner under the framework of international division of labor. This would shorten the time required for drug development and increase the chances of success.

(II) Business Plan:

The Company's R&D in 2019 will remain focused on the current development of two new drugs. The key objectives in 2019 are as follows:

1. Continue to advance development projects of the new drug candidate CX-5461 including: (1) Assisting in the completion of Canadian Anti- Breast Cancer Dream Team phase I/II clinical trial; (2) Planning clinical trials for new indications (ovarian cancer/pancreatic cancer).
2. Continue to advance development projects of the new drug candidate CX-4945, including: (1) Continue to enroll patients for the phase II cholangiocarcinoma clinical trial in the United States, South Korea, and Taiwan; (2) Start to enroll patients for the basal cell carcinoma (BCC) clinical trial, and, (3) Assist the Stanford University medical research team to initiate the Children's Brain Tumor-Medulloblastoma Human Clinical Trial.
3. Dedicate to attain regional licensing of patented technologies or use strategic alliances to collaborate with other operators.

III. Impact of External Competitive, Regulatory, and Overall Business Environment

Cancer is a major disease that threatens the health of the global population. According to IQVIA's statistics and forecasts, anti-cancer drugs still accounted for the world's largest drug sales in 2017, with sales reaching US$81.1 billion. The sales, soaring as a result of annual increase in cancer population and lack of drugs for effective treatment of cancer at the present, are estimated to increase by 7-10% in the next 5 years. By 2020, the global cancer treatment market is expected to exceed US$115 billion. As incidences of cancer continue to climb up, there remains unmet medical needs for cancer treatment.

The Company is dedicated to research and development of new drugs with clear objectives. It focuses on developing first-in-class new anti-cancer drugs and the management team has

substantial international exposure and of abundant operational and management experiences. We currently have two candidate medications in clinical trials and are one of the few biotechnology companies in Taiwan with potential for international collaboration in drug discovery. We shall continue to strengthen the Company's competitiveness and enhance our capacity for clinical management and research to create value and returns for the company.

Finally, I wish to express my heartfelt gratitude to the shareholders for their support and encouragement to the Company. All employees of the Company shall remain committed to maximizing benefits for shareholders in return for their positive support. I hereby offer my deepest regards and wish you all the best.

Senhwa Biosciences, Inc.

Benny T. Hu, Chairman

Tai-Sen Soong, President & CEO

Sarah Chang, CFO

Chapter 2 Company Profile

I. Date of Incorporation: November 16, 2012

II. Company History:

Time	Event
November 2012	Senhwa was established on Nov.16, 2012 with a paid-up capital of NT$339,992 thousand.
April 2013	Signed an Asset Purchase and Sale Agreement with an American biotechnology company.
	Established a subsidiary company in the United States.
	Project CX-5461: Senhwa entered a partnership with Peter MacCallum Cancer Centre (PMCC) in Melbourne, Australia and officially began phase I clinical trial in human.
September 2013	Increased capital of NT$25,000 thousand by secondary public offering (SPO). The paid-in capital increased to NT$364,992 thousand after the capital increase.
October 2013	Increased capital of NT$59,339 thousand through capital reserve. The paid-in capital increased to NT$424,331 thousand after the capital increase.
November 2013	Received 2013 innovative investment subsidies from New Taipei City.
	Increased capital of NT$198,000 thousand by SPO. The paid-in capital increased to NT$622,331 thousand after the capital increase.
February 2014	Project CX-4945: The US FDA approved phase I/II clinical trial in human.
March 2014	Set up an office in the Nankang Biotech Incubation Center and formulated plans for developing second-generation drugs in Taiwan.
	Signed a Collaboration Agreement with the Development Center for Biotechnology (DCB).
April 2014	Passed the review of the Industrial Development Bureau of the Ministry of Economic Affairs (MOEA) and qualified for investment incentives specified in the Act for the Development of Biotech and New Pharmaceuticals Industry.
	Project CX-5461: Senhwa attended the Annual Meeting of the American Association for Cancer Research (AACR) in 2014.

	Senhwa's clinical partner, Peter MacCallum Cancer Centre (PMCC) gave a presentation in the event and published the results of CX-5461 in animal studies in the Annual Meeting.
May 2014	Passed the review of the MOEA's Industrial Development Bureau and obtained qualifications as biotech and new pharmaceuticals investment program for "SHP01-1 RNA Polymerase I Inhibition (CX-5461) and "SHP01-2 inhibitor of protein kinase CK2 (casein kinase II) (CX-4945)." Shareholders became applicable to shareholder investment incentives specified in the Act for the Development of Biotech and New Pharmaceuticals Industry.
June 2014	Project CX-4945: Clinical trial in human was officially launched in the United States.
July 2014	Increased capital of NT$5,000 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$627,331 thousand after the capital increase.
August 2014	Increased capital of NT$27,600 thousand by SPO. The paid-in capital increased to NT$654,931 thousand after the capital increase.
September 2014	Won the prize in the 2014 Taiwan Healthcare and Agricultural Biotech Industries Innovation and Excellence Awards.
October 2014	Completed the public offering of its stocks. Stock symbol: 6492
December 2014	The Company's stocks registered on the emerging market.
	Project CX-4945: Senhwa filed an investigational new drug (IND) application to the Ministry of Food and Drug Safety (MFDS) of Korea for new clinical trial for CX-4945 used to treat cholangiocarcinoma.
January 2015	Project CX-4945: Senhwa received approval from MFDS for phase I/II clinical trials in humans.
September 2015	Project SHP01-2-B: .Senhwa signed a global patent license agreement with Chaperone Therapeutics, Inc. of the United States to exclusively license the Company's candidate medication, SHP01-2-B to Chaperone Therapeutics to develop drugs for neurodegenerative diseases.
October 2015	Project CX-5461: The drug CX-5461 was selected by the Canadian SU2C-CBCF Anti-Breast Cancer Dream Team Drug in 2015.
	Project CX-4945: Senhwa received approval from Taiwan Food and Drug Administration (TFDA) for phase I/II clinical trials in humans.
February 2016	Project CX-4945: Senhwa received an approval letter from the Research Ethics Committee of China Medical University Hospital for trials in human.
March 2016	Project CX-5461: Senhwa signed a clinical trial agreement with NCIC Clinical Trials Group (NCIC CTG).
	Project CX-5461: In March 2016, the Canadian competent authority of medicine and health care, Health Canada issued a no objection letter to Senhwa's clinical trial partner, Canadian Cancer Trials Group (CCTG) to authorize the use of the Company's CX-5461 in phase I/II clinical trials for treating solid tumors and breast cancer.
July 2016	Senhwa was assessed as a tech company by the MOEA's Industrial Development Bureau.
September 2016	Project SHP01-2-B: Senhwa collected an upfront payment from its licensed partner, Chaperone Therapeutics, Inc. in the form of 15% of the common stocks of Chaperone Therapeutics, Inc. which totaled 409,400 shares.
December 2016	Project CX-4945: Senhwa received Orphan Drug Designation from US FDA for the treatment of cholangiocarcinoma.

	Increased capital of NT$2,925 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$657,856 thousand after the capital increase.
January 2017	The Securities Listing Review Committee and the 22nd joint meeting of the 8th-term Board of Directors and Supervisors of Taipei Exchange approved that Senhwa's stocks would be traded on Taipei Exchange.
	Project CX-4945: Senhwa was invited to attend the ASCO Gastrointestinal Cancers Symposium and to publish results in posters of phase I clinical trial in treating cholangiocarcinoma with the new drug, CX-4945.
March 2017	Increased capital of NT$100 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$657,956 thousand after the capital increase.
April 2017	Increased capital of NT$85,000 thousand by issuing new shares before IPO. The paid-in capital increased to NT$742,956 thousand after the capital increase.
	Senhwa became officially listed on Taipei Exchange mainboard on Aril 24, 2017.
September 2017	Employees exercised stock options and increased capital by NT$500 thousand. The paid-up capital increased to NT$743,456 thousand after the capital increase.
November 2017	Project CX-5461: Senhwa's clinical partner, Peter MacCallum Cancer Centre in Melbourne, Australia was invited to the 59th Annual Meeting of the American Society of Hematology and it published results of phase I clinical trials using Senhwa's new drug, CX-5461 for the treatment in hematologic malignancies.
December 2017	Received the 14th National Innovation Award from the Institute for Biotechnology and Medicine Industry.
	Increased capital of NT$470 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$743,926 thousand after the capital increase.
March 2018	Project CX-5461: Senhwa's clinical partner, Canadian Cancer Trials Group (CCTG) gave oral presentation on the preliminary results of the phase I clinical trial in advanced solid tumors at the 16th Targeted Anticancer Therapies (TAT 2018) organized by the European Society for Medical Oncology.
	Increased capital of NT$240 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$744,166 thousand after the capital increase.
May 2018	Project CX-4945: CX-4945 has officially entered into phase II randomized study for treatment of cholangiocarcinoma. On May 10, 2018, the first patient was enrolled at the Mayo Clinic in the United States.
	Project CX-4945: Senhwa signed a cooperation agreement with the Pediatric Brain Tumor Consortium (PBTC) to develop, plan and execute the phase I/II clinical trial for treatment of Medulloblastoma, a rare and malignant pediatric brain tumor.
November 2018	Project CX-4945: The clinical trial for the new indication, namely basal cell carcinoma (BCC), a kind of skin cancer, was approved by the US Food and Drug Administration (FDA).
December 2018	Increased capital of NT$590 thousand by the employees' exercise of stock options. The paid-in capital increased to NT$744,756 thousand after the capital increase.
January 2019	Project CX-4945: The clinical trial for the new indication, namely medulloblastoma, a kind of child brain tumor, was approved by the

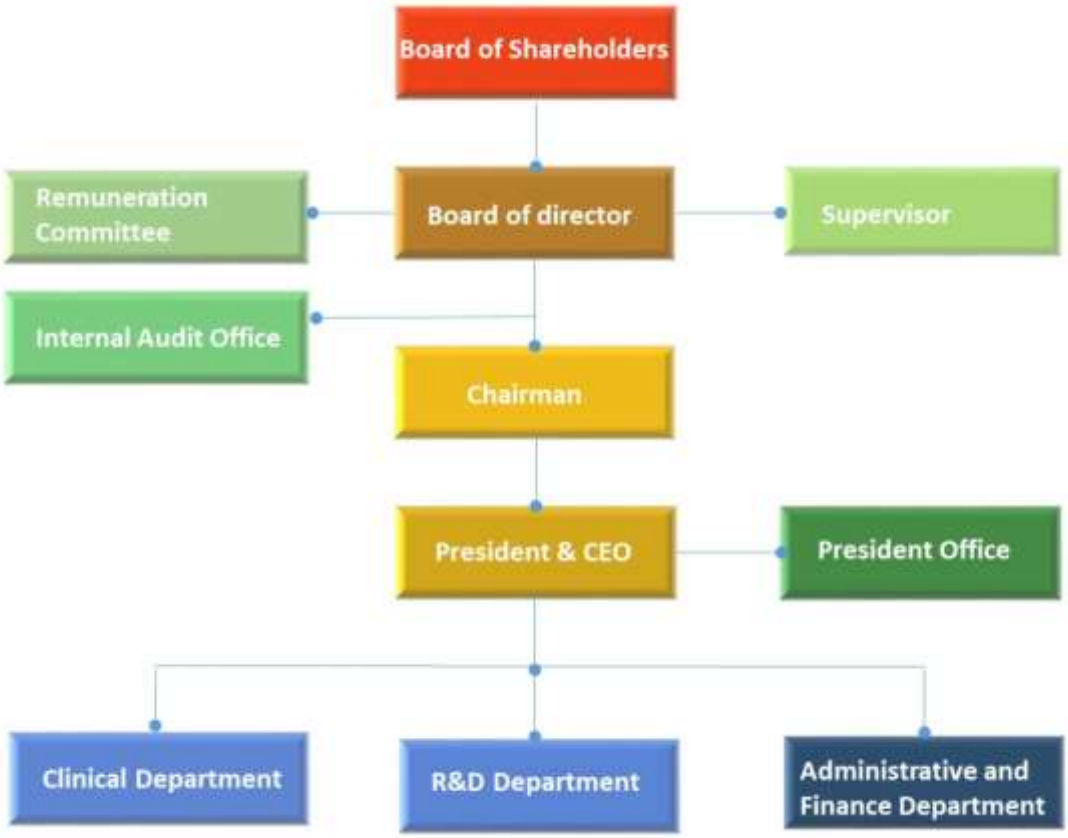
	US Food and Drug Administration (FDA) in January 2019. The Phase I /II trial willenroll patients at PBTC's participating member children's hospitals and medical research centers across the United States, including Lucile Packard Children's Hospital Stanford, the nation's ranked No. 1 cancer center: Memorial Sloan-Kettering Cancer Center, St. Jude Children's Research Hospital, and the Cincinnati Children's Hospital Medical Center.
March 2019	Project SHP01-2-B: Due to the backwarddevelopment of Chaperone, it is still impossible to complete the development of candidate medication and enter the GLP toxicology experiment, resulting in a delay in being qualified for "Investigational New Drug ". In order to maintain shareholders interest and the development potential of the Company's intangible assets, the Board of Directors decided to terminate the license agreement with Chaperone Therapeutics, Inc..
April 2019	Project CX-4945: The clinical trial for the treatment of basal cell carcinoma (BCC), a kind of skin cancer, was launched and has successfully enrolled the first patient.


HEALTH
TRAINING
HAPPINESS
RELAXATION
SCIENCE
LIFESTYLE
MEDICAL
NUTRITION
SPORT
CARE
HYGIE
LIVING
MUSCLE
POSITIVE
BODY
MAINTENANCE
GYM
DIET
MIND
EXERCISE
DIETING
EVERYDAY
FITNESS
MENTAL
SELF-CARE
FIT
HAPPY
INFORMATION
HEALTHY
HEALTHCARE
RUNNING
SPORT
ENJOYMENT
RELAXED
MOTION
FIT
ENVIRONMENT
HEALTHY

Chapter 3 Corporate Governance Report

I. Organization

(I) Organization Structure



(II) Responsibilities and Functions of Major Departments

Department	Main Duties
Auditing Office	Responsible for evaluating the effectiveness of the Company's internal controls and internal audits.
President Office	Responsible for directing the Company's business direction and business objectives; reviewing performance ; planning, implementing and strengthening HR management systems; supervising legal affairs and externally authorized affairs, Shareholders' meetings, the Board of Directors meetings, and meetings of the Remuneration Committee.
Clinical Management Department	Responsible for: 1.Clinical trial drugs: Synthesis of drugs for clinical trials, management of drug inventories, dosage adjustment, formulation, and storage and retention of records for related research. 2.Clinical studies: Planning, execution, management, and verification of clinical trials including the drafting and submission of clinical trial plans for review, CRO selection and cooperation, and monitoring of the progress of clinical trials.
R&D Management Department	Responsible for: 1.Development, management, overall plans, and supervision of domestic and foreign projects, completion of project progress schedule, evaluation and management of budget and risks, and development of external R&D resources for each research project such as applications for Technology Development Programs of the government and complying with the government's plans and regulations for program management. 2.Management of intellectual property rights and formulation and management of contracts. 3.Consignment of research and management of active pharmaceutical ingredients in research projects and supervision of related affairs for active pharmaceutical ingredients.
Administrative and Finance Department	Responsible forSenhwa's finance management, preparation and review of company's financial statements, taxation affairs, general affairs and procurement, and related information operations

II. Directors, Supervisors and Management Team

(I) Directors and Supervisors

1. Basic Information

April 26, 2019 Unit: Share;%

Title	Name	Gender	Nationality or Place of Registration	Date First Elected	Date Elected	Term	Shares Held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Position Held with the Company or Other Companies	Managerial Officer, Director, or Supervisor who is a Spouse or Relative within the Second Degree of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Representative: Benny T. Hu	Male	Republic of China (R.O.C.)	November 1, 2012	June 16, 2017	3 years	1,569,721	2.39	1,569,721	2.11	–	–	–	–	MBA, Wharton School of the University of Pennsylvania, USA Director, Wistron Information Technology and Services Corporation Chairman, China Alliance Holdings Limited (Beijing) Founder, Whitesun Equity Partners President, CDIB & Partners Investment Holding Corp. Chairman, China Development Industrial Bank President, China Development Industrial Bank Ambassador-at-large of the Republic of China Chairman, China Securities Investment Trust Co., Ltd. President, China Securities Investment Trust Co., Ltd. Executive Vice President, International Securities Investment Trust Co., Ltd. Manager, Bankers Trust New York Corporation Vice Chairman, ShanghaiMart Co., Ltd.	Standing Supervisor, Chinese National Federation of Industries Chairman, National Taiwan University Innovation and Incubation Co., Ltd. Chairman, CDIB Bioscience Venture Management (BVI), Inc. Chairman, CDIB Bioscience Venture 1, Inc. Chairman, Panlabs Biologics Inc. Chairman, Key Asic Inc. Chairman, Ding li Development Ltd. Chairman, Heng Kang Bio Medi Co., Ltd. Chairman, Hung-Tuan Industry Co., Ltd. Chairman, Cross-Strait Trade Development Co., Ltd. Chairman, Yang-Pin Investment Co., Ltd. Chairman, Hua-Sheng International Co., Ltd. Director and President, New Development and Venture Capital Investment Management Co., Ltd.	Supervisor	Eric Hu	Relative within two degree of kinship .

															Chairman, Lian'an Health Care Co., Ltd. Chairman, Strait Venture Capital Investment Co., Ltd. Chairman, ArmIo Capital Partners Ltd. Director, China-Taiwan Association Co., Ltd. Director, Jia-bei Monetary Flow Co., Ltd. Director, Tsu-fu Monetary Flow Co., Ltd. Supervisor, Ding-li Enterprise Management Co., Ltd.			
	Ding li Development Ltd.	–	Republic of China (R.O.C.)	November 1, 2012	June 16, 2017	3 years	3,778,374	5.74	3,778,374	5.07	–	–	–	–	–	Director, Panlabs Biologics Inc.	None	None	None
Director (Note 1)	Representative: Keith Chan	Male	Republic of China (R.O.C.)	April 16, 2018	April 16, 2018	2.2 years	60,000	0.08	60,000	0.08	–	–	–	–	PhD in Pharmaceutics, University of Minnesota, USA Supervisor, Office of Generic Drugs, United States Food and Drug Administration President, GloboAsia LLC, USA Adjunct professor, National Yang-Ming University Visiting professor, National Taiwan University Adjunct research fellow, Peking University	Senior consultant, Cornerstone Intellectual Property Foundation Adjunct professor, National Chengchi University	None	None	None
	Ding li Development Ltd.	–	Republic of China (R.O.C.)	June 20, 2014	June 16, 2017	3 years	3,778,374	5.74	3,778,374	5.07	–	–	–	–	–	Director, Panlabs Biologics Inc.	None	None	None

Director	Representative: Hung-ming Hsieh	Male	Republic of China (R.O.C.)	November 1, 2012	June 16, 2017	3 years	–	–	12,000	0.02	–	–	–	–	Master of Science in Business Administration, University of Illinois, USA Master of Business Administration, National Taiwan University Vice President, ID Innovation Inc. Senior manager, Ericsson Taiwan Ltd. CFA Charterholder	Director, Formosa Laboratories, Inc. Chairman, Riviera Investment Ltd. Chairman, Rui-I Investment Industry Co., Ltd. Chairman, Remo Taiwan Inc. Director, Reliance International Corp. Director, Strait Venture Capital Investment Co., Ltd. Director, King Dee Musical Instrument Corp. Chairman, Ting-pu Investment Ltd. Director, Panlabs Biologics Inc.	None	None	None
	Riviera Investment Ltd.	–	Republic of China (R.O.C.)	November 1, 2012	June 16, 2017	3 years	1,925,153	2.93	1,925,153	2.58	–	–	–	–	–	Director, Formosa Laboratories, Inc. Director, Microloops Corp. Director, Fu-Yu Investment Co., Ltd.	None	None	None
Director	Representative: Jeff Chen	Male	Republic of China (R.O.C.)	June 16, 2017	June 16, 2017	3 years	–	–	–	–	–	–	–	–	EMBA, Peking University Researcher, Harvard Business School	Chairman, Chuan-Pu Investment Holding Co., Ltd. Director, Nan-Ho Industry Co., Ltd. Director, Tian-Pu Co., Ltd. Director, Harn Shiuan Co., Ltd. Director, Adimmune Corporation Director, Weng-teng Investment Co., Ltd. Director, Taiwan Styrene Monomer Corporation Director, E&E Recycling Co., Ltd. Director, Paradigm Venture Capital Investment Co., Ltd.	None	None	None
	Chuan-Pu Investment Holding Co., Ltd.	–	Republic of China (R.O.C.)	June 16, 2017	June 16, 2017	3 years	1,162,576	1.77	1,162,576	1.56	–	–	–	–	–	Director, Enimmune Corporation Director, Paradigm Venture Capital Investment Co., Ltd.	None	None	None

Director	Tai-Sen Soong	Male	Republic of China (R.O.C.)	November 1, 2012	June 16, 2017	3 years	1,211,190	1.84	1,211,190	1.63	–	–	–	–	PhD in Biology, Illinois State University, USA President, Panlabs Biologics Inc. Vice Chairman and President, CDIB Bioscience Venture Management (BVI), Inc. Founder, CDIB Bioscience Venture 1, Inc. Biotechnology Investment Manager, Overseas Department, China Development Industrial Bank Professor, National University of Singapore / President, Imagen Venture Holdings Director, Planning and Industry Service Office, Development Center for Biotechnology Project Organizer, Agricultural and Special Product Development Project, Development Center for Biotechnology Director, Agricultural Biotechnology Section, Development Center for Biotechnology Researcher, Monsanto, USA Director, Medtech Tronics Inc. (BVI)	President, Senhwa Biosciences, Inc. Vice Chairman and Director, CDIB Bioscience Venture Management (BVI), Inc. Director, Heng Kang Bio Medi Co., Ltd.	None	None	None
Independent Director	Kuo-Shiang Lee	Male	Republic of China (R.O.C.)	March 9, 2015	June 16, 2017	3 years	–	–	10,000	0.01	–	–	–	–	Master of Business Administration, University of Chicago, USA President, Taiwan Shiseido Co., Ltd. Vice Chairman, Taiwan Shiseido Co., Ltd. President, Hwa-Tzu Cosmetics Co., Ltd.	Chairman, Taiwan Shiseido Co., Ltd. Chairman, Flelis International Inc. Chairman, Hua-I Investment Co., Ltd. Executive Director, Hwa-Tzu Cosmetics Co., Ltd. Vice Chairman, Taiwan Eastern Asia Electronic Steel Co., Ltd.	None	None	None

																Director, Da Chiang International Co., Ltd. Supervisor, WK Technology Fund Remuneration Committee Member, Senhwa Biosciences, Inc.			
Independent Director	Yeu-Chuyr Chang	Female	Republic of China (R.O.C.)	March 9, 2015	June 16, 2017	3 years	–	–	–	–	–	–	–	–	MBA, Avila University, Missouri, USA Vice President, Business Department, Chu-ching Insurance Brokers Co., Ltd. Director, Hsin-Fu Joint Wealth Management Consultancy Co., Ltd. Lecturer of economics, Fu Jen Catholic University Lecturer of economics, Shih Chien University	Executive Vice President, Summit Capital International Group Limited Taiwan Branch (Belize) Remuneration Committee Member, Senhwa Biosciences, Inc.	None	None	None
Supervisor	Representative: CHI HAI, LIN	Male	Republic of China (R.O.C.)	June 16, 2016	June 16, 2017	3 years	–	–	–	–	–	–	–	–	Department of Chemical Engineering, National Cheng Kung University Executive Director, NICCA	Director, Wah Lee Industrial Corp. Chairman, Toa Resin Corporation Limited Director, Mingtai Chemical Co., Ltd. Director, Yu Feng Rubber Industry Co., Ltd. Supervisor, Xwise Inc.	None	None	None
	Xwise Inc.	–	Republic of China (R.O.C.)	June 16, 2016	June 16, 2017	3 years	998,652	1.52	998,652	1.34	–	–	–	–	–	–	None	None	None
Supervisor	Chia-Hung Lee	Male	Republic of China (R.O.C.)	March 9, 2015	June 16, 2017	3 years	–	–	–	–	–	–	–	–	MBA, Syracuse University, USA Vice President, CDIB & Partners Investment Holding Corp. Assistant Vice President, Investment Department/Overseas Department/Project Department, China Development Industrial Bank	Chairman, HH Leasing & Financial Corporation Chairman, Hua-Fu Investment Co., Ltd. Chairman, Hung-Yu Management & Consulting Co., Ltd. Chairman, Kun-Chien Management & Consulting Co., Ltd. Chairman, Kun-Chien Investment Co., Ltd.	None	None	None

															Chairman, Rui-Chien Investment Co., Ltd. Director (corporate representative), Horizon Securities Corp.			
Supervisor	Eric Hu	Male	Republic of China (R.O.C.)	June 16, 2017	June 16, 2017	3 years	–	–	–	–	–	–	–	–	MBA, Shanghai Jiao Tong University Project Manager, Marketing & Planning Department, Migosoft Corp Project Manager, Foreseeing Innovative New Digiservices, Institute for Information Industry Investment Director, Investment Department, New Development and Venture Capital Investment Management Co., Ltd. Investment Director, Investment Department, Huisheng Lianhua Venture Capital Management (Beijing) Co., Ltd.	Director, Panlabs Biologics Inc. Independent Director, Everlance Co., Ltd. Director, Hua-Sheng International Co., Ltd. Director, Bei Guan Power Corporation Director, Hung-Tuan Industry Co., Ltd.	Chairman.	Benny T. Hu	Relative within second degree of Kinship

Note 1: The previous representative of Ding li Development Ltd. was Lu-Chieh Wang. Ding li appointed the representative, Keith Chan as new Director on April 16, 2018

2. Major shareholders of institutional shareholders:

April 26, 2019

Name of institutional shareholders	Major Shareholders of Institutional Shareholders
Ding li Development Ltd.	Benny T. Hu (100%)
Riviera Investment Ltd.	Te Hsin Investment Co., Ltd. (29.21%) Hung-Ming Hsieh (21.43%) Chen-Wen Huang (21.43%) I-Hsin Chen (10.86%) An-Ting Hsieh (6.14%) An-Ching Hsieh (5.43%) Shu-I Chiu (3.00%) Shao-Hung Chen (2.50%)
Chuan-Pu Investment Holding Co., Ltd.	Jeff Chen (99.45%) Yen-chun Lin (0.53%) Tien-pu Chen (0.01%) Shu-hui Tseng (0.01%)
Xwise Inc.	Chi-hai, Lin(25.00%) Chih-chuan Lin(10.00%) Chih-kuang Lin (10.00%) Yu-chih Lin (10.00%) Yu-heng Lin (10.00%) Jui-ping Lin (10.00%) Chih-hsi Lin (15.00%) Yu-yang Lin (10.00%)

3. Major shareholders who are juristic persons and their major shareholders

April 26, 2019

Name of Institutional Shareholders	Major Institutional Shareholders
Te Hsin Investment Co., Ltd.	Chen-Wen Huang (98.00%) Shu-I Chiu (1.00%) Shao-Hung Chen (1.00%)

4. Professional Qualifications and Independence of the Directors and Supervisors

April 26, 2019

Name \ Criteria	Meeting One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience Meeting One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Compliant to the requirements of independence (Note)										Number of Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Currently serving as an instructor or higher post in a public or private college or university in the field of business, law, finance, accounting, or programs necessary for the Company's business	Serving as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience for business, legal affairs, finance, accounting, or other professions necessary for the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Ding li Development Ltd. Representative: BENNY T. HU			✓	✓							✓	✓		0
Director Ding li Development Ltd. Representative: Keith Chan	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		0
Director Riviera Investment Ltd. Representative: Hung-ming Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director Chuan-Pu Investment Holding Co., Ltd. Representative: Jeff Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Tai-Sen Soong, Director	✓		✓				✓	✓	✓	✓	✓	✓	✓	0
Kuo-Shiang Lee, Independent Director			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yeu-Chuyr Chang, Independent Director	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Supervisor Xwise Inc. Representative: Chi-Hai, Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chia-Hung Lee, Supervisor			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Eric Hu, Supervisor			✓			✓			✓	✓		✓	✓	1

Note: Please tick the corresponding boxes if a director or supervisor meets the following criteria two years prior to the date elected and during his/her term of office.✓

(1) Not employed by the Company or any of its affiliated companies.

(2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with the Securities and Exchange Act or laws of the registered country).

(3) Not a natural person shareholder who holds more than 1% of total shares issued by the Company or is one of the top 10 shareholders by number of shares held, including shares held in the name of the person's spouse and minors, or in the name of others

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship listed in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual, proprietorship, partner, or company/institution owner, partner, director (member of the governing board), supervisor (member of the supervisory board), managerial officer and spouse of any of these persons that provides business, legal, financial and/or accounting services or consultation to the Company or its affiliates. provided, this restriction does not apply to a member of the remuneration committee who exercises their powers as prescribed in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse or a relative within the second degree of kinship with any director.
(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
(10) Where the person is not elected in the capacity of the government, a judicial person, or a representative thereof as provided in Article 27 of the Company Act.

(II) President, Vice Presidents, Assistant Vice Presidents, and Department Heads

April 26, 2019 Unit: Share;%

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Positions Currently Held with Other Companies	Managerial officers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
President	Republic of China (R.O.C.)	Tai-Sen Soong	Male	2012.11.01	1,211,190	1.63	–	–	–	–	PhD in Biology, Illinois State University, USA President, Panlabs Biologics Inc. Founder and President, Senhwa Biosciences Technical Consultancy (BVI), Inc. Biotechnology Investment Manager, Overseas Department, China Development Industrial Bank Professor, National University of Singapore / President, Imagen Venture Holdings Director, Planning and Industry Service Office, Development Center for Biotechnology Project Organizer, Agricultural and Special Product Development Project, Development Center for Biotechnology Director, Agricultural Biotechnology Section, Development Center for Biotechnology Researcher, Monsanto, USA Director, Medtech Tronics Inc. (BVI)	Vice Chairman and Director, Senhwa Biosciences Technical Consultancy (BVI), Inc. Director, Heng Kang Bio Medi Co., Ltd.	–	–	–
Chief Operating Officer and Supervisor of the Clinical Department	Republic of China (R.O.C.)	Mei-Hui Kuo	Female	2018.8.24	–	–	–	–	–	–	Master of Science, Plant Pathology, National Taiwan University Executive Vice President and Chief Operating Officer, BRIM Biotechnology, Inc Deputy Chief Executive Officer, Development Center for Biotechnology Assistant President, New Product Development Department, TTY Biopharm Company Limited Vice President, CDIB Bioscience Venture Management (BVI), Inc. Member of the Overseas Biotech Investment Department, China Development Industrial Bank	–	–	–	–
Director of R&D Department	Republic of China (R.O.C.)	Chen-Fu Liu	Male	2018.3.1	–	–	–	–	–	–	PhD in Chemistry, National Taiwan University Deputy Director, Research and Development Division, CVie Therapeutics Limited New Pharmaceuticals R&D and Regulatory Advisor, GNT Biotech & Medicals Corporation Researcher, TaiGen Biotechnology Co., Ltd. United States patents course certification, Winston & Strawn LLP United States patents course certification, CASRIP, School of Law, University of Washington Summer course certification, Michael G. Foster School of Business, University of Washington	–	–	–	–

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Positions Currently Held with Other Companies	Managerial officers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
Chief Financial Officer and Supervisor of the Administrative and Finance Department .	Republic of China (R.O.C.)	Sarah Chang	Female	2014.2.27	157,000	0.21	–	–	–	–	Department of Accounting, Tunghai University Certified Public Accountant Senior Assistant Vice President, Underwriting Department, Industrial Bank of Taiwan Securities Co. Ltd. Vice President, Hua Nan Securities Senior Auditor, Deloitte Taiwan	–	–	–	–
Manager and Supervisor of Internal Audit Office	Republic of China (R.O.C.)	Maggie Lin	Female	2015.6.15	–	–	–	–	–	–	Department of Accounting, Soochow University International Certified Internal Auditor Deputy Audit Manager, TWI Pharmaceuticals, Inc. Auditor, ATP Electronics Taiwan Inc. Auditor, Softstar Entertainment Inc. Auditor, Far Eastern Air Transport Corp.	–	–	–	–

III. Remuneration to Directors, Supervisors, President, and Vice Presidents

(I) Remuneration of Directors, Supervisors, President and Vice Presidents

1. Remuneration Paid to Directors (Including Independent Directors)

Units: NT$1,000; %

Title	Name	Remuneration to Directors								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant Remuneration Received by a Director Who is Also an Employee of the Company								Ratio of total remuneration (A+B+C+D+E+F+G) to net income(%)		Remuneration received from investees other than subsidiaries
		Base Compensation (A)		Severance Pay (B)		Director compensation (C)		Expenses on professional practice (D)				Salary, bonus and allowances (E) (Note 1)		Severance Pay (F)		Employee compensation (G)						
		Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa		All companies listed in this financial report		Senhwa	All companies listed in this financial report	
																Cash	Stock	Cash	Stock			
Chairman	Ding li Development Ltd. Representative: Benny T. HU	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director (Note 2)	Ding li Development Ltd. Representative: Lu-Chieh Wang	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director (Note 2)	Ding li Development Ltd. Representative: Keith Chan	–	–	–	–	–	–	80	80	(0.02)	(0.02)	–	–	–	–	–	–	–	–	(0.02)	(0.02)	–
Director	Riviera Investment Ltd. Representative: Hung-Ming Hsieh	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Chuan-Pu Investment Holding Co., Ltd. Representative: Jeff Chen	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Tai-Sen Soong	–	–	–	–	–	–	–	–	–	–	15,812	15,812	–	–	–	–	–	–	(4.21)	(4.21)	–
Independent Director	Kuo-Shiang Lee	–	–	–	–	–	–	120	120	(0.03)	(0.03)	–	–	–	–	–	–	–	–	(0.03)	(0.03)	–
Independent Director	Yeu-Chuyr Chang	–	–	–	–	–	–	120	120	(0.03)	(0.03)	–	–	–	–	–	–	–	–	(0.03)	(0.03)	–
Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. serving as a non-employee consultant) to the Company and all consolidated entities in this financial report: None.																						

Note 1: The results are shown based on the salary recognized in the IFRS's "classification and measurement of share-based payment transactions". The salary thus includes employee stock options in addition to the salaries of Directors (Including Independent Directors) who serve concurrently as employees.

Note 2: The previous representative of Ding li Development Ltd. was Lu-Chieh Wang. Ding li appointed the representative, Keith Chan as new Director on April 16, 2018

Remuneration Bracket

Remuneration range	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report
Under NT$ 2,000,000	Benny T. Hu, Lu-Chieh Wang, Keith Chan, Hung-Ming Hsieh, Jeff Chen, Tai-Sen Soong, Kuo-Shiang Lee, Yeu-Chuyr Chang	Benny T. Hu, Lu-Chieh Wang, Keith Chan, Hung-Ming Hsieh, Jeff Chen, Tai-Sen Soong, Kuo-Shiang Lee, Yeu-Chuyr Chang	Benny T. Hu, Lu-Chieh Wang, Keith Chan, Hung-Ming Hsieh, Jeff Chen, Kuo-Shiang Lee, Yeu-Chuyr Chang	Benny T. Hu, Lu-Chieh Wang, Keith Chan, Hung-Ming Hsieh, Jeff Chen, Kuo-Shiang Lee, Yeu-Chuyr Chang
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	–	–	–	–
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)	–	–	–	–
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	–	–	–	–
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	–	–	Tai-Sen Soong	Tai-Sen Soong
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	–	–	–	–
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	–	–	–	–
More than NT$100,000,000	–	–	–	–
Total	8	8	8	8

2. Remuneration for Supervisors

Unit: NT$1,000 ;%

Title	Name	Remuneration Paid to Supervisors						Ratio of total remuneration (A+B+C) to net income (%)		Remuneration received from investees other than subsidiaries
		Base Compensation (A)		Supervisor compensation (B)		Expenses on professional practice (C)				
		Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	
Supervisor	Xwise Inc. Representative: Chi-hai, Lin	—	—	—	—	—	—	—	—	—
Supervisor	Chia-Hung Lee	—	—	—	—	120	120	(0.03)	(0.03)	—
Supervisor	Eric Hu	—	—	—	—	—	—	—	—	—

Remuneration Bracket

Remuneration range	Name of Supervisor	
	Total of (A+B+C)	
	Senhwa	All companies listed in this financial report
Under NT$ 2,000,000	Chi-hai, Lin, Chia-Hung Lee, Eric Hu	Chi-hai, Lin, Chia-Hung Lee, Eric Hu
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	—	—
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	—	—
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	—	—
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	—	—
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	—	—
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	—	—
More than NT$100,000,000	—	—
Total	3 Persons	3 Persons

3. Remuneration for the President and Vice Presidents

Units: NT$1,000; %

Title	Name	Salary (A)		Gratuity/Pension (B)		onus and allowance (C) (Note 1)		Employee compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration received from investees other than subsidiaries
		Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa	All companies listed in this financial report	Senhwa		All companies listed in this financial report		Senhwa	All companies listed in this financial report	
								Cash	Stock	Cash	Stock			
President	Tai-Sen Soong	9,883	9,883	—	—	5,929	5,929	—	—	—	—	(4.21)	(4.21)	—
Vice President Note 2	Polly Lin	473	473	—	—	117	117	—	—	—	—	(0.16)	(0.16)	—

Note 1: The results are shown based on the salary recognized in the IFRS's "classification and measurement of share-based payment transactions". The salary thus includes employee stock options in addition to various remuneration.

Note 2: Vice President Polly Lin left the company on March 31, 2018.

Remuneration Bracket

Remuneration Range to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	Senhwa	All companies listed in this financial report
Under NT$ 2,000,000	Polly Lin	Polly Lin
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	—	—
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	—	—
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	—	—
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	Tai-Sen Soong	Tai-Sen Soong
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	—	—
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	—	—
More than NT$100,000,000	—	—
Total	2 persons	2 persons

(II) Name of managerial officers to which employee compensation is distributed, and the status of distribution: The Company has not yet generated profits and it does not distribute employee compensation.

(III) Compare and analyze the total remuneration as a percentage of net income stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statements in the most recent two years to the Company's Directors, Supervisors, President and Vice Presidents. Describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. The total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports, paid by the Company and by all companies listed in the consolidated financial statements in the most recent two years to each of the Company's Directors, Supervisors, President, and Vice Presidents are as follows:

Units: NT$1,000; %

Items	2018				2017			
	Senhwa		Consolidated financial statements		Senhwa		Consolidated financial statements	
	Amount	%	Amount	%	Amount	%	Amount	%
Director	16,132	(4.29)	16,132	(4.29)	17,591	(4.73)	17,591	(4.73)
Supervisor	120	(0.03)	120	(0.03)	100	(0.03)	100	(0.03)
President and Vice President	16,402	(4.36)	16,402	(4.36)	18,297	(4.92)	18,297	(4.92)

2. Policy of remunerations to Directors, Supervisors, President and Vice Presidents, standards and packages of remunerations, procedure for making such decision and correlation between the abovementioned items and the business performance:

(1) The Company's remuneration policy for Directors and Supervisors is specified in Article 23 of the Articles of Incorporation.

(2) The remuneration paid to the Company's President and Vice Presidents shall be determined by the Remuneration Committee and the Board of Directors based on their roles, contribution, performance, future risks, and in consideration of the Company's remuneration system.

IV. Implementation of Corporate Governance

(I) Operation of Board of Directors

The Board of Directors convened six meetings in the most recent year (2018) and two meetings in 2019 as of the publication date of the Annual Report in a total of eight meetings. The attendance of the Directors are as follows:

Title	Name	Attendance in person (B)	Attendance in proxy delegated presence	Attendance rate (%) (B/A)	Remarks (A)
Chairman	Ding li Development Ltd. Representative: Benny T. Hu	8	0	100.00	Attended 8 meetings
Director	Ding li Development Ltd. Representative: Lu-Chieh Wang	1	1	100.00	Reassigned on May 20, 2016 Resigned on April 16, 2018 after reelection Attended 1 meeting
Director	Ding li Development Ltd. Representative: Keith Chan	5	2	71.43	Reassigned on April 16, 2018 Attended 7 meetings
Director	Riviera Investment Ltd. Representative: Hung-ming Hsieh	8	0	100.00	Attended 8 meetings
Director	Chuan-Pu Investment Holding Co., Ltd. Representative: Jeff Chen	8	0	100.00	Attended 8 meetings
Director	Tai-Sen Soong	7	1	87.50	Attended 8 meetings
Independent Director	Kuo-Shiang Lee	7	1	87.50	Attended 8 meetings
Independent Director	Yeu-Chuyr Chang	8	0	100.00	Attended 8 meetings

Other matters to be noted:

I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors Meeting, as well as the content of proposals, opinions of Independent Directors and the Company's actions in response to the opinions of Independent Directors shall be stated:

(I) Items specified in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Proposal and Follow-up Actions	Items listed under Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
4th meeting of the 3rd-term Board of Directors on February 13, 2018.	1.Approval of the 2017 Business Report and Financial Statements.	v	None.
	2.Approval of the 2017 loss makeup proposal.	v	None.
	3.Approval of the accumulated losses and the implementation status report for the fourth quarter of 2017.	v	None.
	4.Amendment to the Company's "Articles of Incorporation".	v	None.
	5.Amendment to certain provisions of the Company's "Remuneration Committee Charter" and "Corporate Governance Best Practice Principles".	v	None.
	6.Establishment of Senhwa's "Board of Directors Performance Evaluation Guidelines"	v	None.
	7.Submission of the Company's "Internal Control System Statement" from January 1 to December 31, 2017.	v	None.
	8.Planning of the 2018 Annual General Meeting	v	None.
	9.Proposal for the employee's exercise of stock options for common shares.	v	None.
	10.Approval of the appointment of CPAs for reviewing or auditing the Company's financial statements for 2018 and the fee for CPAs.	v	None.
	11.Review of the Company's proposal for salary and compensation for Directors, Supervisors, and managerial officers	v	None.

	in 2018.		
	12.Change of the research and development supervisor.	v	None.
Independent Directors' Comments: None			
The Company's response to the opinions from Independent Directors: None			
Resolution: Approved by all directors present.			
5th meeting of the 3rd-term Board of Directors on May 8, 2018.	1.Proposal to increase the reporting items at the 2018 Annual General Meeting.	v	None.
	2.Proposal for the employee's exercise of stock options for common shares.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
6th meeting of the 3rd-term Board of Directors on May 17, 2018.	1.Proposal to issue the first employee stock option certificates of the Company for 2018.	v	None.
	2.Lists of employees entitled to the first employee stock option certificates issued by the Company for 2018	v	None.
	3.It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager", "Summary of Current Remuneration Projects for Directors, Supervisors and Managers" and "Comparison Table for Employee Levels/Titles/Salaries".	v	None.
	4.Mr. Keith Chan, the consultant of the Company, was transferred to be a representative of a Corporate Director. It is proposed that he receive the attendance fee for attending the Board Meeting in the amount equal to that paid to an independent Director.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
7th meeting of the 3rd-term Board of Directors on August 13, 2018.	1.It is proposed to adopt the Company's 2018 Q2 Consolidated Financial Statements	v	None.
	2.It is proposed to hire Ms. Mei-Hui Kuo as the Chief Operating Officer and Supervisor of the Clinical Department of the Company.	v	None.
	3.It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager" and "Comparison Table for Employee Levels/Titles/Salaries" to be in line with the salary adjustments due to recruitment.	v	None.
	4.It is proposed to amend the Company's "BM-003 Article of Incorporation".	v	None.
	5.Proposal for the employee's exercise of stock options for common shares in 2014.	v	None.
	6.Proposal for the employee's exercise of stock options for common shares in 2016.	v	None.
	7.Amend the Company's 2018 annual issuance of employee stock option certificates and share subscription regulations.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
8th meeting of the 3rd-term Board of Directors on November 5, 2018	1.It is proposed to adopt the Company's 2018 Q3 Consolidated Financial Statements	v	None.
	2.Proposal to replace the appendix tables attached in "BM-007 Regulations for Job Duty Authorization and Deputy Management" of the Company	v	None.
	3.Amendment to certain provisions of the Company's "Accounting System".	v	None.
	4.The Company's 2019 Audit Plan.	v	None.
	5.2019 Audit Plan for the US subsidiaries	v	None.
	6.Proposal to distribute the 2018 year-end bonus for managers of the Company.	v	None.
	7.Proposal on employee's exercise of stock options for common shares in 2014.	v	None.
	8.Proposal on employee's exercise of stock options for common shares in 2016.	v	None.
	9.Approval of the appointment of CPAs for reviewing or auditing the Company's financial statements for 2019 and the fee for	v	None.

	CPAs.		
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
9th meeting of the 3rd-term Board of Directors on December 4, 2018	1.Lists of employees entitled to the second issuance of employee stock option certificates in 2018 issued by the Company.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
10th meeting of the 3rd-term Board of Directors on March 25, 2019	1.Approval of the 2018 Business Report and Financial Statements.	v	None.
	2.Approval of the loss makeup proposal for FY 2018.	v	None.
	3.Approval of the accumulated losses and the implementation status report for the fourth quarter of 2018.	v	None.
	4.Amendment to the Company's "Articles of Incorporation".	v	None.
	5.Amendments to the provisions of the "Operation Directions for Compliance with the Establishment of Board of Directors and the Board's Exercise of Powers", the "Corporate Governance Best Practice Principles" and the "Regulations Governing Evaluation of Board Performance".	v	None.
	6.Proposal to formulate the "Audit Committee Charter".	v	None.
	7.Passed the proposal to amend the Company's "Procedure for Acquisition and Disposal of Assets".	v	None.
	8.To revise certain provisions of the Company's "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees"	v	None.
	9.Submission of the Company's "Internal Control System Statement" from January 1 to December 31, 2018.	v	None.
	10.Planning of the 2019 Annual General Meeting	v	None.
	11.Proposal stating the Company's intention to terminate the technology licensing agreement with Chaperone Therapeutics, Inc...	v	None.
	12.Approval of the proposal to replace CPAs for reviewing or auditing the Company's financial statements for 2019.	v	None.
	13.Review of the Company's proposal on remuneration of Directors, Supervisors, and managerial officers in 2019.	v	None.
	14.To prescribe the Company's "Regulations for Employee Incentive Bonus".	v	None.
	15.Proposal on employee's exercise of stock options for common shares in 2014.	v	None.
	16.Proposal on employee's exercise of stock options for common shares in 2016.	v	None.
	17.To amend certain provisions of the "Article of Incorporation" and "Regulations for Job Duty Authorization and Deputy Management" of SENHWA BIOSCIENCES CORPORATION, a US subsidiary.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			
11th meeting of the 3rd-term Board of Directors on May 9, 2019	1.It is proposed to adopt the Company's 2019 Q1 Consolidated Financial Statements	v	None.
	2.Lists of employees entitled to the third round of the first issuance of employee stock option certificates in 2018 issued by the Company.	v	None.
	3.Proposal on employee's exercise of stock options for common shares in 2014.	v	None.
	4.Proposal on employee's exercise of stock options for common shares in 2016.	v	None.
Independent Directors' Dissenting or Qualified Opinion: None			
The Company's response to the dissenting or qualified opinions of Independent Directors: None			
Resolution: Approved by all directors present.			

(II) In addition to the preceding matter, other resolutions of the Board of Directors on which Independent Directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements.

N/A.

II. Recusals of Directors due to conflicts of interests:

Due to his current role as the Company's president, Director Tai-Sen Soong excused himself from the review and voting of the Company's "Proposal No.11: Proposal on Remuneration of Directors, Supervisors, and Managerial Officers in 2019" in order to avoid conflict of interests.

At the sixth meeting of the third-term Board Meetings on May 17, 2018, Director Tai-Sen Soong, due to his current role as the Company's president, excused himself from the voting of the Company's "Proposal No.2: Proposal on List of Employees Entitled to the First Issue of Employee Stock Option Certificates for 2018" so as to avoid conflict of interests.

At the sixth meeting of the third-term Board Meeting on May 17, 2018, Director Keith Chan excused himself from the voting of Proposal No.4: "Proposal to Pay Director Keith Chan, the Company's Former Consultant and Currently a Representative of A Legal Entity Director, the Attendance Fee in the Amount Equal to That Paid to An Independent Director" so as to avoid conflict of interests.

At the 7th meeting of the third-term Board Meeting on August 13, 2018, Director Tai-Sen Soong, due to his current role as the Company's president, excused himself from the voting of Proposal No.3: "Proposal to Revise the Company's 'Salary of Directors, Supervisors, and Managerial Officers' and 'Comparison Table for Employee Level/Title/Salary' in Consequence of Recruitment of Managerial Officers and Adjustment to Their Salary", so as to avoid conflict of interests.

At the 8th meeting of the third-term Board Meeting on November 5, 2018, Director Tai-Sen Soong, due to his current role as the Company's president, excused himself from the voting of Proposal No.6: "Proposal to Distribute the 2018 Year-end Bonus to the Company's Managerial Officers" so as to avoid conflict of interests.

At the 10th meeting of the third-term Board Meeting on March 25, 2019, Director Tai-Sen Soong, due to his current role as the Company's president, recused himself from the voting of Proposal No.13: "Proposal to Review the FY 2019 Remuneration of Directors, Supervisors, and Managerial Officers" and Proposal No.14: "Proposal to Prescribe the Company's 'Regulations for Projects of Employee Incentive Bonus'" so as to avoid conflict of interests.

At the 11th meeting of the third-term Board Meeting, Director Tai-Sen Soong, due to his current role as the Company's president, recused himself from Proposal No.2: "Proposal on List of Employees Entitled to the Third Round of the First Issuance of Employee Stock Option Certificates in 2018" in order to avoid conflict of interests, and thus did not participate in the voting thereof.

III. Targets for strengthening the functions of the Board of Directors in the current year and the most recent year (e.g., establishing an audit committee and enhancing information transparency) and evaluation of target implementation:

(II) Enhance information transparency: The Company maintains transparency in its operations and values shareholder rights. Important proposals are immediately announced on MOPS after the meetings of the Board of Directors.

(III) The Company has established a Remuneration Committee to improve and strengthen the management functions of the Board of Directors.

(IV) Continuing education of Directors: The Company's Directors follow the requirements in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" and comply with requirements for continuing education of director.

(II) Operation of the Audit Committee or Supervisors' participation in the operation of the Board of Directors:

1. Operation Status of the Audit Committee: The company does not have an audit committee and therefore the requirement does not apply.
2. Supervisors' participation in the operation of the Board of Directors:

   The Board of Directors convened six meetings in the most recent year (2018) and two meetings in 2019 as of the publication date of the Annual Report in a total of eight meetings. The presence of the Supervisors are as follows:

Title	Name	Presence in Person (B)	Presence Rate (%) (B/A)	Remarks (A)
Supervisor	Xwise Inc. Representative: Chi-hai, Lin	8	100.00	Attended 8 meetings
Supervisor	Chia-Hung Lee	7	87.50	Attended 8 meetings
Supervisor	Eric Hu	6	75.00	Attended 8 meetings

Other matters to be noted:

I. Composition and responsibilities of Supervisors:

(I) Communication between Supervisors and the Company's employees and shareholders:

1. The Supervisors may, when they deem it necessary, communicate directly with employees and shareholders.
2. Supervisors shall regularly be present at meetings of the Company's Board of Directors to supervise its operations, and shall provide opinions where appropriate in order to achieve two-way communication.

(II) Communication between supervisors, the internal audit officers and CPAs: The Company's Supervisors attend meetings of the Board of Directors and the Annual General Meeting. The internal audit report is also delivered to the Supervisors each month and the audit manager regularly reports audit operations at meetings of the Board of Directors. According to Statement of Auditing Standards No. 39 "Communication with Those Charged with Governance", the CPA is required to fully communicate with Supervisors when reviewing governance items specified in the Company's financial statements and propose recommendations for improvement to the management.

II. If a Supervisor states any opinions while attending Board of Directors meetings, the date, session, contents of proposals, and resolution of the meeting as well as the Company's disposition of opinions stated by the Supervisor shall be described: None.

(III) Implementation of corporate governance and discrepancies between the implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such deviations.

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary	
I. Has the Company formulated corporate governance best practice principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and disclose such principles?	v		The Company has established and disclosed its corporate governance best practice principles based on "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies".	No significant deviation
II. Shareholder Structure and Shareholders' Rights				
(I) Has the Company established an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to internal procedures?	v		(I) Senhwa has established related internal control systems and assigned stock affair personnel and spokespersons to process shareholder suggestions, questions, or disputes.	No significant deviation
(II) Has the Company maintained a list of major shareholders who have actual control over the Company and persons who have ultimate control over the major shareholders?	v		(II) Senhwa has established a stock affairs unit which maintains control over shareholder registers provided by the stock agency department of the securities firm.	No significant deviation
(III) Has the Company established and enforced risk control and firewall systems with its affiliated businesses?	v		(III) Senhwa has established various management regulations to provide specific regulations on transactions with affiliate companies to achieve risk control and prevent irregular transactions.	No significant deviation
(IV) Has the Company stipulated internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	v		(IV) Senhwa has established related internal control systems and often educates employees on related laws to prevent insider trading.	No significant deviation
III. Composition and responsibilities of the Board of Directors:				
(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?	v		(I) The Company has established a diversity policy on Board composition in its Corporate Governance Best Practice Principles. The seven directors of the Company have rich experience in management, leadership and decision-making, and possess plentiful industry knowledge.	No significant deviation
(II) Has the company voluntarily established other functional committees, other than the remuneration committee and audit committee that are established in accordance with the law?	v			
(III) Has the company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the Company perform such evaluations every year?	v			
(IV) Does the company regularly implement assessments on the independence of CPA?	v			

Core Diversification Item / Director	Gender	Ability to make judgement in operations	Accounting and Financial Analysis	Operation management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision making abilities
Benny T. Hu	v	v	v	v	v	v	v	v	v
Keith Chan	v	v	v	v	v	v	v	v	v
Hung-ming Hsieh	v	v	v	v	v	v	v	v	v
Jeff Chen	v	v	v	v	v	v	v	v	v
Tai-Sen Soong	v	v	v	v	v	v	v	v	v
Kuo-Shiang Lee	v	v	v	v	v	v	v	v	v
Yeu-Chuyr	v	v	v	v	v	v	v	v	v

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary	
			Chang (II) The Company has established the Remuneration Committee in October 2014 in accordance with the law and shall establish other functional committees based on the Company's business development and regulatory requirements. (III) All board members of the Company actively participate in the operations of the Board of Directors. As the Company is a new company in the biotechnology and new pharmaceuticals industry, we are currently experiencing losses. Therefore, with the exception of Independent Directors, no Director receives compensation in any form. In February 2018, the Company has formulated its "Regulations Governing Evaluation of Board Performance", according to which it surveys Board members before the first Board meeting of the following year from 2017 onwards with a self-assessment questionnaire asking Board members to evaluate their own performance, as well as the overall operation status of the Board. The performance evaluation of the Board includes five major dimensions: 1. The extent to which they participate in the operation of the company. 2. Improvement in the quality of Board decision-making. 3. Composition and structure of the Board of Directors (or functional committees); 4. Selection and continuing education of directors. 5. Internal control. The measurement items of the performance evaluation of the Board made by Board members themselves comprise six major dimensions: 1. Mastery of company goals and tasks. 2. Cognition of directors' duties. 3. The extent to which they participate in the operation of the company. 4. Internal relationship management and communication. 5. Selection and continuing education of directors. 6. Internal control. The unit responsible for organizing Board Meetings will make an analysis according to the above-mentioned methods and report the	No significant deviation No significant deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>results to the Board of Directors.
The results of the latest (FY 2018) performance evaluation of the Board are as follows:
1. Results of self-assessment on performance of the Board: Good
2. Results of self-assessment on Board members: Good
3. The details of the aforementioned evaluation were reported at the Board Meeting held on March 25, 2019.
(IV) The Board of Directors of the Company regularly evaluates the qualifications and independence of CPAs. Based on the “Statement of Independence” provided by CPAs each year, and with reference to the contents of the “Certified Public Accountant Act” and “The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 ‘Integrity, Objectivity and Independence’”, the Company formulated its CPAs evaluation items as follows. The outcome of evaluation suggested no incident of non-compliance with independence. Moreover, the replacement of CPAs was also conducted in compliance with related requirements.
<table>
<tr><th>Evaluation Item</th><th>Evaluation Outcome</th></tr>
<tr><td>Is it that the appointed CPA does not have any direct or indirect material financial interest in the Company?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA does not have any inappropriate interest in the Company?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA had not worked in the Company two years prior to his/her CPA practice?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA does not have his/her name used by others?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA and/or members of the audit team does/do not own shares of the Company?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA does not loan to nor from the Company?</td><td>Comply</td></tr>
<tr><td>Is it that the appointed CPA does not have co-investment or profit-sharing relationship with the</td><td>Comply</td></tr>
</table></td><td>No significant deviation</td></tr>
</table>

Evaluation Item		State of Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
		Yes	No	Summary	
				Company?	
				Is it that the appointed CPA does not concurrently hold any regular position with the Company, nor receive fixed salary from the Company, nor be a director of the Company?	Comply
				Is it that the appointed CPA does not involve in the management competence of the Company as to make decisions?	Comply
				Is it that the appointed CPA does not charge any commission in connection with the business?	Comply
				Is it that the appointed CPA is not a spouse, a lineal relative by blood or by marriage, or a relative within second degree of kinship of the responsible person or any managerial officer of the Company?	Comply
				Is it that the appointed CPA is not an engagement partner who has audited or certified the Company's financial statements for more than 7 straight years?	Comply
IV.	Has the publicly-listed company set up an exclusively (or concurrently) dedicated unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, handling matters related to Board of Directors meetings and Shareholders' meetings according to the laws, processing company registration and change of registration and preparing minutes of the Board of Directors meetings and shareholder meetings)?	v		The President Office is responsible for handling governance related affairs (including but not limited to supplying information requested by the Directors and Supervisors, handling matters related to Board of Directors meetings and Shareholders' meetings according to the laws, processing company registration and change of registration and preparing minutes of the Board of Directors meetings and shareholder meetings).	No significant deviation
V.	Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section on the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	v		Communication between Senhwa and stakeholders are based on the principle of good faith. The Company maintains good communication channels and positive interactions. Senhwa has established a dedicated section on the website to provide all relevant information of the Company.	No significant deviation
VI.	Has the Company commissioned a professional stock affairs agency to hold shareholders meetings and other relevant affairs?	v		The Company has appointed the stock agency department of a major securities firm to process affairs related to shareholders meetings.	No significant deviation

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary	
VII. Information Disclosure (I) Has the Company established a website to disclose information on financial operations and corporate governance? (II) Has the Company adopted other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website)?	v v		(I) Senhwa's website is http://www.senhwabio.com and it provides company information to the general public. The Market Observation Post System (MOPS) can also be used to obtain related information on the Company. Senhwa's important financial and business information is timely disclosed on MOPS. (II) Senhwa has assigned dedicated personnel to take charge of information collection and disclosure in accordance with regulatory requirements. The Company aims to provide information that affect shareholders and stakeholders' decisions in a timely manner and we have assigned suitable personnel to serve as the spokesperson and acting spokesperson in accordance with regulations.	No significant deviation No significant deviation
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	v		(I) Employee rights: The Company has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act. (II) Employee care: The Company has established a welfare system that provides stability for employees' lives and a sound education and training system, which builds good relations with employees based on mutual trust and reliance. (III) Investor relations: The Company has established a spokesperson system and assigned dedicated personnel for stock affairs. We have also assigned personnel to take charge of investor relations and related affairs. (IV) Supplier relations: The Company has always maintained good relations with suppliers. (V) Stakeholder rights: Stakeholders have access to public information to fully understand the Company's operations. They can also communicate and make recommendations to Senhwa to protect their legal interests. (VI) Continuing Education of Directors and Supervisors: The Company has made arrangements for Directors to participate in related corporate governance courses. In addition, it also provides Directors and Supervisors with timely updates on changes in related corporate governance regulations. Attendance of the Company's Directors and Supervisors in Board of Directors meetings is normal and Directors	No significant deviation

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary	
			may not vote on agendas that pose conflicting interests between them and the Company. (VII) Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with regulations. (VIII) Implementation of customer policies: The Company maintains stable and good relations with customers. (IX) Purchase of liability insurance for Directors and Supervisors: The Company has purchased liability insurance policies for Directors and Supervisors in accordance with the Articles of Incorporation.	
IX. Improvements made in response to the results of corporate governance evaluation in the most recent year conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Companies not evaluated are exempt from such a disclosure): According to the results of the 2018 Corporate Governance Evaluation, the Company was ranked among the 21% ~ 35% range of listed companies traded at OTC market. Due to that the Company reviews each of the non-compliance items and the feasibility of future strategies each year, we strike a balance between the policy development of the competent authority and the development of the Company each year and improve what could be improved at the present.				

(IV) Composition, duties, and operation of the Remuneration Committee:

The Company's Remuneration Committee was established on October 14, 2014. The 1st and 2nd-term members are the same, including: Mr. Kuo-Shiang Lee, Ms. Yeu-Chuyr Chang, and Mr. Ting-Hao Ho. Their main duty is to improve the remuneration system for the Company's Directors, Supervisors, and managerial officers and submit their recommendations to the Board of Directors for discussion.

1. Information of Members of the Remuneration Committee

Identity (Note 1)	Criteria / Name (Note 2)	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks (Note 3)
		Currently serving as an instructor or higher post in a public or private college or university in the field of business, law, finance, accounting, or programs necessary for the Company's business	Serving as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience for business, legal affairs, finance, accounting, or other professions necessary for the Company	1	2	3	4	5	6	7	8		
Independent Director	Kuo-Shiang Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliant to laws and regulations
Independent Director	Yeu-Chuyr Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliant to laws and regulations
Others	Ting-Hao Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: In the Title column, please identify whether the person is a director, independent director or other.

Note 2: Please tick the boxes below each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service.✓

(1) Not employed by the Company or any of its affiliated companies.

(2) Not serving as the Director and Supervisor of the Company or any of its affiliated companies. However, this restriction does not apply to Independent Directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with the Securities and Exchange Act or laws of the registered country.

(3) Not a natural person shareholder who holds more than 1% of total shares issued by the Company or is one of the top 10 shareholders by number of shares held, including shares held in the name of the person's spouse and minors, or in the name of others

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship listed in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual, proprietorship, partner, or company/institution owner, partner, director (member of the governing board), supervisor (member of the supervisory board), managerial officer and spouse of any of these persons that provides business, legal, financial and/or accounting services or consultation to the Company or its affiliates.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

Note 3: If the member is a Director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Current term for the members:

The 2nd term was from August 11, 2017 to June 15, 2020 (same as the expiry date of the tenure of the 3rd-term Board of Directors).

The Remuneration Committee convened 5 meetings in the most recent year (2018) and 2 meetings in 2019 up to the publication date of this Annual Report, in a total of 7 meetings. The qualification and attendance of members are listed as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (B/A)	Remarks
Convener	Kuo-Shiang Lee	6	1	85.71	
Committee Member	Yeu-Chuyr Chang	7	0	100.00	
Committee Member	Ting-Hao Ho	7	0	100.00	

Other matters to be noted:

I. If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date and session of the Board of Directors meeting, content of proposals, voting results and handling of opinions of the Remuneration Committee by the Company should be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons should be stated): None.

II. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, content of proposals, all the members' opinions and handling of these opinions should be stated: None.

(V) Corporate social responsibility (CSR) implementation: The Company's CSR practices, such as environmental protection, community engagement, social contribution, social service, social welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation:

Performance of Corporate Social Responsibility

Evaluation Item	State of Operations			Discrepancies between its implementation and Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary Description	
I. Implementing corporate governance				
(I) Has the Company established CSR policies and systems and reviewed the effectiveness of CSR actions?	v		(I) The Company's Board of Directors has established the "Corporate Social Responsibility Best Practice Principles" and will continue to review the performance.	No significant deviation
(II) Has the Company provided regular training on CSR topics?	v			
(III) Has the Company established an exclusively (or concurrently) dedicated unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters and report its implementation to the Board of Directors?	v		(II) The Company has established Corporate Social Responsibility Best Practice Principles and placed it in a public folder for employees to use as reference. (III) To strengthen CSR management, the Company has assigned dedicated personnel in the President Office to take charge of the execution and implementation of CSR policies on a part-time basis.	No significant deviation No significant deviation
(IV) Has the Company established a relevant salary and compensation policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?	v		(IV) The Company has included Corporate Social Responsibility Best Practice Principles into its internal control system and established "Work Rules" to specify effective reward and punishment system. The compliance status has been included in the internal control and internal audit systems to effectively integrate employee performance review system with CSR policies.	No significant deviation
II. Developing sustainable environment				
(I) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	v		(I) Senhwa specializes in the research and development of new pharmaceuticals and does not conduct production or consume raw materials.	No significant deviation
(II) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	v		(II) Senhwa specializes in the research and development of new pharmaceuticals which has not incurred industry-specific environmental management issues. However, the	No significant deviation
(III) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy	v		Company organizes education on environmental protection issues for employees and require their compliance. (III) Senhwa has assigned environmental and health	 No significant deviation

Evaluation Item	State of Operations			Discrepancies between its implementation and Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary Description	
consumption, carbon emissions, and greenhouse gas production?			management personnel to take charge of related affairs. In addition, Senhwa also encourages employees to turn off unnecessary lighting, make good use of the Internet and other communication platforms, recycle resources, and implement other energy conservation and carbon emissions reduction measures.	
III. Upholding public interests				
(I) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	v		(I) Senhwa fully complies with related labor regulations and has established related labor work procedures to protect laborers and prevent violations against their basic rights.	No significant deviation
(II) Has the Company established employee complaint and grievance mechanisms and channels, and handled employee complaints and grievances appropriately?	v		(II) Senhwa maintains smooth communication channels between labor and management and there has been no complaints from employees.	No significant deviation
(III) Does the Company provide employees with safe and healthy work environment and organize regular classes on health and safety?	v		(III) Senhwa has established human resources policies and upholds principles for protecting basic labor rights. We also purchase group insurance for employees and provide them with safe and healthy work environment. We also organize regular classes on work safety and health in meetings.	No significant deviation
(IV) Has the Company established mechanisms to regularly communicate with its employees and appropriately notified its employees of operational changes that may result in material effects?	v		(IV) Senhwa has established consultation, participation, and communication work procedures and organizes weekly meetings for all staff members. The Company has established a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.	No significant deviation
(V) Has the Company established an effective career development plan for its employees?	v		(V) Senhwa has effectively enhanced employees' professional career development through internal and external training to effectively train and encourage employees.	No significant deviation
(VI) Has the Company formulated policies and systems of appeal for consumer rights in terms of research and development, purchase, production, operations, and services?	v		(VI) Senhwa has established open channels to provide customer services. The Company has also established a Contact Us section on the company website and assigned dedicated personnel to process related affairs.	No significant deviation
(VII) Does the Company comply with relevant laws and international regulations governing the marketing and labeling of its products and services?	v			
(VIII) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with the said supplier?	v			
(IX) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said suppliers violate	v			

Evaluation Item	State of Operations			Discrepancies between its implementation and Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary Description	
the Company's corporate social responsibility policy and cause significant effects on the environment and the society?			(VII) The Company's main business activities involve the research and development of new pharmaceuticals and we have not yet implemented related marketing activities. (VIII) All suppliers of the Company must abide by Senhwa's CSR Policy. A supplier with a record of impacting the environment and society shall be blacklisted so that Senhwa and suppliers may jointly foster a stronger sense of corporate social responsibility. (IX) The Company's main business activities involve the research and development of new pharmaceuticals and most suppliers are service providers. However, the Company has included CSR policies and implementation of suppliers into the evaluation of suppliers. Senhwa may terminate or rescind the contract at any time if the said suppliers cause significant impacts on the environment and the society.	No significant deviation No significant deviation No significant deviation
IV. Enhancing information disclosure (I) Does the Company disclose relevant and reliable information related to CSR on its official website and MOPS?	v		(I) Senhwa has disclosed relevant information regarding its corporate social responsibility on MOPS and the annual report issued in the shareholders meeting.	No significant deviation
V. Where the Company has stipulated its own Corporate Social Responsibility Best Practice Principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the company: No Deviation.				
VI. Other important information helpful in understanding CSR operation: Senhwa recognizes the impact of companies on social responsibilities and works hard in its business operations to provide employees with a stable and high-quality work environment and maximize benefits for shareholders and related stakeholders. In the future, in addition to professional trainings for our employees, we shall actively demonstrate our commitment to corporate social responsibilities and strengthen the Company's core values.				
VII. The Company shall specify if the Company's CSR Report has passed the relevant accreditation awarded by any validation agency: The Company has not yet compiled CSR reports.				

(VI) Implementation of ethical corporate management and measures for its implementation:

Implementation of ethical corporate management

Evaluation Item	Implementation Status (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary Description	
I. Formulating policies and plans for ethical corporate management				
(I) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's Board of Directors and management actively fulfilling their commitment to corporate policies?	v		(I) Senhwa upholds ethical, transparent, and responsible management ideals and established a sound corporate governance and risk management system in compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEx listing rules, and other regulations as the underlying premise for ethical corporate management. Senhwa also followed rules in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and established the "Ethical Corporate Management Best Practice Principles" for implementation in internal management and external business activities.	No significant deviation
(II) Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within the said plan? Is the plan implemented accordingly?	v		(II) The Company has established Ethical Corporate Management Best Practice Principles to prevent unethical behavior.	No significant deviation
(III) Has the Company established preventive measures for the items prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other business activities with a higher risk of being involved in an unethical conduct within the Company's scope of business?	v		(III) Senhwa has established Ethical Corporate Management Best Practice Principles for implementation. The Company strictly prohibits Directors, Supervisors, managerial officers, employees, and substantial controllers of the Company from directly or indirectly offering, promising to offer, requesting or accepting any form of inappropriate benefits in the Company's	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary Description	
			operations and business or providing illegal political donations.	
II. Implementing ethical corporate management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	v		(I) The Company engages in business activities in a fair and transparent manner and considers the business integrity records of transaction counterparties. The Company has included corporate governance status in the evaluation of main suppliers.	No significant deviation
(II) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management under the Board of Directors? Does the said unit regularly report to the Board of Directors on the state of its activities?	v		(II) To enhance ethical corporate management, the Internal Audit Office is responsible for the supervision and implementation of ethical corporate management policies and reports to the Board of Directors.	No significant deviation
(III) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	v		(III) A recusal system for Directors for the avoidance of conflicts of interest is specified in the Company's "Rules of Procedure for Board of Directors Meeting". The Company's Directors shall exercise a high degree of self-discipline. A Director may offer his opinions and answers to related questions but is prohibited from participating in discussion of or voting on any proposal of a Board of Directors meeting where the Director or any institution that the Director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a Director vote on such proposal as proxy for any other Director in such circumstances.	No significant deviation
(IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the company's internal audit unit or commissioned to a CPA?	v		(IV) The Company has established and enforced an accounting system and internal control system and regular audits are	No significant deviation
(V) Does the Company regularly organize internal and external training for ethical corporate management?	v			

Evaluation Item	Implementation Status (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary Description	
			carried out by the Company's internal auditors. (V) The Company educates all employees on the corporate ideals of ethical corporate management in training for new employees and courses on regulations.	No significant deviation
III. Status for enforcing whistle-blowing systems in the Company				
(I) Has the Company established concrete whistle-blowing and reward systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	v		(I) The Company has established human resources management regulations and established whistle-blowing channels in the chapter on processing complaints.	No significant deviation
(II) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	v		(II) The Company has established human resources management regulations and established SOPs and related confidentiality mechanisms in the chapter on processing complaints.	No significant deviation
(III) Has the Company adopted protection against inappropriate disciplinary actions for the whistle-blower?	v		(III) The Company has established human resources management regulations and established related protection measures in the chapter on processing complaints.	No significant deviation
IV. Enhancing information disclosure				
(I) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?	v		The Company has established the Ethical Corporate Management Best Practice Principles and readily discloses information on MOPS in accordance with the laws.	No significant deviation
V. Where the Company has stipulated its own Ethical Corporate Management Best Practice Principles according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between its implementation and the prescribed best practices: No Deviation.				
VI. Other important information helpful in understanding the company's ethical management: (e.g., the company's amendment of its Ethical Corporate Management Best Practice Principles) None.				

(VII) If the company has established Corporate Governance Best Practice Principles and related regulations, the methods of inquiry of such regulations shall be disclosed:

The Company has established the “Ethical Corporate Management Best Practice Principles” and “Remuneration Committee Charter” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and uploaded them to the Market Observation Post System (http://mops.twse.com.tw).

(VIII) Other important information to facilitate better understanding of the company’s corporate governance activities:

1. Employees' rights and care:

   The Company has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act. The Company has established a welfare system that provides stability for employees’ lives and a sound education and training system to build good relations with employees based on mutual trust and reliance.

2. Investor relations

   The Company has established a spokesperson system and assigned dedicated personnel for related investor relations and stock affairs.

3. Continuing education of Directors and Supervisors:
   The Company has made arrangements for Directors to participate in related corporate governance courses. In addition, it also provides Directors and Supervisors with timely updates on changes in related corporate governance regulations. Attendance of the Company's Directors and Supervisors in Board of Directors meetings is normal and Directors may not vote on agendas that pose conflicting interests between directors and the Company.
4. Implementation of risk management policies and risk assessment standards:
   The Company implements related risk management based on the principle of stability. We have established a rigid internal control system to prevent risks. In addition to scheduled and occasional audits by internal auditors on the implementation of the internal control system, the Company has also purchased insurance policies. In addition, the Company has established "Ethical Corporate Management Best Practice Principles" and shall strengthen corporate governance based on related regulations.
5. Status of licenses required by competent authorities held by personnel of the Company involved in the transparency of financial information:

Certification Name	Number of Shareholders	
	Finance and accounting	Audit
Certified Public Accountant of the Republic of China	1	
Certified Securities Investment Analyst		
International Certified Internal Auditor		1
Certification in Control Self-Assessment		
Certified Public Bookkeepers		
Securities Firm Sales Representative	1	

6. Education and Training on Corporate Governance Taken By Managerial Officers in 2018

Title	Name	Date of Studies	Organizer	Course Title	Length of the Curriculum
President	Tai-Sen Soong	May 8, 2018	Securities & Futures Institute	Intersection of Theory and Practice of Corporate Secretariat - New Corporate Governance System under the Full Amendment to the Company Act	3
		November 5, 2018	Securities & Futures Institute	Case Analysis: Directors and supervisors guilty for	3

Title	Name	Date of Studies	Organizer	Course Title	Length of the Curriculum
				criminal Breach of Trust and the establishment of Special Breach of Trust	
Chief Financial Officer and Supervisor of the Administrative and Finance Department	Sarah Chang	September 25, 2018 ~ September 26, 2018	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Manager and Supervisor of Internal Audit Office	Maggie Lin	June 27, 2018	Accounting Research and Development Foundation	Internal Audit and Internal Control Practices of the New IFRS 16 Lease Accounting	6
		September 17, 2018	Accounting Research and Development Foundation	The Effect of the latest amendment to the Company Act on the practice of internal control and internal audit, and the response thereto.	6
		December 26, 2018	Computer Audit Association	Sample template for design of self-assessment questionnaire _ five major components under the COSO framework as required by internal control regulations	6

(IX) Implementation of Internal Control System

1. Statement of Internal Control System: Please refer to page 52 of this Annual Report.
2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

(X) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent year up to the publication date of this Annual Report: None.

Senhwa Biosciences, Inc.
Statement of Internal Control System

Date: March 25, 2019

Based on the findings of a self-assessment, Senhwa Biosciences, Inc. hereby states the following with regard to its internal control system during the year from January 1, 2018 to December 31, 2018:

I. The Company is clearly aware that establishing, implementing, and maintaining the internal control system is the responsibility of the Company's Board of Directors and the managerial officers. The Company has already implemented this system in place. The objectives of this system are to ensure the achievement of various goals including operational benefits and efficiency, the reliability, timeliness, transparency of the reporting and compliance of related regulations and laws.

II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned three objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company determines whether the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1.Control Environment, 2.Risk Assessment, 3.Control Activities, 4.Information and Communication, and 5.Monitoring Activities. Each component is also composed of several items. Please refer to the Regulations for the above items.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over its operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement will become an integral part of the Company's Annual Report and Public Statement to investors and will also be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. This Statement has been approved by the Board of Directors in their meeting held on March 5, 2019, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

Senhwa Biosciences, Inc.

Chairman: Benny T. Hu (Signature)

President: Tai-Sen Soong (Signature)

(XI) Major resolutions of the Shareholders' Meeting, Board of Directors and the Remuneration Committee at the most recent fiscal year and the current fiscal year up to the publication date of the annual report:

1. Summary of proposals in the Shareholders Meeting

Time	Item	Summary of Proposal (Note)
2018.05.17	2018 Annual General Meeting	I. Reports: 1. 2017 Business Report 2. Supervisor's Review Report on the 2017 financial statements 3. Report of the accumulated losses and the implementation status report for the fourth quarter of 2017. 4. Amendments to the Rules of Procedure for Board of Directors Meetings. II. Proposals: 1. Approval of the 2017 Financial Statements and 2017 Business Report Implementation status: Voted and approved as proposed. 2. Approval of the 2017 loss makeup proposal. Implementation status: Voted and approved as proposed. III. Matters for Discussion 1. Amendment of Senhwa's Articles of Incorporation. Implementation status: MOEA approved the registration on March 31, 2018 and the result was disclosed on the Company's website. IV. Motions: Omitted

Note: All proposals and discussions were approved by shareholders in attendance and passed in the resolution.

2. Summary of proposals in the Board of Directors meetings

Time	Item	Summary of Proposal (Note)
2018.02.13	4th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. Approval of the 2017 Business Report and Financial Statements. 2. Approval of the 2017 loss makeup proposal. 3. Approval of the accumulated losses and the implementation status report for the fourth quarter of 2017. 4. Amendment to the Company's "Articles of Incorporation". 5. Amendment to certain provisions of the Company's "Remuneration Committee Charter" and "Corporate Governance Best Practice Principles". 6. Establishment of Senhwa's "Board of Directors Performance Evaluation Guidelines" 7. Submission of the Company's "Internal Control System Statement" from January 1 to December 31, 2017. 8. Planning of the 2018 Annual General Meeting 9. Proposal for the employee's exercise of stock options for common shares. 10. Signing of the joint development project between Senhwa and Bioyo Biotech Co., Ltd. 11. Approval of the appointment of CPAs for reviewing or auditing the Company's financial statements for 2018 and the fee for CPAs.

Time	Item	Summary of Proposal (Note)
		12. Review of the Company's proposal for salary and compensation for Directors, Supervisors, and managerial officers in 2018. 13. Change of the research and development supervisor.
2018.05.08	5th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. Proposal to increase the reporting items at the 2018 Annual General Meeting. 2. Proposal for the employee's exercise of stock options for common shares.
2018.05.17	6th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. Proposal to issue the first employee stock option certificates of the Company for 2018. 2. Lists of employees entitled to the first employee stock option certificates issued by the Company for 2018 3. It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager", "Summary of Current Remuneration Projects for Directors, Supervisors and Managers" and "Comparison Table for Employee Levels/Titles/Salaries". 4. Mr. Keith Chan, the consultant of the Company, was transferred to be a representative of a Corporate Director. It is proposed that he receive the attendance fee for attending the Board Meeting in the amount equal to that paid to an independent Director.
2018.08.13	7th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. It is proposed to adopt the Company's 2018 Q2 Consolidated Financial Statements 2. It is proposed to hire Ms. Mei-Hui Kuo as the Chief Operating Officer and Supervisor of the Clinical Department of the Company. 3. It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager" and "Comparison Table for Employee Levels/Titles/Salaries" to be in line with the salary adjustments due to recruitment. 4. It is proposed to amend the Company's "BM-003 Article of Incorporation". 5. Proposal on employee's exercise of stock options for common shares in 2014. 6. Proposal on employee's exercise of stock options for common shares in 2016. 7. Amend the Company's 2018 annual issuance of employee stock option certificates and share subscription regulations. 8. Transaction between the Company and related parties.
2018.11.08	8th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. It is proposed to adopt the Company's 2018 Q3 Consolidated Financial Statements 2. Proposal to replace the appendix tables attached in "BM-007 Regulations for Job Duty Authorization and Deputy Management" of the Company 3. Amendment to certain provisions of the Company's "Accounting System". 4. Approval of the 2019 annual budget of the Company and the U.S. subsidiaries 5. The Company's 2019 Audit Plan. 6. Audit Plan for the US subsidiaries 7. Proposal to distribute the 2018 year-end bonus for managers of the Company. 8. Proposal on employee's exercise of stock options for common shares in 2014.

Time	Item	Summary of Proposal (Note)
		9. Proposal on employee's exercise of stock options for common shares in 2016. 10. Approval of the appointment of CPAs for reviewing or auditing the Company's financial statements for 2019 and the fee for CPAs.
2018.12.04	9th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. Lists of employees entitled to the second issuance of employee stock option certificates in 2018 issued by the Company.
2019.03.25	10th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. Approval of the 2018 Business Report and Financial Statements. 2. Approval of the loss makeup proposal for 2018. 3. Approval of the accumulated losses and the implementation status report for the fourth quarter of 2018. 4. Amendment to the Company's "Articles of Incorporation". 5. Amendments to the provisions of the "Operation Directions for Compliance with the Establishment of Board of Directors and the Board's Exercise of Powers", the "Corporate Governance Best Practice Principles" and the "Regulations Governing Evaluation of Board Performance". 6. Proposal to formulate the "Audit Committee Charter". 7. Passed the proposal to amend the Company's "Procedure for Acquisition and Disposal of Assets". 8. To revise certain provisions of the Company's "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees" 9. Submission of the Company's "Internal Control System Statement" from January 1 to December 31, 2018. 10. Planning of the 2019 Annual General Meeting 11. Proposal of the Company's intention to terminate technology licensing agreement with Chaperone Therapeutics, Inc., an U.S. company. 12. Extension of the joint development project between Senhwa and Bioyo Biotech Co., Ltd. 13. Approval of the proposal to replace CPAs for reviewing or auditing the Company's financial statements for 2019. 14. Review of the Company's proposal on remuneration of Directors, Supervisors, and managerial officers in 2019. 15. To prescribe the Company's "Regulations for Employee Incentive Bonus". 16. Proposal on employee's exercise of stock options for common shares in 2014. 17. Proposal on employee's exercise of stock options for common shares in 2016. 18. To amend certain provisions of the "Article of Incorporation" and "Regulations for Job Duty Authorization and Deputy Management" of SENHWA BIOSCIENCES CORPORATION, a US subsidiary.
2019.05.09	11th meeting of the third-term Board of Directors Board of Directors	Proposals: 1. It is proposed to adopt the Company's 2019 Q1 Consolidated Financial Statements 2. The Company intends to sign an agreement with Company A who will render consultant service on the licensing of commercialization of the Company's new drugs.

Time	Item	Summary of Proposal (Note)
		3. Lists of employees entitled to the third round of the first issuance of employee stock option certificates in 2018 issued by the Company. 4. Proposal on employee's exercise of stock options for common shares in 2014. 5. Proposal on employee's exercise of stock options for common shares in 2016. 6. Change of deputy spokesperson

Note: All proposals and discussions were approved by Directors in attendance and passed in the resolution. There were no other proposals or motions.

3. Summary of proposals in the Remuneration Committee meetings

Time	Item	Summary of Proposal (Note)
2018.02.13	2nd meeting of the second-term Remuneration Committee Remuneration Committee	Proposals: 1. Review of the Company's proposal for salary and compensation for Directors, Supervisors, and managerial officers in 2018.
2018.05.17	3rd meeting of the second-term Remuneration Committee Remuneration Committee	Proposals: 1. Proposal to issue the first employee stock option certificates of the Company for 2018. 2.Lists of employees entitled to the first employee stock option certificates issued by the Company for 2018. 3.It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager", "Summary of Current Remuneration Projects for Directors, Supervisors and Managers" and "Comparison Table for Employee Levels/Titles/Salaries". 4.Mr. Keith Chan, the consultant of the Company, was transferred to be a representative of a Corporate Director. It is proposed that he receive the attendance fee for attending the Board Meeting in the amount equal to that paid to an independent Director.
2018.08.13	4th meeting of the second-term Remuneration Committee	Proposals: 1. It is proposed to amend the Company's "Salary of Directors, Supervisor and Manager" and "Comparison Table for Employee Levels/Titles/Salaries" to be line with the salary adjustments due to recruitment.
2018.11.05	5th meeting of the second-term Remuneration Committee	Proposals: 1. Proposal to distribute the 2018 year-end bonus for managers of the Company.
2018.12.04	6th meeting of the second-term Remuneration Committee	Proposals: 1. Lists of employees entitled to the second issuance of employee stock option certificates in 2018 issued by the Company.
2019.03.25	7th time, 2nd session Remuneration Committee	Proposals: 1. Review of the Company's proposal for salary and compensation for Directors, Supervisors, and managerial officers in 2019. 2.To prescribe the Company's "Regulations for Employee Incentive Bonus".
2019.05.09	8th meeting of the second-term Remuneration Committee	Proposals: 1. Lists of employees entitled to the third round of the first issuance of employee stock option certificates in 2018 issued by the Company.

Note: All proposals and discussions were approved by all members in attendance and passed in the resolution. There were no other proposals or motions.

(XII) Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by Directors or Supervisors, and are documented or issued

through written statements, in the most recent year up to the publication date of this Report: None.

(XIII) Resignation and dismissal of managerial officers including the Company's Chairman, President, accounting officer, financial officer, internal auditor officer, R&D officer) in the most recent year up to the publication date of the Report:

March 1, 2018

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
Vice President and Supervisor of the Clinical Department	Polly Lin	2016.07.01	2018.03.01	Internal work adjustment or reassignment

V. Information of Fees to CPA

Name of Accounting Firm	Name of CPA		Audit Period	Note
PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng	Audrey Tseng	January 1st, 2018 to December 31st, 2018	

Table on the range of professional charge of the CPA

Unit: NT$1,000

Fee range \ Professional charge		Audit fees	Non-Audit Fees	Total
1	Less than NT$2,000,000	✓	✓	✓
2	NT$2,000,000 (inclusive) to NT$4,000,000			
3	NT$4,000,000 (inclusive) to NT$6,000,000			
4	NT$6,000,000 (inclusive) to NT$8,000,000			
5	NT$8,000,000 (inclusive) to NT$10,000,000			
6	More than 10,000,000 (inclusive)			

(I) If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services shall be disclosed:

Unit: NT$1,000

Name of Accounting Firm	Name of the accountants	Audit fees	Non-Audit Fees					Audit Period	Note
			System design	Business registration	Human resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng Audrey Tseng	1,350	–	–	–	144	144	January 1, 2018 ~ December 31, 2018	Non-audit services is mainly service on certification of capital increase by SPO.

(II) Companies that have switched accounting firms and whose annual audit expenses are less than that of the previous year prior to the switch: None.

(III) Audit expenses have decreased by 15% or more from the previous period: None.

VI. Information of Changing CPAs: In line with the organization adjustment of PricewaterhouseCoopers, Taiwan, the Company replaced CPAs with CPA Sheng-Wei Teng and CPA Shu-fen Yu on January 4, 2019.

VII. The Chairman, President and Financial or Accounting Manager of the company who had worked for the independent auditor or the related party in the past year: None.

VIII. Changes in transfer or pledge of shares made by directors, supervisors, managers, and/or major shareholders holding more than ten percent (10%) of the Company's shares in the most recent year and as of the publication date of the annual report:

(I) Changes in shareholdings of Directors, Supervisors, managerial officers and substantial shareholders.

Unit: Shares

Title	Name	2018		Up to April 30, 2019	
		Increase (Decrease) in shares held	Increase (Decrease) in equity pledged	Increase (Decrease) in shares held	Increase (Decrease) in equity pledged
Chairman	Ding li Development Ltd.	—	—	—	—
	Representative: Benny T. Hu	—	—	—	—
Director	Ding li Development Ltd.	—	—	—	—
	Representative: Lu-chieh Wang (Note 3)	—	—	—	—
	Ding li Development Ltd.	—	—	—	—
	Representative: Keith Chan (Note 4)	—	—	—	—
Director	Chuan-Pu Investment Holding Co., Ltd.	—	—	—	—
	Representative: Jeff Chen	—	—	—	—
Director	Riviera Investment Ltd.	—	—	—	—
	Representative: Hung-ming Hsieh	—	—	—	—
Director and President	Tai-Sen Soong	—	—	—	—
Director, Director of Project Development & Management Dept and Director of Clinical Department (Note 1)	Polly Lin	12,000	—	—	—
Independent Director	Kuo-Shiang Lee	—	—	—	—
Independent Director	Yeu-Chuyr Chang	—	—	—	—
Supervisor	Xwise Inc.	—	—	—	—
	Representative: Chi-hai, Lin	—	—	—	—
Supervisor	Chia-Hung Lee	—	—	—	—
Supervisor (Note 1)	Eric Hu	—	—	—	—
Chief Operating Officer (Note 5)	Mei-Hui Kuo	—	—	—	—

Title	Name	2018		Up to April 30, 2019	
		Increase (Decrease) in shares held	Increase (Decrease) in equity pledged	Increase (Decrease) in shares held	Increase (Decrease) in equity pledged
Director of R&D Department (Note 2)	Chen-Fu Liu	—	—	—	—
Chief Financial Officer and Supervisor of the Administrative and Finance Department	Sarah Chang	24,000	—	—	—
Internal Audit Manager	Maggie Lin	—	—	—	—

Note 1: The Company's 2nd-term Directors and Supervisors were dismissed in the reelection on June 16, 2017. In addition, the head of R&D Department was dismissed due to job reassignment on March 1, 2018. Information after March 1, 2018 is therefore not provided.

Note 2: The head of R&D Department was re-appointed due to job reassignment on March 1, 2018. Information after March 1, 2018 is therefore not provided.

Note 3: The previous representative of Ding li Development Ltd. was Lu-Chieh Wang. Ding li appointed the representative, Keith Chan as new Director on April 16, 2018. Therefore, information on Director Lu-chieh Wang after April 16, 2018 is not provided.

Note 4: The previous representative of Ding li Development Ltd. was Lu-Chieh Wang. Ding li appointed the representative, Keith Chan as new Director on April 16, 2018. Therefore, information on Director Keith Chan before April 16, 2018 is not available.

Note 5: The Company newly appointed the Chief Operating Officer on April 24, 2018. Therefore, information before such date is not available.

(II) Information on a counter-party of the equity transfer from Directors, Supervisors, managerial officers and any shareholder holding over 10% of shares that is also a related party: None.

(III) Information on a counter-party of the equity pledge from Directors, Supervisors, managerial officers and any shareholder holding over 10% of shares that is also a related party: None.

IX. Information disclosing the Spouse, Kinship within the second degree and relationship between any of the top-10 shareholders

April 26, 2019; Unit: Shares

Name	Current Shareholding		Spouse's & Minor's Shareholding		Shareholding by Nominee Arrangement		Titles, names and relations between top 10 shareholders (related party, spouse, or kinship within the second degree)		Remarks
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Item	Relationship	
Panlabs Biologics Inc. Representative: Benny T. Hu	5,729,141	7.69	—	—	—	—	Ding li Development Ltd.	Same person in charge	—
							Hu Bee Hwa Investment Limited	The representatives of the two companies are second degree relatives.	—
							Riviera Investment Ltd: Hung-ming Hsieh	Hung-ming Hsieh is the representative of the juristic-person director.	—
Mega Universal Holdings Limited Representative: Wei-lien Chung	4,096,513	5.50	—	—	—	—	Hantech Venture Capital Corporation	Wei-lien Chung is the president.	—
Ding li Development Ltd. Representative: BENNY T. HU	3,778,374	5.07	—	—	—	—	Panlabs Biologics Inc.	Same person in charge	—
							Hu Bee Hwa Investment Limited	The representatives of the two companies are second degree relatives.	—
Hu Bee Hwa Investment Limited Representative: Te-ju Hu	3,619,374	4.86	—	—	—	—	Panlabs Biologics Inc.	The representatives of the two companies are second degree relatives.	—
							Ding li Development Ltd.	The representatives of the two companies are second degree relatives.	—
							Formosa Laboratories, Inc.	Acted as the juridic-person supervisor of Formosa Laboratories, Inc.	—
Pacific BioScience Management Inc. Representative: Yu-chun Chang	3,567,244	4.79	—	—	—	—	—	—	—
Hantech Venture Capital Corporation Representative: Chung-ying Hu	2,531,055	3.40	—	—	—	—	Mega Universal Holdings Limited	President&CEO Wei-lien Chung is the Director.	—
POINTER VENTURES INC. Representative: I-yen Lu	2,301,441	3.09	—	—	—	—	—	—	—
Te-hung Investment Co., Ltd. Representative: Li Lin, Kuo-tai	2,140,000	2.87	—	—	—	—	—	—	—

Name	Current Shareholding		Spouse's & Minor's Shareholding		Shareholding by Nominee Arrangement		Titles, names and relations between top 10 shareholders (related party, spouse, or kinship within the second degree)		Remarks
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Item	Relationship	
Riviera Investment Ltd. Representative: Hung-ming Hsieh	1,925,153	2.58	—	—	—	—	Formosa Laboratories, Inc.	Acted as the juridical-person director of Formosa Laboratories, Inc.	—
							Panlabs Biologics Inc.	Hung-ming Hsieh is the representative of the juristic-person director.	—
Formosa Laboratories, Inc. Representative: C.Y. Cheng	1,675,147	2.25	—	—	—	—	Riviera Investment Ltd.	Riviera Investment Ltd. is the juridical-person Director.	—
							Hu Bee Hwa Investment Limited	Hu Bee Hwa Investment Limited is the juridical-person Supervisor	—

X. The shareholding of the Company's Directors, Supervisors, Management and the Business that is controlled directly or indirectly on the invested company:

Date of Data: December 31, 2018/Unit: thousand shares; %

Investment Entities	Investments by this Company		Investments of directors, supervisors, managers and directly or indirectly controlled businesses		Total Investments	
	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)
Senhwa Biosciences Corporation	1,000	100%	—	—	1,000	100%

Chapter 4 Capital Overview Financing Status

I. Capital and shares

(I) Source of Share Capital

Unit:NT$1,000; Thousand Shares

Month/Year	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Capitalization	Capital Increase by Assets Other than Cash	Others
Nov. 2012	11.765	100,000	1,000,000	33,999	339,992	Founded with cash	None	Note 1
Sep. 2013	10	100,000	1,000,000	36,499	364,992	Capital increase of NT$85,000 thousand by issuing new shares Capital increase of NT$25,000 thousand by issuing new shares	None	Note 2
Nov. 2013	—	100,000	1,000,000	42,433	424,331	Capital increase of NT$ 59,339 thousand from capital reserve	Capital reserve converted to capital increase	Note 3
Dec. 2013	25	100,000	1,000,000	62,233	622,331	Capital increase Capital increase of NT$198,000 thousand by issuing new shares	None	Note 4
Jul. 2014	10	100,000	1,000,000	62,733	627,331	Exercise of employee stock options NT$5,000 thousand	None	Note 5
Aug. 2014	80	100,000	1,000,000	65,493	654,931	Capital increase of NT$85,000 thousand by issuing new shares Capital increase of NT$27,600 thousand by issuing new shares	None	Note 6
Jan. 2017	12.16	100,000	1,000,000	65,786	657,856	Exercise of employee stock options NT$2,925 thousand	None	Note 7
Mar. 2017	12.16	100,000	1,000,000	65,796	657,956	Exercise of employee stock options NT$100 thousand	None	Note 8
Apr. 2017	162	100,000	1,000,000	74,296	742,956	Capital increase of NT$85,000 thousand by issuing new shares Capital increase of NT$85,000 thousand by issuing new shares	None	Note 9

Month/Year	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Capitalization	Capital Increase by Assets Other than Cash	Others
Sep. 2017	12.16	100,000	1,000,000	74,346	743,456	Exercise of employee stock options NT$ 500 thousand	None	Note 10
Dec. 2017	12.16	100,000	1,000,000	74,393	743,926	Exercise of employee stock options NT$ 470 thousand	None	Note 11
Mar. 2018	12.16	100,000	1,000,000	74,417	744,166	Exercise of employee stock options NT$ 240 thousand	None	Note 12
Dec. 2018	12.16	100,000	1,000,000	74,476	744,756	Exercise of employee stock options NT$590 thousand	None	Note 13

Note 1: Taipei City Government Jing-Deng No. 1015072071 dated November 16, 2012.

Note 2: Taipei City Government Jing-Si No. 1025059618 dated September 23, 2013.

Note 3: Taipei City Government Jing-Si No. 1025069292 dated November 7, 2013.

Note 4: MOEA Jing-Shou-Shang No. 10201252180 dated December 16, 2013.

Note 5: MOEA Jing-Shou-Shang No. 10301162070 dated August 7, 2014.

Note 6: MOEA Jing-Shou-Shang No. 10301188060 dated September 16, 2014.

Note 7: MOEA Jing-Shou-Shang No. 10601006610 dated January 20, 2017.

Note 8: MOEA Jing-Shou-Shang No. 10601049720 dated April 18, 2017.

Note 9: MOEA Jing-Shou-Shang No. 10601056630 dated May 4, 2017.

Note 10: MOEA Jing-Shou-Shang No. 10601144320 dated April 18, 2017.

Note 11: MOEA Jing-Shou-Shang No. 10701005540 dated May 4, 2017.

Note 12: MOEA Jing-Shou-Shang No. 10701039060 dated April 10, 2018.

Note 13: MOEA Jing-Shou-Shang No. 10801007450 dated January 23, 2018.

Unit: Thousand of Shares

Types of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered Common Shares	74,476	25,524	100,000	None

(II) Shareholder structure

April 26, 2019; Unit: Shares

Composition of Shareholders / Quantity	Government Institutions	Financial Institutions	Other Juristic Persons	Individual	Foreign Institutions and Individuals	Total
Number of People (Person)	—	3	38	2,540	19	2,600
Shares Held (Share)	—	926,000	35,121,181	19,640,041	18,788,398	74,475,620
Shareholding Percentage (%)	—	1.24%	47.16%	26.37%	25.23%	100.00%

(III) Distribution of equity ownership

1. Common stock

April 26, 2019

Shareholding Classification	Number of Shareholders	Shares Held	Shareholding Ratio (%)
1 ~ 999	127	14,426	0.02%
1,000 ~ 5,000	1,992	3,512,301	4.72%
5,001 ~ 10,000	199	1,524,152	2.05%
10,001 ~ 15,000	61	765,002	1.03%
15,001 ~ 20,000	28	518,329	0.70%
20,001 ~ 30,000	50	1,265,951	1.70%
30,001 to 50,000	35	1,430,168	1.92%
50,001 ~ 100,000	41	3,016,000	4.05%
100,001 ~ 200,000	19	2,512,401	3.37%
200,001 ~ 400,000	13	3,608,804	4.84%
400,001 ~ 600,000	4	1,839,536	2.47%
600,001 ~ 800,000	5	3,685,000	4.95%
800,001 ~ 1,000,000	5	4,634,852	6.22%
1,000,001 and over	21	46,148,698	61.96%
Total	2,600	74,475,620	100.00%

2. Preferred stock: The Company has not distributed preferred stock.

(IV) List of major shareholders

April 26, 2019; Unit: Shares

Shares Name of Major Shareholder	Shares Held	Shareholding Ratio (%)
Panlabs Biologics Inc.	5,729,141	7.69
Mega Universal Holdings Limited	4,096,513	5.50
Ding li Development Ltd.	3,778,374	5.07
Hu Bee Hwa Investment Limited	3,619,374	4.86
Pacific BioScience Management Inc.	3,567,244	4.79
Hantech Venture Capital Corporation	2,531,055	3.40
POINTER VENTURES INC.	2,301,441	3.09
Ram Tech. Corp.	2,140,000	2.87
Riviera Investment Ltd.	1,925,153	2.58
Formosa Laboratories, Inc.	1,675,147	2.25

(V) Market price, net value, earnings, and dividends per share in the most recent two years

Unit: New Taiwan Dollars (NT$)

Items \ Year			2017	2018	Financial information from the beginning of the current year to April 30, 2019
Market Price per Share (Note 1, Note 2)	Maximum		213.65	129.00	77.10
	Minimum		64.30	63.00	67.40
	Average		126.11	93.36	73.60
Net Worth per Share	Before Distribution		21.08	16.24	—
	After Distribution		21.08	16.24	—
Earnings per Share	Weighted average number of shares (in thousands)		71,782	74,422	—
	Losses per share (Note 3)		(5.18)	(5.05)	—
Dividends per Share	Cash Dividends		—	—	—
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Reverses	—	—	—
	Accumulated unpaid dividend (Note 4)		—	—	—
Return on Investment	Price-to-earning ratio (Note 5)		—	—	—
	Price-to-dividend ratio (Note 6)		—	—	—
	Dividend yield (Note 7)		—	—	—

Note 1: The Company was listed on the Emerging Stock Market on December 4, 2014.

Note 2: The Company was listed on the Over-the Counter Market on April 24, 2017.

Note 3: If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow unpaid dividends for the current year to be accumulated to subsequent years in which there is profit, the Company should separately disclose the accumulated unpaid dividends up to that year.

Note 5: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 6: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year

(VI) Dividend Policy and Implementation:

1. Dividend Policy in the Company's Articles of Incorporation:

   If the Company posts earnings as indicated in its final annual accounts for the year, the Company shall distribute the earnings in the following order:

   (1) Complete taxation in accordance with laws;

   (2) Compensate for losses of previous years;

(3) Appropriate 10% of undistributed earnings as legal reserve; the legal reserve shall be appropriated until the balance equals the Company's paid-in capital;

(4) Appropriate or reverse special reserve in accordance with laws;

If undistributed earnings are still present, the Board of Directors shall draft a proposal for earnings distribution in combination with any accumulated undistributed earnings, and it shall be filed to the shareholders' meeting for distribution. To strengthen the financial structure of the Company and to protect the interests of shareholders, the Company has adopted a balanced dividend policy in which the total dividends distributed for shareholders shall not be lower than 10% of the earnings available for distribution in the current year. In addition, cash dividends shall not be lower than 10% of the total dividends for shareholders.

2. This year's proposed dividend distribution

Senhwa has sustained cumulative losses as of the end of 2018 and there has been no distribution of dividends. It is therefore not applicable.

(VII) The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate: N/A

(VIII) Employee, Director, and Supervisor compensation

1. Quantity or scope of compensation for employees, Directors, and Supervisors as prescribed by the Articles of Incorporation

In case profit is made by the Company for the current period, no less than 10% of the said profit shall be set aside for employees' compensation. The Board of Directors shall determine whether to issue the compensation in shares or cash. Recipients of the said compensation shall include Company employees that satisfy specific criteria. The Company permits the Board of Directors to set aside no more than 2% of the sum of the aforementioned profit as compensation for the Directors and Supervisors. Proposals for the distribution of employees' compensation as well as Directors and Supervisors' compensation shall be submitted to the shareholders' meeting and presented accordingly.

In case of accumulated losses, the Company shall reserve a specific amount to make up for the losses, and then distribute the employees', Directors', and Supervisors' compensation according to the aforementioned percentage.

2. The basis for estimating the amount of employee, Director, and Supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

Senhwa has sustained cumulative losses as of 2018 and therefore did not plan or distribute compensation to employees, Directors, and Supervisors.

3. Compensation or remuneration approved by the Board of Directors: None.
4. Actual distribution of compensation for employees, Directors, and Supervisors (including the number, amount, and price of shares distributed), and where there were discrepancies with the recognized compensation for employees, Directors, and Supervisors for the previous year, the sum, cause, and treatment of the discrepancy shall be described: None.

(IX) Repurchase of Shares by the Company: None.

II. Corporate Bonds : None.

III. Preferred Shares: None.

IV. Global Depository Receipts (GDRs): None.

V. Employee Stock Options:

(I) Issuance of employee stock options:

May 9, 2019

Type of employee stock options	1st time in 2014 Employee stock options	1st time in 2016 Employee stock options	1st time in 2018 Employee stock options		
Effective registration date	October 24, 2014 (Note 1)	July 21, 2016 (Note 2)	March 30, 2018 (Note 3)		
Issuance (processing) date	November 21, 2014	July 27, 2016	May 30, 2018	December 4, 2018	May 9, 2019
Number of issuing units	2,000 units	350 units	700 units	150 units	150 units
Ratio of subscribable shares to total issued and outstanding shares	3.0538%	0.5344%	0.9407%	0.2016%	0.2014%
Period available for subscription	6 years	4 years	7 years	7 years	7 years
Method of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Limited subscription period and proportion (%)	50% subscription right can be exercised after 2 years. . 70% subscription right can be exercised after 3 years. . 90% subscription right can be exercised after 4 years. . 100% subscription right can be exercised after 5 years. .	50% subscription right can be exercised after 2 years. . 100% subscription right can be exercised after 3 years.	50% subscription right can be exercised after 2 years. 75% subscription right can be exercised after 3 years. 100% subscription right can be exercised after 4 years. .		
Executed number of shares obtained	482,500 shares	0 share	0 share	0 share	0 share
Executed subscription amount	NT$5,867,200	NT$ 0	NT$ 0	NT$ 0	NT$ 0
Unexecuted subscription quantity	429,500 shares	350,000 shares	665,000 shares	150,000 shares	150,000 shares
Subscription price per share for those who have not executed the subscription	NT$12.16	NT$154.5	NT$85.3	NT$80.9	NT$68.5
Proportion of unexecuted subscription quantity in total shares issued (%)	0.5767%	0.4700%	0.8929%	0.2014%	0.2014%
Impact on shareholder equity	The stock options are provided by the Company to attract and retain required talents, motivate employees, and increase employees' cohesion. The Company aims to jointly create value for the Company and shareholders and generate positive impact on shareholder interests.				

Note 1: Senhwa's first issuance of employee stock options in 2014 was approved and effected by the Jin-Guan-Zheng-Fa No. 1030042268 Letter of the Securities and Futures Bureau of the Financial Supervisory Commission on October 24, 2014.

Note 2: Senhwa's first issuance of employee stock options in 2016 was approved and effected by the Jin-Guan-Zheng-Fa No. 1050027829 Letter of the Securities and Futures Bureau of the Financial Supervisory Commission on July 21, 2016.

Note 3: Senhwa's first issuance of employee stock options in 2018 was approved and effected by the Jin-Guan-Zheng-Fa No. 1070320141 Letter of the Securities and Futures Bureau of the Financial Supervisory Commission on May 30, 2018.

(II) Names, acquisition, and subscription status of managerial officers who have obtained employee stock options as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock options.

May 9, 2019

	Title	Name	Number of subscription quantity obtained	Proportion of subscription quantity obtained in total issued shares	Exercised stock option				Unexercised stock option			
					Number of subscriptions	Price of subscription	Subscription amount	Proportion of subscription quantity in total issued shares	Number of subscriptions	Price of subscription	Subscription amount	Proportion of subscription quantity in total issued shares
Managers	President	Tai-Sen Soong	1,270,000 shares	1.71%	100,500 shares	NT$12.16	NT$1,222 thousand	0.13%	1,169,500 shares	NT$12.16 or NT$85.3 or NT$80.9 or NT$68.5	NT$45,932 thousand	1.57%
	Vice President (Note 3)	Grace Yu										
	Chief Operating Officer	Mei-Hui Kuo										
	Director of Project Development & Management Dept (Note3)	Polly Lin										
	Director of R&D Management Department	Chen-Fu Liu										
	Director of Administrative and Finance Department	Sarah Chang										
	Internal Audit Manager (Note 2)	Ruby Y. C. Wu										
	Internal Audit Manager (Note 2)	Maggie Lin										
Employees	Senior Medical Officer of the Overseas Department	John Soong	1,865,000 shares	2.50%	373,000 shares	NT$12.16	NT$4,536 thousand	0.50%	1,492,000 shares	NT$12.16 or NT$154.5 or NT$85.3 or NT$80.9 or NT$68.5	NT$91,879 thousand	2.00%
	Vice President of Chemistry and Pharmaceutical Operations (Note 3)	Sean E. O'Brien										
	Vice President of Chemistry and Pharmaceutical Operations (Note 3)	John K.C. Lim										
	Vice President of Chemistry and Pharmaceutical Operations (Note 3)	David M. Ryckman										
	Vice President of Chemistry and Pharmaceutical Operations	Hshiou-ting Liu										
	President Office Executive Assistant (Note 2) (Note 3)	Kenner Wang										

	Investor Relations Manager	Peter Su										
	Senior Project Manager of Clinical Department	Phoebe Fan										
	President Office Executive Assistant	Gwen Chang										
	Deputy Director, Project Management Department, Chemistry and Pharmaceutical Operations	Daniel McCormick										

Note 1: Senhwa amended the organization charter on April 30, 2015 and the original Overseas Department was renamed Clinical Department; the organization charter was amended on May 12, 2017 and the Clinical Department was renamed Clinical Management Department while the Project Development and Management Department was renamed R&D Management Department.

Note 2: Based on operational requirements, Senhwa's Internal Audit Manager, Ruby Y. C. Wu, was reassigned to the U.S. Subsidiary on January 13, 2015 and the President Office Executive Assistant, Kenner Wang, took over the role of Internal Audit Manager. Due to adjustments of internal positions, Maggie Lin replaced Kenner Wang as Internal Audit Manager on June 15, 2015.

Note 3: Vice President Grace Yu resigned on January 18, 2015. Vice President David M. Ryckman of the U.S. Subsidiary resigned on March 9, 2015. Project Manager Cynthia Hsieh resigned on July 6, 2015. Vice President Sean E. O'Brien of the U.S. Subsidiary resigned on September 11, 2015. President Office Executive Assistant Kenner Wang resigned on December 31, 2016. Vice President John K.C. Lim of the U.S. Subsidiary resigned on March 31, 2017. Director of Project Development and Management Department Polly Lin was reassigned on March 31, 2018. The total number of unexercised stock option forfeited is 1,088,000 shares.

VI. Restricted Employee Shares: None.

VII. Newshares Issuance in Connection with Mergers and Acquisitions (M&A): None.

VIII. Financing Plans and Implementation Financing Plans and Implementation: None.

Chapter 5 Operation Highlights

I. Business Activities

(I) Business scope:

1. Main contents:

(1) Manufacturing of other chemical materials;
(2) Wholesale trade of chemical raw materials;
(3) Wholesale trade of other chemical products;
(4) International trade;
(5) Intellectual property rights services;
(6) Investment consulting;
(7) Management consulting;
(8) Pharmaceuticals inspections;
(9) Biotech services;
(10) Research & development services;
(11) Any business not prohibited or restricted by laws or regulations in addition to those permitted.

2. Business Proportion

The Company's main business is the development of new drugs and special active pharmaceutical ingredients (APIs). New drugs are still being developed and there is no commercialized production and sales. Therefore, the Company's revenue in 2018 mainly came from a domestic biotech company with which the Company jointly developed a special plant-growth promoter.

3. Current products and services:

The Company is positioned as a new pharmaceuticals development company that develops new antineoplastic drugs and helps patients eradicate their illnesses effectively.

The Company's current main development project for new drugs is a new small-molecule drugs for treating cancers: G-quadruplex stabilizer (CX-5461) and inhibitor of protein kinase CK2 (casein kinase II) (CX-4945). Project CX-5461 shall be applied to the treatment of hematologic cancers and breast cancer while CX-4945 shall be applied to cholangiocarcinoma and basal cell carcinoma. The use of these drugs may be expanded to other indications.

The Company's new pharmaceuticals development project was obtained through an asset purchase and sale agreement from Cylene Pharmaceuticals, Inc. in the United States in mid-2013. Compared to the technology transfer in other biotechnology companies, the asset acquisition model allows a full discretion in decision making and the intellectual property rights can be used globally instead

of being restricted to certain jurisdictions. With regard to the cost of acquisition, the low upfront payment and the sharing of contingent interest from future out-licensing are more cost effective than the licensing methods adopted by other companies, in which they are required to pay an immense amount of milestone payments to the licensing company in each stage. Senhwa's method of acquisition not only reduces the financial burden in the cost of acquisition but also provides the Company with full control in the development of new drugs.

4. New products (services) under development:

Product	Development stage	Drug usage and features
SHP01-1 G-quadruplex stabilizer (CX-5461)	New drug development Phase I/Expansion clinical trial (breast cancer)	● G-quadruplex stabilizer/use of stable G-quadruplex structure to effectively fight cancer ● Single dose usage ● First in class
	New drug development Phase I clinical trial (hematologic cancers)	● Small-molecule drugs ● Pol 1 inhibitor/with capabilities of activating p53 ● Single dose usage ● First in class
SHP01-2-A Inhibitor of protein kinase CK2 (casein kinase II) (CX-4945)	New drug development Phase I/II clinical trial (cholangiocarcinoma)	● Small-molecule drugs ● Inhibitor of protein kinase CK2 (casein kinase II) ● Regimen ● First in class
	New drug development Phase I/Expansion clinical trial (basal cell carcinoma)	● SMO protein inhibitor of Hedgehog (Hh) pathway ● Single dose usage
	New drug development Phase I/II clinical trial (medulloblastoma)	● SMO protein inhibitor of Hedgehog (Hh) pathway ● Single dose usage

(II) Industry Overview:

1. Current state and development of the industry:

"Cancer" is one of the main causes of death in the world. According to the survey conducted by the World Health Organization (WHO), patients with cancers reached 18.1 million people globally in 2018, a 26.1% growth from 14.35 million people in 2013; cancers caused 9.6 million deaths in 2018, a 14.8% growth from 8.36 million deaths in 2013. The "2014 World Cancer Report" estimated that

there will be 22 million new cancer cases across the world in 2030, and the figure will increase to 24.2 million in 2035. In 2018, the top three cancers globally in 2018 are lung cancer (2.1 million cases), breast cancer (2.1 million cases), and colorectal cancer (1.8 million cases), whereas the three most fatal cancers are lung cancer (1.8 million deaths), colorectal cancer (881,000 deaths) and gastric cancer (783,000 deaths). Globally, the aging problem and shifts in lifestyle have led to the prevalence of cancer, which, coupled with rising medical costs, seriously affect people's quality of life. Therefore, cancer treatment, in developed and developing countries alike, is an acute and inevitable issue.

In response to the above issues, the number of new anti-cancer drugs in Europe and the United States has grown rapidly in recent years. According to Nature Reviews Drug Discovery, in 2018, the US FDA approved the marketing of 59 new drugs, setting a new high since 1996. Among the approved new drugs, 16 of them were related to cancer treatment, accounting for 27%, followed by those for treatment of infectious diseases, with the remainder for treatment of central/neural, metabolic and endocrine diseases. In terms of drug classification, 42 of them are small molecule new drugs and 17 of them are biological drugs. Having a closer look at the 59 new drugs approved by the US FDA, 34 are drugs for rare disease with less than 200,000 patients, accounting for 58% of the approved new drugs; among the 16 new anti-cancer drugs, 13 of them are drugs for treatment of rare disease (i.e. drugs having orphan drug designation). In addition, there are 14 new drugs with Breakthrough Therapy Designation, accounting for 24% of the approved new drugs.

Senhwa's ongoing new drug development projects are focused on developing novel drugs for cancer treatment. With respect to Project "CX-5461: G-quadruplex structural stabilizer and RNA polymerase I inhibitor", CX-5461 can utilize the stable G-quadruplex structure to break or damage the DNA of cancer cells, and if taken by patients with BRCA or HR genetic mutations, can achieve the goal of using synthetic lethality mechanisms to effectively inhibit the growth of cancer cells. Senhwa selects patients with breast cancer, ovarian cancer, and pancreatic cancer who also have BRCA or HR genetic mutations for clinical trials. The original planning of applying CX-5461 to the clinical trial on hematologic cancers will also be conducted together.

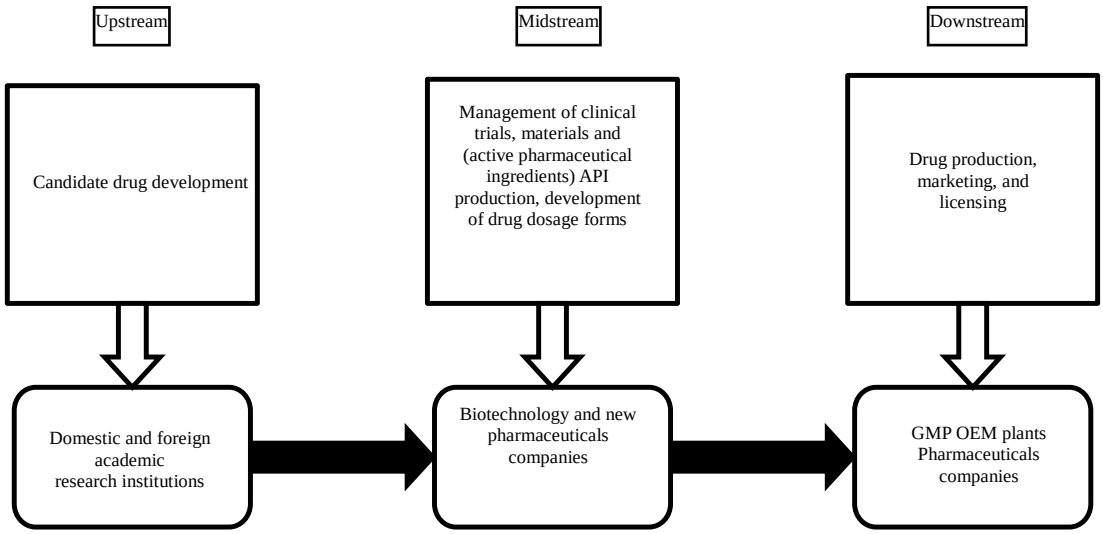
As for Project "CX-4945: Development of Inhibitor of Protein Kinase CK2", the development priority is given to treatment of cholangiocarcinoma. In December 2016, CX-4945 was approved by the US FDA and granted the orphan drug designation. This clinical trial has entered into phase II in 2018. Senhwa and the Stanford Medical Team discovered that CX-4945 is a very important regulator

of the Hedgehog signal pathway, i.e., it inhabits and regulates protein genes (e.g. Gli) in the downstream of the Hh pathway. Therefore, we have planned to expand the use of CX-4945 to two new indications, namely medulloblastoma and basal cell tumor that are caused by abnormal Hh pathway.

2. The correlation among the upstream, midstream and downstream sections of the industry:

   The biotechnology and new pharmaceuticals industry has a wide range of development. Generally, only one out of ten thousand new drugs succeeds in the journey from the R&D laboratory to approval for marketing. The R&D development takes 10-15 years on average and costs about US$873 million. It takes a long time to develop new drugs and specific research institutions, biotechnology companies, or large-scale pharmaceuticals companies are responsible for research and development, technology licensing, clinical trials, or production in different development stages. The upstream, midstream, and downstream correlation is shown in the figure below. Since each step is an integral part in the process of new drugs development, the industry chain as a whole differs in specialization and is inter-dependent.

Correlation with upstream, midstream, and downstream sections of the biotechnology and new pharmaceuticals industry



The upstream segment of the new pharmaceuticals industrial chain is dedicated to candidate drug development, which is mainly derived from academic research on new drug products and their potential. They include small-molecule compounds, large-molecule protein antibodies, Chinese herbal medicine, etc. Upstream academic research institutes conduct pre-clinical test on animals and toxicity testing. After a new drug with medical effects is found in research, it is

developed independently or licensed to a midstream biotechnology and new pharmaceuticals company. The midstream segment is mainly responsible for pre-clinical research for the drugs, management of clinical trials, production of APIs, and development of dosage forms. They include human clinical trial from phase I to phase III. After completing phase III clinical trials, they may apply for a drug license for marketing and assign downstream OEM plants, distributors, and international pharmaceuticals companies for production and marketing. The downstream segment consists of GMP (abbr. for Good Manufacturing Practice) OEM plants, pharmaceuticals distributors, and channel operators.

Senhwa is positioned in the midstream segment of the new pharmaceuticals industry. We adopt strategic technology licensing as the main strategy and employ the method of "Development in Parallel with Research" in order to enhance the clinical effect verification of candidate drugs. We also take into consideration the regulatory planning, so as to substantially reduce development time, lower risks, and increase product development experience. Senhwa is mainly responsible for developing candidate drugs through (A) pre-clinical trials, (B) phase I/II/III clinical trials in humans, and (C) new drug application (NDA) to verify and add value to the results of upstream research and development. We aim to commercialize technologies and promote industrial development.

3. Various product development trends

(1) Trends in research and development of anticancer drugs

Since the 1950s, traditional clinical trials of new drugs have been divided into three phases. Phase I clinical trial, which normally requires enrollment of 20-80 patients, is to conduct pharmacokinetics, assure safety, and confirm the recommended dosage for phase II. Phase II clinical trial, which normally requires enrollment of 100 - 200 patients, explores the efficacy of the drug, as well as reconfirms the safety of the drug. Many pharmaceuticals companies typically launch multiple phase II clinical trials to explore the efficacy of drugs in different types of cancer. Phase III clinical trial, which normally requires enrollment of 300 - 600 patients, further confirms the efficacy and safety of the drugs by looking at more patients and more groups. Such a traditional new drug development process tends to take more than ten years. At such a snail pace like this is unlikely to cope with the prevalence of cancer.

Over the past 10 years, due to the advancement of gene sequencing and various tests, it has become easier for target drugs to find compatible groups. Therefore, various target drugs, after the dosage is confirmed from phase I, will be used in multiple expansion cohorts, in which small-scale clinical trials are used to verify the effectiveness of target drugs in different ethnic groups and cancer types. Research statistics covering 381 new anti-cancer drugs

during 2006-2011 suggests that those having undergone expansion cohorts have a higher probability of entering into phase II (51% vs 28%), as well as a higher rate of obtaining a drug license within the following 5 years (22% vs. 5%). Therefore, the US FDA announced a new exposure draft regarding anti-cancer target drugs and bio-drugs in August 2018, hoping to accelerate drug development and reduce new drug development costs.

In the future, cancer-targeted drugs, after the maximum-tolerated dose (MTD) and recommended phase II dose (RP2D) obtained from the phase I clinical trial , will be used to conduct multiple small-scale expansion cohorts, which can accelerate the search for different groups, different molecule characteristics and different gene types for which the drugs are likely to be effective. Each cohort only needs 20-30 patients. After finding the groups for which the target drugs are effective, one can start to discuss the design of a pivotal trial with the FDA. After the pivotal trial is completed, one can apply for the drug license, immensely shortening the time for development of new drugs. Design of clinical trials invoking the new rules not only saves half of the time required for a traditional clinical design, but also saves un-imaginable expenditure, and will speed up the marketing of new drugs and facilitate the development of small biotechnology companies.

(2) Trends in research and development of targeted therapy

"Traditional chemotherapy" is a non-specific cytotoxic attack on cells with faster growth rates. If the growth of cancer cells is slower than regular cells, chemotherapy drugs would affect the physiological functions of normal cells and cause side effects. "Targeted therapy" targets cancer cells based their distinct markers to cut off the growth of cancer cells. "Targeted therapy" thus has advantages in treatment over "traditional chemotherapy". At present, most cancer treatment mainly relies on traditional chemotherapy methods. Since 2011, the test using biomarkers to predict patient response has accounted for 15% of clinical trials. Before new medical technology comes, we need to create more effective cancer treatment methods. The goal of Senhwa's development of new drugs is to become "cancer-targeted drugs". Senhwa's development of new drugs is focused on "targeted therapy". The development strategy is to adopt targeted therapy with brand new mechanisms to inhibit the growth of cancer cells, increase drugs' ability to kill cancer cells, and reduce side effects caused by drugs. Our design of clinical trials selects relevant indications that may have a conspicuous response to our candidate drugs, and focuses on cancers that can only be treated with traditional chemotherapy drugs at present. By selecting appropriate indications, we hope to highlight the therapeutic opportunity brought by Senhwa's target drugs and replace traditional chemotherapy to become the first line treatment drugs.

(3) Trends in research and development of drug combination

The treatment of cancer with combined therapy may be a development path for targeted drugs in the future. The traditional research and development process of drug combinations firstly was to prove the activities of a single

medication on sensitive indications, and then search for feasible combinations based on experience. This method is very time-consuming and expensive. More importantly, it may miss the combinations of therapeutic effects. Anotherreasonable method for combination therapy is to develop a new drug targeting a common protein in the signaling pathway of multiple cancers and from a synergistic effect with those approved drugs with same mechanism.

CX-4945, a candidate drug under development , is the inhibitor of protein kinase CK2 which plays the role in DNA repair of cancer cell. When combinded with chemotherapy drugs, CX-4945 enhances the efficacies of anti-tumor cells.

4. Competition:

Among Senhwa's ongoing new drug development projects, "CX-5461: G-quadruplex structural stabilizer and RNA polymerase I inhibitor" and "CX- 4945: Inhibitor of protein kinase CK2 (casein kinase II)" will be separately applied to breast cancer, hematologic cancer, and cholangiocarcinoma. Their competitors are analyzed as follows:

(1) CX-5461

A. Breast cancer

Breast cancer is one of the most common cancers occurred in women. Across the world, breast cancer accounts for 7%-10% of all cancers. . Breast cancer is also the most frequently diagnosed cancer in women. Technology development uncovered certain unique genes that cause breast cancer such as BRCA1 and BRCA2. BRCA1 and BRCA2 are mutated genes associated with breast cancer and ovarian cancer found in the 1990s. According to genetics research, women who carry the BRCA1 or BRCA2 genetic mutation have a 60-85% chance of developing breast cancer in their lifetime. Results of Senhwa's latest clinical trials show that CX-5461 can be effectively used on cells with homologous recombination deficiency (HRD) or BRCA1/2 genetic mutations and achieve the goal of using synthetic lethality mechanisms to effectively inhibit the growth of cancer cells. It matches new trends in current precision medicine. According to data from the San Antonio Breast Cancer Symposium (SABCS), approximately 48% of patients with triple-negative breast cancer carry the HRD or BRCA1/2 genetic mutation.

The clinical study design will use genetic testing and diagnosis to select breast cancer patients with BRCA (breast cancer-sensitive gene) or related genetic deficiencies or mutations and use the mechanisms of CX-5461 to kill cancer cells with more precision. In addition, CX-5461 has no genotoxicity and does not suppress DNA replication, protein translation, or transcription of protein kinase CK2. This makes it possible for CX-5461 to be developed into a more effective product with potential for more breakthrough and higher market competitiveness.

Breast cancer is the cancer with the largest number of patients in the world. Popular drugs for treating breast cancer includes Herceptin, Ibrance, Afinitor, and Norrad. Injection (Zoladex) and Hejet (Perjeta). According to the 2014 IMS Health market report, among the several scores of the top pharmaceuticals companies in the sales of breast cancer drugs, Roche, Novartis, and AstraZeneca have a combined market share of approximately 80%.

Roche Pharmaceuticals has been a leader in the field of breast cancer drugs. Its Herceptin and Perjeta, ever since being approved by the US FDA respectively in 1998 and 2012, have been the star target drugs for breast cancer. Perjeta and Herceptin act on different protein sites. Clinical evaluation confirms that Perjeta and Herceptin have complementary effects and can prolong the patient's time of progression-free survival.

Sales of Drugs that Mainly Target Breast Cancer

Unit: US$ billion

Drug	Indication	Company	Sales amount (Note) (2017)
Herceptin	Breast cancer HER2+	Roche	7.44
Avastin	Breast cancer HER2 -	Roche	7.10
Ibrance	Breast HER2-	Pfizer	3.13
Perjeta	Breast HER2+	Roche	2.33
Afinitor	Breast Breast HER2+	Novartis	1.53
Kadcyla	Breast HER2+	Roche	0.97

Note: The statistics are based on the sales of the drug on the market and it therefore includes sales for other indications.

CX-5461 was selected as a drug for treating breast cancer by the Canadian SU2C-CBCF Breast Cancer Dream Team in March 2016. It uses a stable G-quadruplex structure that effectively inhibits the growth of cancer cells through synthetic lethality mechanisms. It is a brand-new type of targeted therapy. If clinical trials proceed smoothly, it may be used for patients that carry BRXA1/2 or HRD and enter the market for drugs for targeted therapies for breast cancer.

B. Hematologic cancers:

Results of previous research on the CX-5461 developed by Senhwa showed that it only activates the p53 in cancer cells and does not activate the p53 in normal cells. It is highly selective and it is able to selectively target cancer cells to destroy them. It induces apoptosis of the cells and ultimately causes the cancer cells to die while normal cells remain unaffected. In addition, CX-5461 has no genotoxicity and does not suppress DNA replication, protein translation, or

transcription of protein kinase CK2. This makes it possible for CX-5461 to be developed into a more effective product with potential for more breakthrough and higher market competitiveness. 80% of hematologic cancers have wild-type p53 in their cells, for instance, the proportion of p53 mutations is 10-20% in leukemia, and 10 ~ 12% in multiple myeloma. Therefore, we have pinpointed the hematologic cancers as the indications for drug development at the beginning, and would possibly expand to other indications in the future.

In terms of the current market for the treatment of hematologic cancers, the top 5 medicines used globally includes Revlimid, Rituxan, Imbruvica, Gleevec, and Velcade. Their markets are specified in the table below. With the exception of Rituxan which is an antibody, all others are small-molecule drugs.

Sales of Drugs that Mainly Target Hematologic Cancers

Unit: US$ billion

Drug	**Indication**	**Company**	**Sales amount (Note) (2017)**
Revlimid (Small-molecule drugs)	MM/TCL/MCL	Celgene	8.2
Rituxan (Large-molecule drug)	NHL / CLL	Roche	7.7
Imbruvica (Small-molecule drugs)	Mantel cell lymphoma / CLL	Johnson	4.0
Velcade (Small-molecule drugs)	MM / MCL	Johnson & Takeda Pharmaceuticals	2.1
Gleevec (Small-molecule drugs)	CML	Novartis	1.9

Data source: Top 20 Cancer Drugs (2018 report, published in 2018)

Note: The statistics are based on the sales of the drug on the market and it therefore includes sales for other indications.

Hematological malignancies are cancers that affect the blood, marrow, lymph, and the lymph system. They can be classified into three major types of neoplasms: lymphoma, myeloma and leukemia. There was a total of 918,000 cases of hematological malignancy across the world in 2012 and it was the seventh most common cancer. Approximately 50% of the patients suffered from lymphoid neoplasms and patients suffering from non-Hodgkin lymphoma accounted for approximately 90% of such cases. As these diseases affect the immunocytes in the blood and marrow, there is a high pathophysiological correlation between the malignant tumors in blood tumors. Therefore, many leukemia drugs target different types of pathological changes in blood for clinical trials and treatment. There are currently 214 new drugs being tested for a single indication and 229 new drugs being developed for two or more types of hematologic cancer indications. It shows the high level of diversity in the

development of related drugs.

Among the 6,936 registration of newly developed anti-cancer drugs, 1,207 are for hematologic cancers, the highest number of all indications; in addition, first-in-class drugs account for 27.3%, which is greater than the industry average. The Company's candidate drug, called CX-5461, is not a humanized vaccine, nor an antagonist with serious side effects, but a newly synthesized small-molecule target drug, which treats cancer by exploiting the difference between cancer cells and normal cells and thus causes the mechanism of apoptosis to cancer cells, without affecting the function of normal cells. Consequently, CX-5461 has a specific treatment for cancer cells, capable of producing effective anticancer effects at lower doses, and does not cause serious side effects during treatment, consistent with the description of effectiveness of "small-molecule drugs" as defined in basic anticancer research. Therefore, CX-5461 has the potential to become a new type of anticancer drug for the treatment of hematologic cancers.

(2) CX-4945

A. Cholangiocarcinoma

According to GlobalData and medical journals in Taiwan, the treatment of cholangiocarcinoma remains an "unmet medical need". It is considered to be a rare disease in the West but it occurs more frequently in Asia. The effects of chemotherapy on cholangiocarcinoma is unsatisfactory. The most important four types of chemotherapies on the market include:

(A) Gemcitabine and Capecitabine

(B) Gemcitabine

(C) Gemcitabine and Cisplatin

(D) Gemcitabine and Oxaliplatin (GEMOX)

The effectiveness/safety of the four types of treatment is shown in the table below. Gemcitabine and Cisplatin may achieve more significant effects in treatment. The annual cost of therapy is approximately US$14,200.

Treatment of Gallbladder Cancer	Gemcitabine + Capecitabine	Gemcitabine	Gemcitabine + Cisplatin	Gemcitabine + Oxaliplatin
Number of competitors in the market	4 major competitors			
Efficacy				
Safety Profile				
Patient Satisfaction				
Physician Satisfaction				
ACOT	$18,900	$21,100	$14,200	$7,800
Competitive Strength				

Current Competition in the Bile Duct Cancer Therapeutics Market is Moderate

High Impact Medium Impact Low Impact

Data source: GlobalData, Bile Duct Cancer Therapeutics - Pipeline Assessment and Market Forecasts to 2019 (2012 report, published on January 2012).

ACOT: Annual Cost of Therapy (ACOT)

Cholangiocarcinoma is difficult to detect early and it has often progressed to the late stages when discovered. Only 30% of the patients have the opportunity to use surgery for treatment and the death rate is relatively high. Patients who cannot receive surgery may consider chemotherapy or radiation therapy, but these treatments are mostly aimed to alleviate symptoms and improve the quality of life. Unless the malignant cholangiocarcinoma can be completely removed in a surgery, the survival rate is very low. The 5-year survival rate is only 20%.

The complex adjustment mechanisms for protein kinase CK2 leads to high barriers for the development of the drug. The CX-4945 developed by Senhwa uses the inhibitor of protein kinase CK2 to cut off support mechanisms for cancer cells for DNA repair. When used in combination with chemotherapy drugs, it enhances the effects of the drug. If results of clinical trials are as expected, CX-4945 may be developed into an important first-line drug for treating cholangiocarcinoma.

B. Basal cell carcinoma (BCC)

In 2012, the US FDA approved the first target drug for treatment of basal cell carcinoma: Erivedge® (vismodegib), which is a hedgehog pathway inhibitor and a standard treatment for laBCC and mBCC patients who are currently inoperable and ineffective for radiotherapy. According to GlobalData,

Vismodegib's global sales in 2018 amounted to CHF258 million (about US$260 million); in addition, according to the research report of Coven & Co.,Vismodegib's peak sales will reach US$533 million by 2022. In 2015, the US FDA approved the second target drug for treatment of basal cell carcinoma: Odomzo® (Sonidegib). The action mechanism of Sonidegib is the same as that of Vismodegib, i.e., both are used as a smoothened inhibitor. Odomzo, after being successfully developed by Novartis in 2015, was sold to Sun Pharma, an Indian pharmaceutical company, in 2016 for US$ 175 million upfront and undisclosed milestone payments. According to GlobalData, Sonidegib will have global sales in 2019 at US$330 million and reach its peak sales by 2025 to US$711 million. Patients using Vismodegib usually relapse after 5-12 months, when there is no other target drug for his/her option. CX-4945, which acts as a Gli inhibitor in the downstream of Smoothened (i.e., the hedgehog pathway), is a multi-target Gli inhibor that is less likely to generate drug-resistance. If the clinical trial results are as expected, CX-4945 will have the opportunity to become a new generation of drugs for basal cell carcinoma, and is likely to gain a foothold as a first-line treatment drug when being used in a combined therapy.

(III) Overview of Technology and R&D

1. R&D investment in the most recent year up to the publication date of this Report:

Unit: NT$ 1,000

Item	2018	2019 Q1
R&D expense	327,424	123,329

2. Successfully developed technologies or products in the most recent year up to the publication date of this Report:

Important research and development results of the Company in the most recent five years:

(1) Progress and results of clinical trials of new drugs

Product item	**Development Progress Indication**	**Development Results**
CX-4945	Phase II clinical trials in progress (cholangiocarcinoma)	1. In February 2014, US FDA approved phase II clinical trials on humans in multiple clinical trial centers across the United States for the “phase I/II clinical trials on CX-4945 plus Gemcitabine and Cisplatin for treating patients of cholangiocarcinoma”. 2. In June 2014, clinical trials on humans are officially launched in the United States. 3. In December 2014, Senhwa filed an investigational new drug (IND) application to the Ministry of Food and Drug Safety (MFDS) of Korea for CX-4945 used to treat cholangiocarcinoma 4. In January 2015, Senhwa received approval from Ministry of Food and Drug Safety (MFDS) of

Product item	Development Progress Indication	Development Results
		South Korea for phase I/II clinical trials on humans. 5. In October 2015, Senhwa received approval from Taiwan Food and Drug Administration (TFDA) for phase I/II clinical trials on humans. 6. In February 2016, Senhwa received an approval letter from the Research Ethics Committee of China Medical University Hospital for trials on humans. 7. In December 2016, Senhwa received Orphan Drug Designation from US FDA for the treatment of cholangiocarcinoma. 8. In January 2017, Senhwa was invited to attend the ASCO Gastrointestinal Cancers Symposium and use posters to publish results of phase I clinical trials on treating cholangiocarcinoma with the new cancer drug CX-4945 which was being developed. 9. In May 2018. Senhwa officially launched phase II randomized study for treatment of cholangiocarcinoma. The first patient was enrolled at the Mayo Clinic in the United States in the same month. 10. In October 2018, Senhwa included five new hospitals in Taiwan to conduct clinical trials, so as to accelerate the enrollment of patients and the implementation of the trials. 11. So far, a total of 16 clinical centers have been enrolling patients in the United States, South Korea, and Taiwan.
CX-4945	Phase I /Expansion cohorts in progress (Basal cell carcinoma)	1. In November 2018, the clinical trial in humans using Senhwa's new drug CX-4945 for treatment of basal cell carcinoma (BCC), a new indication of skin cancer, was approved by the US Food and Drug Administration (FDA). 2. In April 2019, the clinical trial in humans using CX-4945 for the treatment of basal cell carcinoma (BCC), a kind of skin cancer, was launched and has successfully enrolled the first patient.
CX-4945	Phase I/II clinical trials in progress (medulloblastoma)	1. In May 2018, Senhwa and the Stanford Medical Research Team signed a cooperation agreement with the Pediatric Brain Tumor Consortium (PBTC) to jointly develop, plan and execute the phase I/II clinical trial in humans using CX-4945 for treatment of children malignant brain tumors. The cooperation project, listed by PBTC as the focus of 2018, has won not only PBTC's funding, but also received the sponsorship from the Therapy Evaluation Program (CTEP) of the National Cancer Institute (NCI) Cancer of the U.S. The investment in the project is expected to exceed $US3 million. Patients will simultaneously enrolled at PBTC's 12 prestigious children's hospitals and cancer centers across the United States. 2. In January 2019, the clinical trial in humans using

Product item	Development Progress Indication	Development Results
		CX-4945 for the new indication, namely Medulloblastoma, a kind of child brain tumor, was approved by the US Food and Drug Administration (FDA).
CX-5461	Phase I /Expansion cohorts in progress (Breast cancer)	1. In October 2015, CX-5461 was selected by the 2015 SU2C-CBCF Breast Cancer Dream Team. 2. In March 2016, Senhwa signed a Clinical Trials Agreement with Queen's University at Kingston in the style and cause of the NCIC Clinical Trials Group and received approval from Health Canada for phase I/II clinical trials on humans. 3. In March 2016, Health Canada, the Canadian competent authority of medicine and health care, issued a no objection letter to Senhwa's clinical trial partner, Canadian Cancer Trials Group (CCTG) and authorized the use of Senhwa's CX-5461 in phase I/II human trials for treating solid tumors and breast cancer. 4. In January 2017, CX-5461 was published in the renowned SCI science journal, Nature Communications. It was discovered in an animal experiment that CX-5461 can use the stable G-quadruplex structure to damage or break the DNA of cancer cells and it is the first new drug used clinically on the G-quadruplex structure. 5. The highest-ranking officer of Senhwa's partner, Canadian Cancer Trials Group (CCTG) gave a presentation on the preliminary results of the phase I clinical trials of Senhwa's new breast cancer drug, CX-5461 in the 16th Targeted Anticancer Therapies (TAT 2018) organized by the European Society of Medical Oncology.
CX-5461	Completed phase I clinical trials (Hematologic cancers)	1. In April 2013, Senhwa entered a partnership with Peter MacCallum Cancer Centre (PMCC) in Melbourne, Australia and officially began phase I clinical trials on humans. 2. In April 2014, Senhwa attended the Annual Meeting of the American Association for Cancer Research (AACR). Senhwa's partner, Peter MacCallum Cancer Centre (PMCC) gave a presentation in the event and published the results of CX-5461 in animal tests in the Annual Meeting. 3. In December 2015, Senhwa's partner, PMCC published breakthrough findings in an international journal on the use of CX-5461 in combination with other drugs for treating hematologic cancers. 4. In December 2017, the clinical partner Peter McLean Cancer Center (PMCC) in Australia presented its results with a poster titling "Clinical results of using CX-5461 in Phase I clinical trial for treatment of hematological cancer" at the annual meeting of the American Society of Hematology.

(2) Patent portfolio of new drug products

As of April 30, 2019, Senhwa has had a total of 142 patents, of which 110 have been granted a license and 32 are pending.

A. Project CX-5461: A total of 60 patents are granted license; 29 patents are pending.

B. Project CX-4945: A total of 32 patents are granted license; 3 patents are pending.

C. Project SHP01-2-B: A total of 32 patents are granted license.

3. Long-term and Short-term Business Development Plans:

(1) Short-term development plans

A. Candidate drug CX-5461:

(a) Jointly complete Phase I/Expansion cohorts with Canadian Anti- Breast Cancer Dream Team .

(b) Complete plans for clinical trials for new indications.

(c) Apply for investigational new drug (IND) trials for new indications (ovarian cancer/pancreatic cancer)

(d) Launch and execute trials for new indications (ovarian cancer/pancreatic cancer)

(e) Seek regional strategic alliances or licensed partners

B. Candidate drug CX-4945:

(a) Complete phase I/II international multicenter clinical trials in the United States, South Korea, and Taiwan for cholangiocarcinoma

(b) Complete data analysis and report of international multi-center clinical trials for cholangiocarcinoma.

(c) Execute phase I/ Expansion cohorts using new drugs for basal cell carcinoma.

(d) Assist the Pediatric Brain Tumor Consortium (PBTC) in performing phase I/II clinical trials using CX-4945 for treatment of malignant brain tumors.

(e) Seek regional strategy alliances or licensed partners

(2) Long-term development plans

A. Senhwa aims to maintain at least two clinical trial development projects and will continue to select new cancer drug projects with potential for development to ensure the inclusion of potential candidate drugs at any time.

B. Senhwa adopts the research and development strategy of international multicenter clinical trials to speed up patient enrollment and increase

efficiency in clinical trials.

C. Senhwa aims for the global market in the overall development strategy and will actively seek broader alliances..

D. Senhwa adheres to the business philosophy of pursuing excellence, in the hope to achieve sustainable operation and growth.

II. Market and Sales Overview

(I) Market Analysis:

1. Sales (service) regions of the major products (services)

Senhwa's ongoing new drug development project "G-Quadruplex Stabilizer" will be applied to therapy of breast cancer and hematologic cancer. The project "Development of Inhibitor of Protein Kinase CK2" will be applied to therapy of cholangiocarcinoma and basal cell carcinoma. The target market analysis at this stage is as follows:

A. Breast cancer

Breast cancer can be divided into carcinoma in situ and invasive cancer. Carcinoma in situ accounts for 15-20% of all cases; by occurrence location, it can be divided into ductal carcinoma, lobular carcinoma, inflammatory breast cancer and metastatic or recurrent breast cancer. Among them, breast ductal cancer is the most common, accounting for more than 80% of the overall breast cancer, whereas the inflammatory breast cancer transmitted by the lymphatic system is the least , accounting for about 1-3% of the overall breast cancer.

Breast cancer risk factors include gender, race, age, genetics, family history, obesity, alcohol drinking, lack of exercise, menopause hormone replacement therapy, exposure to microbes, early menstruation, late birth or not giving birth. According to data of the World Cancer Research Fund, a study in Brazil found that about 22% of breast cancer can be prevented by not drinking alcohol, maintaining exercise habits and proper body weight. Breast cancer treatment includes topical therapy (surgical resection and radiotherapy) and systemic therapy (such as: hormonal therapy, chemotherapy, and targeted therapy). With the advancement of drugs and treatments, breast cancer treatment at present is more effective than in the past, resulting in improvement in overall survival rate of breast cancer patients. Early detection and early treatment also make the 5-year survival rate of patients with stage 0 or stage 1 breast cancer reach 95-100%.

Due to advances in molecular biomedical technology in recent years, breast cancer is divided into four subtypes by using the molecular markers, e.g., estrogen-receptor (ER), progesterone receptor (PR) and human epidermal growth factor receptor 2 (HER2). The four subtypes are listed in the table below, and each of which requires different therapic principles. The four subtypes are Luminal A, Luminal B, HER2, and Triple negative/Basal-like breast cancers. Although

proportion of the four subtypes is slightly different in different countries, Luminal A takes a staggering lead, accounting for 30%-70%, despite it having the best prognosis. Due to the establishment of these molecular indicators, the development of therapeutic drugs for breast cancer has gradually moved toward targeted therapy.

Major subtype of breast cancers	Feature	%
Luminal A	ER+ and/or PR+, HER2-, low Ki67	30-70%
Luminal B	ER+ and/or PR+, HER2+ (or HER2- with high Ki67)	10-20%
HER2	ER-, PR-, HER2+	5-15%
. Triple negative/Basal-like	ER-, PR-, HER2-	15-20%

Source: Molecular Subtypes of Breast Cancer, October 28, 2015

Breast cancer is the most common malignant tumor among women all over the world. At present, there are more than one million new cases of breast cancer annually in the world. According to the World Cancer Research Fund International (WCRF), the new global breast cancer cases in 2018 are about 2.1 million patients, accounting for 12% of all new cancer cases, and 25% of new cancer cases in women. According to GlobalData, the annual new cases of breast cancer in the world's major markets (US, five European countries, Japan, China) in 2015 reached 850,000 patients, and is expected to reach more than 1.2 million patients by 2023, with the annual growth rate at 4.23%. Among them, triple negative breast cancers are generally considered to be difficult to treat in clinical practice, accounting for about 15-20% of all breast cancers.

B. Hematologic cancers

Hematologic cancers can be divided into three main categories:

(A) Leukemia: Also known as blood cancer, it is caused by abnormal production of leukocytes in the hematopoietic system.

(B) Lymphoma: It is a hematologic cancer that affects the lymphatic system.

(C) Multiple myeloma: It is a malignant tumor derived from plasma cells in the bone marrow.

According to the American Cancer Society (ACS) and the Leukemia &Lymphoma Society (LLS), about 174,250 people in the United States were diagnosed with hematologic cancers in 2018, that is 46 people out of 10,000 acquired hematologic cancers, approximately one new patient in every three minutes. Among them, the incidence of lymphoma is the highest, accounting for 48% of hematologic cancers, followed by leukemia, about 35%; myeloma accounts for about 17%. Hematological cancer occurs in whites (including Hispanic and non-Hispanic) and African Americans more often than in Asians and Native Americans; the incidence rate in males is slightly higher than that in females.

C. Cholangiocarcinoma

Cholangiocarcinoma belongs to a type of hepatic cancer, which is the result of a malignant hyperplasia of bile duct epithelial cells. The bile duct belongs to a section of the liver that discharges bile into the intestine. Any part of the bile duct may be cancerous. By occurrence location, it can be divided into intrahepatic cholangiocarcinoma and extrahepatic cholangiocarcinoma; extrahepatic cholangiocarcinoma includes hepatic portal type and distal type. Statistically, cholangiocarcinoma is the second most common cause of hepatocellular carcinoma, accounting for about 10 to 15% of hepatoma, of which 5 to 10% is intrahepatic, and the other 90 to 95% is extrahepatic. The 5-year survival rate of intrahepatic cholangiocarcinoma is about 2 to 15%, and the 5-year survival rate of extrahepatic cholangiocarcinoma is about 2 to 30%. Cholangiocarcinoma is a chronically developed tumor with initial symptoms that are less obvious. Not until it develops to cause biliary tract blockade will it feature symptoms such as painless jaundice, itching, light stool, dark urine, upper abdominal pain, loss of appetite, weight loss, fever or nausea and vomiting, and may be transferred through the lymphatic system.

Cholangiocarcinoma, also known as biliary tract cancer, is a rare primary malignant liver tumor with a very high mortality rate. Although the cause of cholangiocarcinoma is unknown at present, it is speculated that some risk factors may be related to the occurrence of cholangiocarcinoma. For example, people with ulcerative colitis, a common disease in Europe and the United States, have 9- to 21-fold of chances of acquiring cholangiocarcinoma; other factors including smoking, patients with primary sclerosing cholangitis, congenital biliary system abnormalities, parasitic infections, and patients with hepatitis B or hepatitis C may have higher incidence rate of cholangiocarcinoma. Cholangiocarcinoma occurs more often in seniors aged 50-70 years old but less often in children; incidence rate in males are slightly higher than females; incidence rate in Asia is higher than that in Europe and America, among which Asians and Hispanics have the highest incidence while non-Hispanic Whites and Africans have the lowest incidence.

D. Basal cell carcinoma

Basal cell carcinoma is one of the most common skin cancers, occurring more often in those aged over 40 years old; the number of new cases in the United States is about 4.3 million per year, claiming 3,000 lives. Most basal cell carcinoma can be surgically resected or treated with radiation, but about 10% of them cannot be treated with the said methods due to locally advancement or metastasis of BCC. Those patients will develop drug-resistance after clinical treatment for 6 - 7 months at the earliest, running out of option for using any drugs.

According to the market analysis report of Transparency Market Research, BCC-related drugs and therapies globally possess a staggering business potential of a growth at 9.2% annual compound rate.

2. Market share:

Generally, the “drug life cycle” is approximately 20 years owing to the influences from the research and development schedule, product characteristics, patent protection, development of similar drugs from competitors, and changes in the medical environment to the marketing of generic drugs with the same substances after the patent expires. Once a biotechnology drug passes clinical trials and is commercialized, the Company may enjoy gross profit of more than 80% in the 20-year patent protection period as the product will gain market shares in potential markets for certain diseases. Generally, a product with a higher monopoly in technology would have a higher market share.

Senhwa is mainly focused on developing new drugs for treating cancer. The candidate drugs CX-5461 and CX-4945 currently being developed shall be used for developing treatment for hematologic cancers, breast cancer, cholangiocarcinoma, and basal cell carcinoma. However, as all candidate drugs developed by the Company are in the clinical trial stage and not yet sold on the market, the market share cannot be assessed.

3. Supply and demand and growth of future market:

A. Growth in the cancer drug market:

“Cancer” is one of the main causes of death in the world. According to the survey conducted by the World Health Organization (WHO), patients with cancers reached 18.1 million people globally in 2018, a 26.1% growth from 14.35 million people in 2013; cancers caused 9.6 million deaths in 2018, a 14.8% growth from 8.36 million deaths in 2013. The “2014 World Cancer Report” estimated that there will be 22 million new cancer cases across the world in 2030, and the figure will increase to 24.2 million in 2035. In 2018, the three most common cancers globally in 2018 are lung cancer (2.1 million cases), breast cancer (2.1 million cases), and colorectal cancer (1.8 million cases), whereas the top three cancers that claim the most lives are lung cancer (1.8 million deaths), colorectal cancer (881,000 deaths) and gastric cancer (783,000 deaths). Globally, the aging problem and shifts in lifestyle have led to the prevalence of cancer, which, coupled with rising medical costs, seriously affect people's quality of life. Therefore, cancer treatment, in developed and developing countries alike, is an acute and inevitable issue. In terms of global markets for cancer drugs, according to IQVIA's statistics and forecasts, anti-cancer drugs still accounted for the world's largest drug sales in 2017, with sales reaching US$81.1 billion. The sales, soaring as a result of annual increase in cancer population and lack of drugs for effective treatment of cancer at the present, are estimated to increase by 7-10% in the next 5 years and exceed US$115 billion by 2022.

B. Growth in the breast cancer drug market:

According to GlobalData's 2018 market report, the market for breast cancer drugs in 2017 has exceeded US$14.6 billion. It is estimated that it will reach

US$22.2 billion in 2024, with the compound annual growth rate being 6.1%.

C. Growth in the hematologic cancers drug market:

The field of hematlogic diseases is quite extensive, and many types of diseases are included in this field. GlobalData's research report published in 2016-2018 indicates that the global market for hematlogic diseases for 2017 is estimated at US$33.6 billion. By 2024, it will grow to US$44.6 billion. The compound annual growth rate for the period from 2017 to 2024 is about 3.7%. The main markets for hematologic cancers are compiled as follows:

Indication	Estimated Market Value	
Leukemia		
Acute myeloid leukemia (AML)	2024	NT$ 1.79 billion
Chronic myeloid leukemia (CML)	2024	NT$ 2.12 billion
Acute lymphoblastic leukemia (ALL)	2024	NT$ 0.83 billion
Chronic lymphoblastic leukemia (CLL)	2024	NT$ 9.22 billion
Lymphoma		
Hodgkin lymphoma (HL)	2024	NT$ 1.39 billion
Non-Hodgkin lymphoma (NHL)	2024	NT$ 5.46 billion
Myeloma		
Multiple myeloma (MM)	2024	NT$ 22.6 billion

Data source: GlobalData; Compiled by Senhwa in February 2019.

D. Growth in the cholangiocarcinoma drug market:

According to GlobalData, in 2011, cholangiocarcinoma treatment drug market in developed countries reached US$120 million, with Japan accounting for 59%, the five European countries 24%, and the United States 17%. The estimated market for 2019 is US$112.6 million, and the compound annual growth rate for the period from 2011 to 2019 is estimated to be a negative growth of 0.9%. The factors having affected the market include population aging, epidemiology, probability of diagnosis and treatment, low survival rate and lack of therapeutic drugs. The declined from 2011 to 2019, according to GlobalData, is mainly due to the possible release of the valuable generic drug markets as a result of the expiration of patent protection in 2013 for Capecitabine (Xeloda) , Hoffmann-LaRoche) and Gemcitabine (Gemzar, Eli Lilly), as well as the expiration of patent protection in the U.S. in 2017 for Vandetanib (Caprelsa, AstraZeneca). In the short term, unless there is a breakthrough drug, the overall market for cholangiocarcinoma drugs will not change much.

E. Basal cell carcinoma

Vismodegib, the first target drug in the global market for the treatment of patients with metastatic, locally advanced, inoperable BCC or BCC that can not be treated with radiotherapy, was developed by the US pharmaceutical company Genentech and approved for marketing in January 2012. It functions by targeting the SMO protein gene of the Hedgehog signal pathway, thereby inhibiting the

DNA repairment of cancer cells and facilitating their apoptosis. According to the study, more than 90% of patients with BCC have their pathogenesis related to the Hh signal pathway.

According to GlobalData, Vismodegib's global sales in 2018 amounted to CHF258 million (about US$260 million); in addition, according to the research report of Coven & Co.,Vismodegib's peak sales will reach US$533 million by 2022 The US FDA approved Libtayo for the treatment of squamous cell carcinoma last year. Seeing that Libtayo obtained data from only two phase I Expansion cohorts and phase II clinical trials that it was approved for marketing at such a speedy pace, Senhwa hopes to follow this path in accelerating the licensing and marketing of CX-4945.

4. Competitive niche

A. "G-quadruplex structural stabilizer (CX-5461)" and "protein kinase CK2 inhibitor (CX-4945)" are the first in class, capable of expanding the efficacy, safety, life cycle and therapeutic range of cancer therapy that are provided for better treatment of cancer patients.
B. CX-5461 has no genotoxicity and does not suppress DNA replication, protein translation, or transcription of protein kinase CK2. According to previous research results, CX-5461 only activates the p53 in cancer cells and does not activate the p53 in normal cells. It selectively targets cancer cells to destroy them without significant impacts on the functions of normal cells. The product is highly beneficial and can be widely applied.

The results of our latest clinical trials show that CX-5461 can be effectively used on cells with BRCA1 or BRCA2 genetic mutations and achieve the goal of using synthetic lethality mechanisms to effectively inhibit the growth of cancer cells. It is a type of targeted therapy with mechanisms similar to PAPR inhibitors. The use of PAPR inhibitors to treat breast cancer or ovarian cancer patients with BRCA-1/2 defect has been partially verified in clinical trials. However, the efficacy of PARP inhibitors in breast cancer patients is not significant, only delaying progression-free survival (PFS) and having no significant improvement in overall survival (OS) data. Therefore, CX5461 still has a great chance of being favored by breast cancer patients with abnormal BRCA1 or BRCA2 genes. In ovarian cancer, PARP inhibitors can maintain the efficacy for patients responsive to Cisplatin, or be used as a third- and fourth-line therapy. However, seeing that nearly half of ovarian cancer patients are not responsive to Cisplatin, and that patients developing drug-resistance for using PARP inhibitors still have no drugs for their therapy, CX5461, which is in line with the new trend of precision medicine, has a great opportunity for being favored by ovarian cancer patients with abnormal BRCA1 or BRCA2 genes.

C. Treatment for metastatic or inoperable cholangiocarcinoma has effectively remained unchanged for many years as no effective treatment can be provided to patients. There is no strong evidence that adjuvant chemotherapy can

effectively improve the overall survival rate of patients suffering from cholangiocarcinoma. In addition, there is no single drug or combined chemotherapy that can continuously and effectively reduce the patients' tumors. The candidate drug, CX-4945 has great protein kinase CK2 inhibition and high levels of exclusive selectivity. The high durability and safety of CX-4945 have been verified in completed phase I clinical trials. CX-4945 also demonstrated significant improvements in treatment and response, providing it with a competitive edge.

D. CX-4945, a protein kinase CK2 inhibitor, has been found in many preclinical studies as a very important regulator of the Hedgehog signal pathway, that is, it inhabits and regulates protein genes (e.g. Gli) in the downstream of the Hh pathway. In an experiment employing PDX model for treatment of little mice developing drug-resistance to Vismodegib, Senhwa found that CX-4945 can effectively inhibit tumor growth.

Therefore, the clinical design for treatment of basal cell tumors will enroll BCC patients with drug resistance after having SMO inhibitor treatment, patients with locally advanced BCC, and patients with metastasis BCC. If further clinical trials in human can be performed to verify the efficacy, CX-4945 will have the opportunity to replace the only 2 SMO drugs in the market to become a rescue drug, thereby providing another option for patients who have no medicine available

E. CX-4945 has the opportunity to accelerate its marketing by employing the "orphan drug" strategy. Orphan drugs refer to the drugs that treat rare diseases. Drugs that are certified as orphan drugs can obtain drug licenses in a shorter period of time through fast-track reviews which reduces the time required for development and costs.

F. Senhwa is a company with clear goals and the management team has substantial international perspectives and abundant operations and management experience.

G. The Company retains multiple core products with patent protection.

5. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures:

New drug development is a typical technology industry with high investment, high risks, and high profits. In addition to requirements for high amounts of investment, the development also faces a lot of uncertainties, which include whether the drugs can obtain success in clinical research and whether products can be accepted on the market. The favorable and unfavorable factors and their response strategies are analyzed as follows:

A. Favorable factors

(A) NRDO business model: The Company does not pursue front-end development for new drugs and only focuses on midstream development, which is executed with integrated resources for individual projects. The approach allows us to integrate upstream and downstream resources in the

domestic and international biotechnology and pharmaceuticals industry, disperses risks in the development of new drugs, and increase the efficiency of research and development.

(B) Advantages of the R&D team: Senhwa's R&D team fully understands the gap between basic research and new candidate drug status. The Company therefore directly introduced niche candidate drugs for added-value development. This can prevent premature investments or investment in projects with high failure rates while lowering development risks.

(C) Intellectual property rights protection: Senhwa's candidate drugs have comprehensive intellectual property protection for new substances and we have obtained multiple patents. For future development, we also plan to apply for related invention patents for the application of new production processes and new indications to strengthen the intellectual property rights protection.

(D) Substantial potential for profits in the development of new drugs: Senhwa's candidate drug CX-5461 has market potential for treating hematologic cancers and breast cancer. The candidate drug CX-4945, planned to be developed for treatment of cholangiocarcinoma and basal cell carcinoma, is applicable to the US orphan drug regulations. The US FDA grants exclusive rights to manufacturing and selling of such new drugs for 7 years from the date of approval, during which the pharmaceuticals company is entitled to exclusive profits associated with the drugs. In addition, in consideration of small patients population, high development costs of new drugs, and return on investment, such drugs often set higher-than-average prices, thereby securing a certain market sales in the global drug market; Moreover, most of the rare diseases are currently unable to be completely cured with drug therapy, but can only be allieviated. Consequently, once pharmaceuticals companies have developed relevant therapeutic drugs, they can usually enjoy long-term and high profits.

(E) Full discretion in the development of new drugs: The Company's new pharmaceuticals development projects were obtained through an asset acquisition model. Compared to the technology transfer model as used by other biotechnology companies, the asset acquisition model allows a full discretion in decision making. In addition, acquisition of intellectual property rights can be used globally instead of being restricted to certain jurisdictions, guaranteeing a full discretion in strategies for new drugs developement.

B. Unfavorable factors and response measures:

(A) The development of a new drug requires substantial investments and a long period of time.

Adaptive Strategy:

Senhwa's operating model focuses mainly on the development of new drugs for clinical trials that verify the effectiveness of drugs in humans and

involves less in early drug discovery or laboratory cell research work. Such a development model is generally considered to be fast-growing and less risky.

(B) Lack of professional talent.

Adaptive Strategy :

The Company employs high-level biotechnology talents and professional medical consultants in various fields, thus ensuring that the original transferred technology can be successfully undertaken in a short period of time. We also plan and advance various projects and work with suppliers and international contract research organizations (CROs) to maintain stable and interacting partnerships.

(II) Usage and manufacturing processes for the Company's main products:

(1) Product usage

The Company's main products are drugs for treating cancer. CX-5461 shall be first used for developing treatments for hematologic cancers and breast cancer. CX-4945 shall be first used for developing treatments for cholangiocarcinoma. The use of these drugs may be expanded to other indications in the future.

(2) Production process:

The main products in the research and development of the Company are small-molecule compounds and we currently outsource the production. Outsourcing services in the global biotechnology and pharmaceuticals industry have become more and more common since the 1980s. To cut costs and improve efficiency, we have adopted a strategy of a global division of labor for our clinical drugs including raw materials, active pharmaceutical ingredients, or drug products which are manufactured or produced by outsourced contractors who are suitable suppliers to provide us with customized production services.

(III) Supply status of main raw materials:

The Company's main business is the development of new drugs. Any revenue generated is the income by the Company providing service to customers, whereas the main cost is the cost provided from the said service to customers. Therefore, the Company is not applicable to such disclosure requirement.

(IV) The names of customers who accounted for more than 10% of sales for any given year within the last two years, their purchase amount and proportion, and reasons for changes (increase or decrease) in sales:

1. List of customers accounting for 10% or more of the Company's total sales in either of the most recent two years:

The Company's main business is the development of new drugs and specific

microbial strains . Any revenue generated is the income by the Company providing service to customers, whereas the main cost is the cost provided from the said service to customers. Therefore, the Company is not applicable to such disclosure requirement.

2. List of customers accounting for 10%or more of the Company's total sales in either of the most recent two years:

Units: NT$1,000; %

Year	2017				2018				2019 Q1			
Items	Item	Amount	Percentage of net sales in the year (%)	Relation with the issuer	Item	Amount	Percentage of net sales in the year (%)	Relation with the issuer	Item	Amount	Percentage of net sales in the year (%)	Relation with the issuer
1	—	—	—	—	Company A	733	100.00	—	Company A	100	100.00	—
	Net sales Net sales	—	—		Net sales Net sales	733	100.00		Net sales Net sales	100	100.00	

The Company's main business is the development of new drugs and specific microbial strains, that is providing cooperation partners with product development consult and recognizing service revenue during the term of the Development Agreement.

(V) Production volume and value in the last two years:

The Company's main business is the development of new drugs and specific microbial strains. The specific microbial strains have generated revenue in 2018 and 2019 Q1. However, the revenue is derived from the Company providing consulting service for customers and thus does not apply to such disclosure requirement.

(VI) Sales volume and value of the last two years

The Company's main business is the development of new drugs and specificmicrobial strains. The specific microbial strains have generated revenue in 2018 and 2019 Q1. However, the revenue is derived from the Company providing consulting service for customers and thus does not apply to such disclosure requirement.

III. Employee Information

Unit: Persons

Year		December 31, 2017	At the end of 2018	April 30, 2019
Number of employees	Management personnel	4	5	5
	Research and technical staff	14	17	16
	Other employees	12	13	13
	Total	30	35	34
Average age (years)		42.00	43.57	44.24
Average years of service (years)		2.87	2.34	2.8
Academic distribution ratio	Doctor	23.33%	17.14%	14.71%
	Master	33.34%	34.29%	35.29%
	College	40.00%	42.86%	44.12%
	Senior high school	3.33%	5.71%	5.88%
	High school/vocational school and below	—	—	—
	Total	100.00%	100.00%	100.00%

IV. Expenditure on Environmental Protection

1. In the recent year up to the publication date of this Report, the total amount of losses (including compensations) and punishment resulted from polluting the environment, and the explanation for the future countermeasures (including improvement measures) and possible expenses: None.
2. Future response measures (including improvement measures) and possible expenses (including estimated amount of potential losses, fines and compensation as a result of failure of implementing such measures; where estimated amount for the above-mentioned cannot be given, explanation should be given about the facts that make such estimates incapable of being given): The Company is dedicated to research and development of new pharmaceuticals and does not pollute the environment.

V. Labor Relations

1. List the Company's employee benefits, continuing education, training, retirement system and implementation status, as well as agreements between the employer and employees and measures for protecting employees' rights and interests:

(1) Employee benefits and implementation status:

Senhwa pursues sustainable development and growth and we consider employees to be our biggest assets. To maintain harmonious labor relations and protect the rights of employees, the Company has established related management regulations for hiring, dismissal, work time, attendance, leaves, rewards and punishment, and promotions. They are carried out in accordance with related regulations of the government. We also implement labor insurance, appropriate

funds for labor pension and National Health Insurance, and organize employee benefits so that the rights and interests of employees can be fairly and reasonably treated in accordance with the aforementioned channels. As of now, issues that may negatively impact employees' rights and interests have not occurred at the Company.

The Company has established the following employee welfare measures:

A. Labor and national health insurance: All employees are enrolled in the labor insurance and national health insurance program in accordance with related regulations.

B. Group insurance: All employees enjoy life insurance, accident insurance, hospitalization and medical insurance, and employer liability insurance policies that are fully paid for by the Company.

C. Holiday bonus/subsidies/leisure: Employees enjoy fixed amounts of subsidies for travel and health examination each year as well as subsidies for marriage and funerals. The Company also provides relief funds for hospitalized employees and subsidies for childbirth, birthdays, year-end party, and bonuses for three major Chinese holidays. We also organize year-end parties each year and company dinners from time to time.

D. Employee stock options: Employee stock options are issued in accordance with the "Employee Stock Option Issuance and Subscription Policy" after obtaining the approval of the Board of Directors.

(2) Employee education and training:

A. New employees:

New employees are provided with an introduction of the company, work rules, environment, supervisors, and colleagues by human resources personnel on their first day of work.

B. On-the-job training:

To comply with the goals of the organization and human resources development, improve the quality of human resources, professional capabilities, and work efficiency, employees may apply for approval for participation in various professional courses for training and studies based on their different roles. The Company aims to cultivate professional technical talents and provides employees with convenient and diverse learning channels and opportunities to improve their academic skills and expedite the completion of their missions.

(3) Employee pension system and implementation status:

To take care of employees' life in retirement and help them focus on their work, the Company organizes labor insurance and national health insurance in accordance

with laws. We also appropriate labor pension to the account at the Bureau of Labor Insurance for management.

(4) Employee benefit protection and maintenance status:

The Company has established management rules in accordance with regulations to specify various labor conditions and protect the rights and interests of employees. We have also established the Labor Relations Committee, which is convened every quarter. The rights and interests of employees can be fairly and reasonably processed through the aforementioned channels. As of now, issues that may negatively impact employees' rights and interests have not occurred at the Company.

2. List the losses suffered due to labor disputes in the most recent year up to the publication date of this Report, and disclose the estimated amount for current and possible future occurrences, and response measures. If the amount cannot be reasonably estimated, clarify the reason:

Since the founding of Senhwa, the Company has always regarded employees at its most valuable assets and it attaches great importance to their future development. Labor relations have been harmonious and there has been no major labor management disputes.

VI. Important contracts

Type of contracts	Party	Contract period	Main contents	Restrictions:
Asset Procurement Agreement	Foreign Company A	April 30, 2013- Completion of related product development	Information on multiple patents from multiple countries, specialized skills, tested drugs, and clinical information for the purchase of new drugs. Senhwa is required to pay a certain amount upon signing the contract. If Senhwa successfully uses the aforementioned subject to license to a third party or the sales of drugs generate profits, Senhwa shall provide the company with a certain proportion of sales as royalty.	Confidentiality and Non-Disclosure Clause
Patent licensing contract	Chaperone Therapeutics, Inc.	September 4, 2015- March 25, 2019	Senhwa has signed a global patent licensing agreement for pre-clinical candidate drugs with Chaperone Therapeutics, Inc. (“Chaperone”) on September 4, 2015. Chaperone is responsible for the development, drug license application, production, and sales of the drugs. According to the agreement, Senhwa may collect an upfront payment from Chaperone, and collect milestone payments at every development stage. When related drugs are marketed in the future, Senhwa would also collect a certain percentage of royalties based on the net sales. Due to the backward R&D work of Chaperone after three years from the licensing date, it is still impossible to complete the development of candidate medication and enter the GLP toxicology experiment, resulting in a delay in being qualified for “New Drug Application”. The backwardness of Chaperone's research and development process, in addition to causing substantial loss of the validity period of the Company's patent (intangible assets), does not qualifies for the due diligence clause of the "commercially reasonable development progress". In order to maintain shareholders interest and the development potential of the Company's intangible assets, the Board of Directors decided to terminate the licensing contract with Chaperone Therapeutics, Inc. on March 25, 2019. The Company will assess whether to independently develop the said pre-clinical candidate drug for cancer therapy.	The confidentiality clause is valid for 10 years from the date of termination.

Chapter 6 Financial Highlights

I. 5-Year Financial Summary

(I) Condensed balance sheet and income statement - International Financial Reporting Standards

1. Condensed Balance Sheets

(1) Condensed balance sheet - Consolidated financial statements

Unit: NT$1,000

Items \ Year		Financial information for the last five years (Note 1)					Financial information for the current year as of March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		844,278	739,832	525,697	1,617,067	1,240,057	1,092,010
"Property, plant and equipment"		1,936	1,464	1,940	5,792	3,674	13,761
Intangible assets		732	456	736	409	118	45
Other assets		70,641	4,556	4,110	2,628	2,038	2,038
Total assets		917,587	746,308	532,483	1,625,896	1,245,887	1,107,854
Current liabilities	Before distribution	13,579	15,581	20,817	57,833	36,552	27,322
	After distribution	13,579	15,581	20,817	57,833	36,552	27,322
Non-current liabilities		—	—	—	—	—	5,521
Total Liabilities	Before distribution	13,579	15,581	20,817	57,833	36,552	32,843
	After distribution	13,579	15,581	20,817	57,833	36,552	32,843
Equity attributable to shareholders of the parent company		904,008	730,727	511,666	1,568,063	1,209,335	1,075,011
Capital Stock		654,931	654,931	657,856	743,926	744,756	744,756
Capital Surplus		401,958	264,651	113,607	1,382,363	838,132	840,453
Retained Earnings	Before distribution	(157,025)	(195,400)	(265,158)	(558,879)	(375,850)	(512,679)
	After distribution	(157,025)	(195,400)	(265,158)	(558,879)	(375,850)	(512,679)
Others		4,144	6,545	5,361	653	2,297	2,481
Treasury Stock		—	—	—	—	—	—
Non-controlling Interests		—	—	—	—	—	—
Total Equity	Before distribution	904,008	730,727	511,666	1,568,063	1,209,335	1,075,011
	After distribution	904,008	730,727	511,666	1,568,063	1,209,335	1,075,011

Note 1: The financial statements for 2014 - 2018 were audited and certified by CPAs.
Note 2: Financial information for the current year up to March 31, 2019 has been reviewed by CPAs.

(2) Condensed balance sheet - Parent company only financial statement

Unit: NT$1,000

Items \ Year		Financial information for the last five years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		803,404	700,705	471,336	1,595,007	1,197,438
Investment using equity method		64,897	77,361	74,747	61,791	75,279
Property, plant and equipment		571	409	989	5,212	3,492
Intangible assets		674	417	718	409	118
Other assets		69,612	3,897	3,880	2,377	1,779
Total assets		939,158	782,789	551,670	1,664,796	1,278,106
Current liabilities	Before distribution	35,150	52,062	40,004	96,733	68,771
	After distribution	35,150	52,062	40,004	96,733	68,771
Non-current liabilities		—	—	—	—	—
Total Liabilities	Before distribution	35,150	52,062	40,004	96,733	68,771
	After distribution	35,150	52,062	40,004	96,733	68,771
Equity attributable to shareholders of the parent company		904,008	730,727	511,666	1,568,063	1,209,335
Capital Stock		654,931	654,931	657,856	743,926	744,756
Capital Surplus		401,958	264,651	113,607	1,382,363	838,132
Retained Earnings	Before distribution	(157,025)	(195,400)	(265,158)	(558,879)	(375,850)
	After distribution	(157,025)	(195,400)	(265,158)	(558,879)	(375,850)
Others		4,144	6,545	5,361	653	2,297
Treasury Stock		—	—	—	—	—
Non-controlling Interests		—	—	—	—	—
Total Equity	Before distribution	904,008	730,727	511,666	1,568,063	1,209,335
	After distribution	904,008	730,727	511,666	1,568,063	1,209,335

Note 1: The financial statements for 2014 - 2018 were audited and certified by CPAs.

2. Condensed income statement

(1)Condensed comprehensive income statement - Consolidated financial statements

Unit: NT$1,000

Item \ Year	Financial information for the last five years (Note 1)					Financial information for the current year as of March 31, 2019 Note 2
	2014	2015	2016	2017	2018	
Operating revenue	23,625	—	128	—	733	100
Gross profit	170	—	128	—	75	29
Operating profit or loss	(164,579)	(201,023)	(258,015)	(375,392)	(387,468)	(138,031)
Non-operating income and expenses	7,554	9,856	3,646	3,972	9,348	1,560
Income before tax	(157,025)	(191,167)	(254,369)	(371,420)	(378,120)	(136,471)
Net income from continuing operations	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)	(136,471)
Loss of discontinuing operation	—	—	—	—	—	—
Net income (loss)	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)	(136,471)
Other comprehensive income (Income after Tax)	3,659	2,401	(1,184)	(4,708)	1,644	184
Total comprehensive income for the period	(153,366)	(191,601)	(256,199)	(376,606)	(374,206)	(136,287)
Net income attributable to owners of parent company	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)	(136,471)
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent company	(153,366)	(191,601)	(256,199)	(376,606)	(374,206)	(136,287)
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per Share	(2.48)	(2.96)	(3.89)	(5.18)	(5.05)	(1.83)

Note 1: The financial statements for 2014 - 2018 were audited and certified by CPAs.

Note 2: Financial information for the current year up to March 31, 2019 has been reviewed by CPAs.

(2)Condensed comprehensive income statement - Parent company only financial statement

Unit: NT$1,000

Item \ Year	Financial information for the last five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	23,625	—	128	—	733
Gross profit	170	—	128	—	75
Operating profit or loss	(164,704)	(206,526)	(239,220)	(362,592)	(386,841)
Non-operating income and expenses	7,679	12,524	(15,795)	(9,306)	10,991
Income before tax	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)
Net income from continuing operations	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)
Loss of discontinuing operation	—	—	—	—	—
Net income (loss)	(157,025)	(194,002)	(255,015)	(371,898)	(375,850)
Other comprehensive income (Income after Tax)	3,659	2,401	(1,184)	(4,708)	1,644
Total comprehensive income for the period	(153,366)	(191,601)	(256,199)	(376,606)	(374,206)
Net income attributable to owners of parent company	—	—	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent company	—	—	—	—	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per Share	(2.48)	(2.96)	(3.89)	(5.18)	(5.05)

Note 1: The financial statements for 2014 - 2018 were audited and certified by CPAs.

(II) Names of CPAs in the most recent five years and audit opinions

Year	Accounting firm	Certifying CPA	Auditors' Opinions
2018	PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng and Audrey Tseng	Unqualified opinion
2017	PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng and Audrey Tseng	Unqualified opinion
2016	PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng and Audrey Tseng	Unqualified opinion
2015	PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng and Audrey Tseng	Unqualified opinion
2014	PricewaterhouseCoopers, Taiwan	Sheng-Wei Teng and Audrey Tseng	Unqualified opinion

II. 5-Year Financial Analysis

(I) Financial analysis

1. International Financial Reporting Standards - Consolidated Financial Statement

Item analyzed \ Year		Financial data for the most recent five years (Note 1)					Financial information for the current year as of March 31, 2019 Note 2
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to asset ratio	1.48	2.09	3.91	3.56	2.93	2.96
	Ratio of long-term capital to property, plants and equipment	46694.63	49913.05	26374.54	27072.91	32916.03	7852.13
Solvency (%)	Current ratio	6217.53	4748.30	2525.33	2796.10	3392.58	3996.82
	Quick ratio	6201.36	4726.76	2475.54	2770.81	3366.59	3966.38
	Interest coverage ratio	—	(27308.57)	(16956.93)	(26529.00)	(22241.35)	(1298.72)
Management ability	Average receivables turnover ratio (times)	—	—	—	—	11.02	6.02
	Average collection days	—	—	—	—	33.12	60.63
	Inventory turnover rate (times)	—	—	—	—	—	—
	Average payables turnover ratio (times)	—	—	—	—	—	—
	Average inventory turnover days	—	—	—	—	—	—
	Property, plant, and equipment (PP&E) turnover ratio (times)	24.41	—	0.08	—	0.15	0.05
	Total asset turnover ratio (times)	0.03	—	0.0002	—	0.0005	0.0003
Profitability	Return on assets (%)	(18.01)	(23.32)	(39.88)	(34.46)	(26.17)	(11.59)
	Return on equity (%)	(18.30)	(23.73)	(41.05)	(35.76)	(27.06)	(11.95)
	Net income before tax-to-paid-in capital ratio (%)	(23.98)	(29.19)	(38.67)	(49.93)	(50.77)	(18.32)
	Net income to sales (%)	(664.66)	—	(199230.47)	—	(51275.58)	(34117.75)
	Earnings per share (NT$)	(2.48)	(2.96)	(3.89)	(5.18)	(5.05)	(1.83)
Cash flow	Cash flow ratio (%)	(1045.03)	(1116.96)	(1059.55)	(564.48)	(1024.13)	(531.62)
	Cash flow adequacy ratio (%)	(12028.54)	(20804.79)	(19760.46)	(11171.17)	(13760.01)	(17700.71)
	Cash flow reinvestment ratio (%)	(15.71)	(23.81)	(43.06)	(20.79)	(30.82)	(13.29)
Leverage	Operating leverage	1.00	1.00	0.99	—	—	—
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Please indicate the reasons for the changes in the financial ratios in the last two years: (Analysis may be exempted provided such changes are less than 20%)

1. The increase in the ratio of long-term funds to property, plant and equipment and the decrease in the rate of return on assets and return on equity were due to the decrease in losses to be made up.
2. The increase in the ratio of current ratio, quick ratio and cash flow ratio was due to the decrease in fees payable at the end of the period.

Note 1: The financial data has been examined and certified by the CPAs.

Note 2: Financial information for the current year up to March 31, 2019 has been reviewed by CPAs.

Note 3: The following lists the formulas used for performing the financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = Total debt / Total assets.
   (2) Long-term funds-to-property, plant and equipment ratio = (Total equities + Non-current liabilities) / (Net value of property, plant, and equipment).
2. Liquidity (%)
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current asset - Inventories - Prepaid expenses) / Current liabilities.
   (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenditures over this period.
3. Management ability
   (1) Receivables turnover (including accounts receivable and bills receivable resulting from business operations) = Net sales / Average receivables in various periods (including accounts receivable and bills receivable resulting from business operations).
   (2) Average collection period = 365 / Receivables turnover.
   (3) Inventory turnover = Cost of sales / Average inventory.
   (4) Payables turnover (including accounts payable and bills payable resulting from business operations) = Cost of sales / Average payables in various periods (including accounts payable and bills payable resulting from business operations).
   (5) Days sales of inventory = 365 / Inventory turnover.
   (6) Property, plant and equipment turnover = Net sale / Average net value of property, plant and equipment.
   (7) Total asset turnover = Net sales / Average total assets.
4. Profitability
   (1) Return on assets (ROA) = [Net income + Interest expenses x (1 - interest rates)] / Average total asset.
   (2) Return on equity (ROE) = Net income / Average total equity.
   (3) Profit margin = Net income / Net sales.
   (4) Earnings per share (EPS) = (Profit and loss attributable to owners of the parent company - dividends of preferred shares) / Number of weighted average of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow of operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow of operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
   (1) Degree of operating leverage (DOL) = (Net operating revenue - Variable operating cost and expenses) / Operating profit.
   (2) Degree of financial leverage (DFL) = Operating profit / (Operating profit - Interest expenses).

2. International Financial Reporting Standards -Parent Company Only Financial Statement

Item analyzed \ Year		Financial data for the most recent five years (Note 1)				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio	3.74	6.65	7.25	5.81	5.38
	Ratio of long-term capital to property, plants and equipment	158320.14	178661.86	51735.69	30085.63	34631.59
Solvency (%)	Current ratio	2285.64	1345.90	1178.22	1648.88	1741.20
	Quick ratio	2280.76	1340.26	1162.50	1637.12	1731.60
	Interest coverage ratio	—	(27713.57)	(17000.00)	(26563.14)	(22107.82)
Management ability	Average receivables turnover ratio (times)	—	—	—	—	11.02
	Average collection days	—	—	—	—	33.12
	Inventory turnover rate (times)	—	—	—	—	—
	Average payables turnover ratio (times)	—	—	—	—	—
	Average inventory turnover days	—	—	—	—	—
	Property, plant, and equipment (PP&E) turnover ratio (times)	82.75	—	0.18	—	0.17
	Total asset turnover ratio (times)	0.03	—	—	—	0.0005
Profitability	Return on assets (%)	(17.60)	(22.53)	(38.22)	(33.56)	(25.54)
	Return on equity (%)	(18.30)	(23.73)	(41.05)	(35.76)	(27.06)
	Net income before tax-to-paid-in capital ratio (%)	(23.98)	(29.62)	(38.76)	(49.99)	(50.47)
	Net income to sales (%)	(664.66)	—	(199230.47)	—	(51275.58)
	Earnings per share (NT$)	(2.48)	(2.96)	(3.89)	(5.18)	(5.05)
Cash flow	Cash flow ratio (%)	(396.28)	(326.52)	(583.25)	(310.23)	(572.28)
	Cash flow adequacy ratio (%)	(33382.72)	(59616.05)	(39899.36)	(13491.46)	(17122.85)
	Cash flow reinvestment ratio (%)	(15.42)	(23.27)	(45.61)	(19.12)	(32.45)
Leverage	Operating leverage	1.00	1.00	1.00	—	—
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Please indicate the reasons for the changes in the financial ratios in the last two years: (Analysis may be exempted provided such changes are less than 20%) 1. The decrease in the rate of return on assets and return on equity was due to the decrease in losses to be made up. 2. The increase in cash flow ratio was due to the decrease in fees payable at the end of the period.						

Note 1: The financial data has been examined and certified by the CPAs.

Note 2: The following lists the formulas used for performing the financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = Total debt / Total assets.
   (2) Long-term funds-to-property, plant and equipment ratio = (Total equities + Non-current liabilities) / (Net value of property, plant, and equipment).
2. Liquidity (%)

(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current asset - Inventories - Prepaid expenses) / Current liabilities.
(3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenditures over this period.

3. Management ability
   (1) Receivables turnover (including accounts receivable and bills receivable resulting from business operations) = Net sales / Average receivables in various periods (including accounts receivable and bills receivable resulting from business operations).
   (2) Average collection period = 365 / Receivables turnover.
   (3) Inventory turnover = Cost of sales / Average inventory.
   (4) Payables turnover (including accounts payable and bills payable resulting from business operations) = Cost of sales / Average payables in various periods (including accounts payable and bills payable resulting from business operations).
   (5) Days sales of inventory = 365 / Inventory turnover.
   (6) Property, plant and equipment turnover = Net sale / Average net value of property, plant and equipment.
   (7) Total asset turnover = Net sales / Average total assets.
4. Profitability
   (1) Return on assets (ROA) = [Net income + Interest expenses x (1 - interest rates)] / Average total asset.
   (2) Return on equity (ROE) = Net income / Average total equity.
   (3) Profit margin = Net income / Net sales.
   (4) Earnings per share (EPS) = (Profit and loss attributable to owners of the parent company - dividends of preferred shares) / Number of weighted average of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow of operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow of operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
   (1) Degree of operating leverage (DOL) = (Net operating revenue - Variable operating cost and expenses) / Operating profit.
   (2) Degree of financial leverage (DFL) = Operating profit / (Operating profit - Interest expenses).

III. 2018 Supervisors' Review Report: Please refer to page 111 of this Annual Report.

IV. 2018 Financial Statements: None.

V. 2018 Consolidated Financial Statements: Please refer to Appendix I of the Annual Report.

VI. Financial Difficulties of the Company and its Affiliates in the most recent year: None.

Senhwa Biosciences, Inc.

Supervisors Audit Report

The Board of Directors has submitted the 2018 business report, financial statements, and lossmake-up proposal , of which the financial statements have been audited by CPAs Sheng-Wei Teng and Audrey Tseng of the PricewaterhouserCoopers Taiwan, appointed by the Board of Directors and an audit report has been issued.

The aforementioned business report, financial statements and the loss make-up proposal have been reviewed by the Supervisors who found them to meet requirements in the Company Act and related legislation. In accordance with Article 219 of the Company Act, this Report is submitted for shareholders' examination.

To:

2019 Annual General Meeting of Senhwa Biosciences, Inc.

Supervisor: Xwise Inc.

Representative: Chi-hai, Lin

Supervisor: Chia-Hung Lee

Supervisor: Eric Hu

March 28, 2019


Success
Solution
Business Strategy
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management
SOCIAL NETWORK
Mar
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

I. Financial Condition:

(I) International Financial Reporting Standards - Consolidated Financial Statement

Unit: NT$ 1,000

Item \ Year	2018	2017	Difference	
			Amount	Ratio
Current assets	1,240,057	1,617,067	(377,010)	(23.31)
"Property, plant and equipment"	3,674	5,792	(2,118)	(36.57)
Intangible assets	118	409	(291)	(71.15)
Other assets	2,038	2,628	(590)	(22.45)
Total assets	1,245,887	1,625,896	(380,009)	(23.37)
Current liabilities	36,552	57,833	(21,281)	(36.80)
Total Liabilities	36,552	57,833	(21,281)	(36.80)
Capital Stock	744,756	743,926	830	0.11
Capital Surplus	838,132	1,382,363	(544,231)	(39.37)
Retained earnings (for making up losses)	(375,850)	(558,879)	183,029	(32.75)
Others	2,297	653	1,644	251.76
Shareholders' Equity	1,209,335	1,568,063	(358,728)	(22.88)

Description of items with change ratios greater than 20% and change amounts greater than NT$10,000,000 in the most recent two years:

1. Decrease in current assets, total assets and total shareholders' equity: Due to a decrease in cash and cash equivalents as a result of paying for the research and development expenses and operating expenses for 2018.
2. Decrease in current liabilities and total liabilities: Mainly due to a decrease in expense payables at the end of the period as a result of expenditure on new drugs development in 2018.
3. Decrease in capital reserve: Duo to make-up for the deficits in 2017.
4. Decrease in retained earnings (deficits to be made-up): Mainly due to the addition of the deficits for 2017 and the deficits for the previous periods.

(II) International Financial Reporting Standards - Parent Company Only Financial Statement

Unit: NT$1,000

Item \ Year	2018	2017	Difference	
			Amount	Ratio
Current assets	1,197,438	1,595,007	(397,569)	(24.93)
Investment using equity method	75,279	61,791	13,488	21.83
"Property, plant and equipment"	3,492	5,212	(1,720)	(33.00)
Intangible assets	118	409	(291)	(71.15)
Other assets	1,779	2,377	(598)	(25.16)
Total assets	1,278,106	1,664,796	(386,690)	(23.23)
Current liabilities	68,771	96,733	(27,962)	(28.91)
Total Liabilities	68,771	96,733	(27,962)	(28.91)
Capital Stock	744,756	743,926	830	0.11
Capital Surplus	838,132	1,382,363	(544,231)	(39.37)
Retained earnings (for making up losses)	(375,850)	(558,879)	183,029	(32.75)
Others	2,297	653	1,644	251.76
Shareholders' Equity	1,209,335	1,568,063	(358,728)	(22.88)

Description of items with change ratios greater than 20% and change amounts greater than NT$10,000,000 in the most recent two years:

1. Decrease in current assets, total assets and total shareholders' equity: Due to a decrease in cash and cash equivalents as a result of paying for the research and development expenses and operating expenses for 2018.
2. Increase in investments accounted for using equity method: Mainly due to the compensation costs arising from employee stock options in 2018.
3. Decrease in current liabilities and total liabilities: Mainly due to a decrease in expense payables at the end of the period as a result of expenditure on new drugs development in 2018.
4. Decrease in capital reserve: Duo to make-up for the deficits in 2017.
5. Decrease in retained earnings (deficits to be made-up): Mainly due to the addition of the deficits for 2017 and the deficits for the previous periods.

II. Financial Performance

(I) Comparative Analysis of Operational Performance

1. International Financial Reporting Standards - Consolidated Financial Statement

Units: NT$1,000; %

Item \ Year	2018	2017	Increase (decrease) amount	Change in ratio (%)
Operating revenue	733	—	733	100.00
Operating costs	(658)	—	(658)	100.00
Gross operating profit (loss)	75	—	75	100.00
Operating Expenses	(387,543)	(375,392)	(12,151)	3.24
Operating loss	(387,468)	(375,392)	(12,076)	3.22
Non-operating income and expenses	9,348	3,972	5,376	135.35
Net loss before tax	(378,120)	(371,420)	(6,700)	1.80
Income tax benefit (expense)	2,270	(478)	2,748	(574.90)
Net loss over this period	(375,850)	(371,898)	(3,952)	1.06
Other comprehensive income	1,644	(4,708)	6,352	(134.92)
Description of items with change ratios greater than 20% and change amounts greater than NT$10,000,000 in the most recent two years: None.				

2. International Financial Reporting Standards -Parent Company Only Financial Statement

Units: NT$1,000; %

Item \ Year	2018	2017	Increase (decrease) amount	Change in ratio (%)
Operating revenue	733	—	733	100.00
Operating costs	(658)	—	(658)	100.00
Gross operating profit (loss)	75	—	75	100.00
Operating Expenses	(386,916)	(362,592)	(24,324)	6.71
Operating loss	(386,841)	(362,592)	(24,249)	6.69
Non-operating income and expenses	10,991	(9,306)	20,297	(218.11)
Net loss before tax	(375,850)	(371,898)	(3,952)	1.06
Income tax expense	—	—	0	0.00
Net loss over this period	(375,850)	(371,898)	(3,952)	1.06
Other comprehensive income	1,644	(4,708)	6,352	(134.92)
Description of items with change ratios greater than 20% and change amounts greater than NT$10,000,000 in the most recent two years: 1. Non-operating income and expenses: Mainly due to the recognition of the profit and loss of the U.S. subsidiary.				

(II) Projected sales volume and its basis: The Company's main business is the development of new drugs and specific microbial strains. Such disclosure may be exempt.

(III) Possible impact on the Company's financial operations and response plans: None.

III. Cash flow

(I) Analysis and explanation on the change in cash flow in the most recent fiscal year:

Unit: NT$ 1,000

Item \ Year	2018	2017	Increase (decrease) percentage (%)
Net cash outflow from operating activities	(374,340)	(326,456)	14.67
Net cash provided by (used in) investing activities	186	(4,125)	(104.51)
Net cash inflow from financing activities	1,009	1,422,341	(99.93)
Effects from exchange rate	1,638	(4,643)	135.28
Total (net cash inflow (outflow))	(371,507)	1,087,117	(134.17)

Analysis of changes:

1. Operating activities: The cash outflow from operating activities in 2018 increased by NT$47,884 thousand from 2017. The 14.67% increase was mainly caused by an increase in R&D expenditures and a decrease in payables at the end of the period.
2. Investing activities: The net cash outflow of investment activities in 2018 decreased by NT$4,311 thousand compared with 2017, mainly due to the increase in capital expenditure related to the relocation of the office in 2017.
3. Financing activities: The net cash inflow of financing activities in 2018 decreased by NT$1,425,643 thousand compared with 2017, a decrease of 99.93%, mainly due to the issuance of common shares to be traded on the OTC market in 2017.

(II) Remedial measures for cash deficit and analysis of liquidity: None.

(III) Cash liquidity analysis for the following year:

Unit: NT$ 1,000

Cash amount - beginning of the year	Net cash flow from the year's operating activities	Net cash flow from the year's investing activities	Net cash flow from the year's financing activities	Cash inflow for the year	Cash surplus (deficit)	Measures for insufficient cash	
					Cash surplus (deficit)	Investment plan	Financing plan
1,229,493	(491,378)	(400)	998,346	506,568	1,736,061	—	—

Cash flows analysis:

1. Net cash flow from the year's operating activities: Mainly comprises expenses incurred from the daily operation and research and development of the company and the US subsidiary.
2. Net cash flow from the year's financing activities: Mainly due to planning for issuance of common shares.
3. Remedial measures and liquidity analysis for expected cash inadequacy: The Company has plentiful of cash on hand and therefore is not applicable to such an analysis.

IV. Effect of Major Capital Expenditure in 2018 on Financial Operations:

The Company did not have any major capital expenditure in 2018.

V. 2018 Investment policy, main causes for profits or losses, improvement plans and investment plans for the coming year:

1. Investment policy for the most recent year: Senhwa's investment policy is dependent on requirements for the development of new drugs. The investment benefits are fully evaluated and appropriate procedures for investment are implemented before investment. Under such principles, the Company has only invested in Senhwa Biosciences Corporation (Senhwa U.S.A.) as of the publication date of the Prospectus. The Company's income recognized through the investment using equity in 2017 was NT$1,837 thousand.
2. Main reasons for gains or losses in the most recent year's investment business and improvement plans:
   Senhwa U.S.A. assists the Company with clinical trials of new drugs and the Company pays Senhwa U.S.A. technical service fees. Senhwa U.S.A. has appointed several

professionals with PhD degrees in related fields to key positions. The experts have participated in the design and development of multiple drugs and they have established an operations model for the design, execution, monitoring, analysis, and other technical expertise used in clinical trials for Senhwa U.S.A. Senhwa U.S.A. shall use this experience and expand businesses to other targets of services.

3. Investment plan for the coming year: The Company has no other investment plan for the coming year.

VI. Risk management

(I) The Impacts of interest rates, exchange rate fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures:

(1) The impact of changes in interest rates on the Company's profit and loss as well as future response measures:

The Company currently has not obtained loans from the Bank. The interest income in 2018 and 2017 were NT$8,894 thousand and NT$7,525 thousand. The Company's main business is the development of new drugs. Interest income has limited effects on the Company's profit or loss. However, the Company shall remain vigilant of changes in market interest rates and take related countermeasures to lower the impact of interest rates fluctuations on the Company's profit and loss.

(2) The impact of changes in currency exchange fluctuations on the Company's profit and loss as well as future response measures:

The Company's main business is the development of new drugs. Currency exchange gains (losses) is mainly caused by foreign currency deposits. The net exchange gains (losses) for 2018 and 2017 were NT$477 thousand NT$(3,335) thousand, respectively, having no significant impact on the Company's profit and loss. The Company's Finance Department also pays close attention to exchange rate variations and plans ahead for setting appropriate levels of foreign currencies to reduce currency exchange fluctuation risks.

(3) Effects of inflation on company profits or loss and future response measures:

The Company's main business is the development of new drugs. The impact of inflation on technologies, expenses, and cost required for research and development is limited. However, the Company shall pay attention to the impact of inflation and maintain good working relationships with suppliers to reduce the impact of inflation.

(II) The policies to engage in high-risk, high-leverage investments, loans to other parties, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures:

(1) Senhwa has not engaged in any high-risk, high-leverage investment, loans to other parties, endorsements and guarantees, or transactions of derivative financial products as of the publication date of the Annual Report.

(2) The Company has established the "Procedures for Acquisition and Disposal of Assets," "Procedures for Loaning of Funds to Others," and "Regulations Governing Endorsements and Guarantees" which have been approved in resolutions in shareholders' meetings. If necessary, future operations shall be executed in accordance with established operating procedures.

(III) Future Research and Development (R&D) Plans and the R&D expenses expected to be invested:

Research and Development Project	Content/Progress
SHP01-1/ Development of G-quadruplex stabilizer (CX-5461)	Canada: Completed Phase I/Expansion cohorts clinical trials for treatment of breast cancer. Canada or the United States: ubmitted an application to the U.S. Food and Drug Administration (FDA) for a review of the investigational new drug (IND) and planned for phase II clinical trials on solid tumors in Canada or the United States. Australia: Completed Phase I/Expansion cohorts clinical trials for treatment of hematologic cancers.
SHP01-2-A Development of inhibitor of protein kinase CK2 (casein kinase II)	United States / South Korea / Taiwan: Completed phase I/II clinical trials for cholangiocarcinoma. United States: Completed Phase I/Expansion cohorts clinical trials for treatment of basal cell carcinoma. United States: Completed phase I/II clinical trials for medulloblastoma.

The expenses for the research and development of the aforementioned new drugs are paid in accordance with the progress of each R&D project.

(IV) The Impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures:

The Company shall actively pursue government incentives based on the Executive Yuan's "Action Plan for Strengthening the Biotechnology Industry," Diamond Promotion Plan for the Biotechnology Industry," Act for the Development of Biotech and New Pharmaceuticals Industry, and the Cross-Strait Clinical Trial Cooperation Pilot Program which facilitates the development of the domestic biotechnology industry. . . Senhwa has obtained incentives from the government for the biotechnology industry with the SHP01-1 RNA Polymerase I Inhibition (CX-5461) and SHP01-2 inhibitor of protein kinase CK2 (CX-4945). The Company has received qualifications as a biotechnology and new pharmaceuticals company and qualified for biotechnology and new pharmaceuticals investment programs. The Company shall continue to pay close attention to changes in domestic laws as well as changes in regulations on the development, review, and registration of new drugs in Asian and the U.S. markets to reduce the impact of such changes.

(V) The impacts of technology changes and industry changes on the Company's finance and business, and the countermeasures:

Senhwa is a biotechnology company dedicated to the development and management of new drugs. The new drugs developed by the Company are mainly small-molecule new drugs that fight cancer. It has high entry barriers and the indications we focus on have fewer competitors. Senhwa retains niche advantages for the development of new drugs and changes in technologies or the industry have limited impact on the Company's finance. Senhwa shall pay close attention to changes in technologies or the industry and their impact on the Company. Senhwa shall review product development and adjust the distribution of various resources to lower the impact of future changes in the industry.

(VI) The Impacts of change of corporate image on the enterprise crisis management and the countermeasures:

Senhwa's shareholders have strong backgrounds and the management team have extensive experience and a sound reputation. Senhwa shall uphold the business values of ethical corporate management and abide by laws and regulations. Senhwa shall continue to strengthen corporate governance and remain committed to maintaining the Company's positive image to attract outstanding international talents

and build a world class new drug development company. There have been no cases that affect the Company's corporate image or operations since the founding of the Company.

(VII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures:

The Company does not have any plans for acquisitions as of the publication date of the Annual Report.

(VIII) The expected benefits and possible risks to expand the plants and the countermeasures:

The Company does not have any plans for expanding the plants as of the publication date of the Annual Report.

(IX) The risks associated with concentrated procurement and sales, and the countermeasures:

Senhwa's main business is the development of new drugs. All products are currently in development and clinical trials and thus possess no concentration risks in either purchase or sales. In addition, The patents attributed to Senhwa's G-quadruplex stabilizer (CX-5461) and protein kinase CK2 inhibitor (CX-4945) are valid in multiple countries. Royalties and license fees from foreign countries shall be sources of profits for these new drugs and shall disperse the risk of drug development.

(X) The impacts and risks arising from major transfer or exchange of shares by Directors, Supervisors or shareholders with over 10% of shares in the Company and the countermeasures:

There has been no significant transfer of company shares by Directors, Supervisors, or major shareholders with more than 10% of shares in the most recent year up to the publication date of this Annual Report.

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

The Company's management has remained stable. There has not been any change in management rights as of the publication date of this annual report.

(XII) For any litigious or non-litigious matters, the Company and its Directors, Supervisors, President, person with actual responsibility in the Company, and major shareholders holding more than 10%of the company's shares, shall be disclosed. If there has been any substantial impact on shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending, the report shall disclose the facts in dispute, amount in dispute, commencement date of litigation, main parties involved, and current status of the case as of the publication date of this Annual Report:

1. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the most recent two years up to the publication date of this Annual Report that can have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, monetary amount involved, litigation starting date, the main parties involved, and present status: None.
2. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation; and (3) the results of which

may have a material impact on the Company's shareholders' equity or security prices: None.

3. Involvement of the Company's Director, Supervisor, managerial officers, or major shareholders holding more than 10% of the Company's shares in affairs specified in Article 157 of the Securities Exchange Act and the Company's current handling status in the most recent two years up to the publication date of the Annual Report: None

(XIII) Other significant matters and action plans:

1. Long development schedule and high demand forfunding:
   The development of new drugs is restricted by the safety of use in humans. The research and development process from development to clinical use takes 10-15 years. Due to the high output and high added value created by the biotechnology and new pharmaceuticals industry, it has become a knowledge-oriented industry and the global pharmaceuticals industry continues to exhibit stable growth. The government of the R.O.C. has established various action plans since 1980 to actively develop the biotechnology and pharmaceuticals industry. Despite a wide range of talented individuals and the support of government policies, most biotechnology companies are still small and medium OEM pharmaceuticals manufacturers that produce healthy food, generic drugs, and other small-molecule drugs. The supply chain lacks special generic drugs and more profitable innovative drugs that are developed independently. The biotechnology industry is characterized by high R&D expenditures, high risk, and long industrial value chains. The research, development, and marketing of new drugs are therefore characterized from other industries by the high R&D expenditures and time-consuming R&D and production procedures.
2. Adaptive Strategies:

A. Focus on the development and applications of new drugs to reduce the time required for development of new drugs and risks.

   In the research and development of drugs, the research focuses on the academic and innovative process of exploring the drugs and studying their functions and mechanisms. The development refers to the industrialization or commercialization of drugs with value for treatment including the production, toxicity research, and observation of the clinical effects of drugs. Senhwa's new drug development is based mainly on subsequent development after technology transfer. It is a plan that reduces the R&D cost of new drugs and reduces the time required for developing new drugs.

B. Portfolio management strategy of new drugs reduces development risks for new drugs

   The Company balances the human resources management capacity and established a portfolio management strategy that allows to maintain 2-3 clinical trials for new drugs at any given time. This reduces the risk of failure associated with having only one new drug in clinical trials. The search for new candidate drugs for clinical trials on humans must be supported by related knowledge, experience, and abilities to render judgments.

C. Pursuit of cooperation with renowned international institutions for their sponsorship of fund for clinical trials

   The Company's new drug project under development has received sponsorships from a number of internationally renowned institutions, e.g., CX-5461 used in phase I clinical trial for treatment of hematologic cancers received the funding applied by the Peter MacCallum Cancer Centre in Melbourne, Australia; PMCC)

from the Australian Government. The Company only assumes the cost of drugs and blood analysis required for the trial and does not need to pay for clinical center management fees and clinical medical related expenses. In addition, CX-5461 was selected as the drugs used by Canada SU2C Breast Cancer Dream Team in 2015 and won a subsidy of around NT$220 million. The Compay also signed a cooperation agreement with the Pediatric Brain Tumor Consortium (PBTC) in 2018 to jointly plan and execute Phase I/II Clinical Trial using CX-4945 for the treatment of malignant child brain cancer. Senhwa is responsible for providing drugs for the trial, which is sponsored by the National Cancer Institute (NCI) Cancer Therapy Evaluation Program (CTEP). It is estimated that more than $3 million will be invested. This type of cooperation will significantly reduce the Company's new drug development costs.

3. Information security risk assessment

(1) The Company measures the control environment, risk assessment, control activities, information and communication, supervision and other elements, and establishes the internal control system and internal control of the company's information management mechanism to self-check operations, and summarizes the functions of risk management and internal control.

(2) Information security management mechanism

The Company shall, in accordance with the relevant laws and regulations and the company's business needs, formulate internal control system computerized information system processing cycle, information security rules, e-mail operation management methods and personal data protection management operations, in order to be followed by all employees.

(3) Inforrmation security management solution

Based on the results of risk identification and risk assessment, the Company's security risk confirms the degree of adverse impact of the security risk on the business operation and adopts corresponding management measures.

Evaluate the risks of information security and plan information security control programs:

A. Network firewall settings.
B. Antivirus software settings.
C. System program data access control.
D. Develop confidential data access control.
E. Email management control.
F. Information System Disaster Recovery Plan.

(4) Audit on information security management

The company has classified the information security inspection and control operations as an annual audit project, and the audit unit conducts audits at least once a year. The company implements the risk internal control system to conduct self-inspection operations each year. The information loop internal control self-inspection operations also include Pass security check control. The company will check the operation of the internal control system, submit it to the board of directors for confirmation, and disclose the internal control statement in the annual report.

VII. Other Important Matters: None.

Chapter 8 Special Disclosures

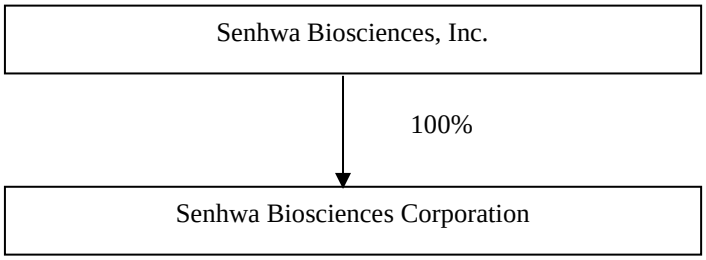
I. Summary of Affiliated Companies:

(I) Consolidated business report of affiliated companies

1. Profiles and status of affiliated companies:

(1) Organization structure of affiliated companies (as of December 31, 2018):

Senhwa Biosciences Corporation is a subsidiary established through investment by the Company. As of the publication date of the Annual Report, the Company retains 100% of shares in the subsidiary.



2. Name, establishment date, address, paid-in capital and major business activities of the affiliated companies:

Company name	Date of Incorporation	Address	Paid-in Capital	Principal Business Activities
Senhwa Biosciences Corporation	April 25, 2013	10509 Vista Sorrento Parkway, Suite 201, San Diego, CA92121	US$2,000 thousand	Clinical research of new pharmaceuticals and technical support services

3. Information on the same shareholders of companies that are presumed to have a controlling and subordinate relation: None.

4. If industries covered by the affiliated companies' business scope and the business scopes of affiliated companies are interconnected, their distribution of work shall be explained:

Senhwa Biosciences Corporation assists Senhwa with the strategy formulation and project execution of clinical trials for new drugs. In addition, it also assists the parent company in participating in conferences of related national pharmaceuticals management authorities and related affairs.

5. The names of the Directors, Supervisors, and Presidents of each affiliated company, and the number of shares they hold or the amount of capital they contributed

Company name	Title	Name and representative	Shareholding	
			Shares	Shareholding Ratio (%)
Senhwa Biosciences Corporation	Director	Tai-Sen Soong	—	—
	Director	Ruby Y. C. Wu	—	—
	President	Tai-Sen Soong	—	—

6. Operating status of affiliated companies:

December 31, 2018; Unit: NT$1,000

Company name	Paid-in Capital	Total value of assets	Total value of liabilities	Net value	Operating revenue	Operating income	Profit or loss (After tax)	Earnings per share (NT$) (After tax)
Senhwa Biosciences Corporation	59,123	76,853	1,574	75,279	72,432	(441)	1,837	1.837

(II) Consolidated Financial Statement of Affiliates Companies:

The entities that are required to be included in the combined financial statements of the Company for the annual period ended December 31, 2018 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 the International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

(III) Affiliate Company Report: Not applicable.

II. Private Placement Securities in the Most Recent Year as of the Publication Date of this Annual Report: None.

III. The Shares of the Company Held or Disposed of by Subsidiaries in the Most Recent Fiscal Year: None.

IV. Other Important Matters: Pledged Items for Listing

Pledged Items for Listing	Implementation of Pledged Items
Items that shall be amended in the Procedures for Acquisition and Disposal of Assets: The Company may directly or indirectly waive the capital increase of Senhwa Biosciences Corporation in the future, or directly or indirectly dispose of the company's shareholding. If the company	1. The Company approved the amendments to related provisions in the "Procedures for Acquisition and Disposal of Assets" in the shareholders' meeting on June 16, 2017. 2. As of the publication date of the Annual Report, the Company retains substantial

loses its substantive control over the company, it must first pass the special resolution of the board of directors of the company, and Independent directors should be present to express their views. The content of the aforementioned resolution and subsequent amendments shall be entered as material information to be disclosed on the Market Observation Post System and reported to the Taipei Exchange for future reference.	control over Senhwa Biosciences Corporation

Chapter 9 Matters that Have Significantly Affected Shareholders' Equity and Prices of the Securities Pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year: None.

Attachment:

Financial statements

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Senhwa Biosciences, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Senhwa Biosciences, Inc. and its subsidiary (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Existence of bank deposits

Description

Refer to Note 4(6) for accounting policies on cash equivalents and Note 6(1) for details of cash and cash equivalents. As at December 31, 2018, the Group's cash and cash equivalents amounted to NT$1,229,493 thousand, accounting for 99% of total assets. Given the significance of cash and cash equivalents to the Group's total assets, we consider the existence of bank deposits a key audit matter.

How our audit addressed the matter

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

- Confirmed the bank accounts and specific agreements with the financial institutions to verify the existence of bank accounts and accompanying rights and obligations;
- Obtained the bank reconciliation statements and checked any unusual reconciling items; and
- Inspected the source documents of significant cash receipts and payments to verify whether the transactions are for business purposes.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Senhwa Biosciences, Inc. as at and for the years ended December 31, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by

Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 remain solely responsible for our audit opinion.

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

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

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

Teng, Sheng-Wei Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2019

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

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

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

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,229,493	99	$ 1,601,000	98
1150	Notes receivable, net		12	-	-	-
1170	Accounts receivable, net		133	-	-	-
1200	Other receivables		918	-	1,441	-
1410	Prepayments	6(2)	9,501	1	14,626	1
11XX	**Total current assets**		1,240,057	100	1,617,067	99
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(14)	130	-	-	-
1543	Financial assets carried at cost - non-current	6(14)	-	-	128	-
1600	Property, plant and equipment		3,674	-	5,792	1
1780	Intangible assets		118	-	409	-
1900	Other non-current assets		1,908	-	2,500	-
15XX	**Total non-current assets**		5,830	-	8,829	1
1XXX	**Total assets**		$ 1,245,887	100	$ 1,625,896	100
	Liabilities and Equity					
	Current liabilities					
2200	Other payables	6(3)	$ 35,864	3	$ 57,537	4
2230	Current income tax liabilities		400	-	-	-
2300	Other current liabilities		288	-	296	-
21XX	**Total current liabilities**		36,552	3	57,833	4
2XXX	**Total liabilities**		36,552	3	57,833	4
	Equity					
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	1 and 6(6)	744,756	60	743,926	46
	Capital surplus					
3200	Capital surplus		838,132	67	1,382,363	85
	Retained earnings					
3350	Accumulated deficit	6(8)	(375,850)	(30)	(558,879)	(35)
	Other equity interest					
3400	Other equity interest		2,297	-	653	-
3XXX	**Total equity**		1,209,335	97	1,568,063	96
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 1,245,887	100	$ 1,625,896	100

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPRENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNT)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	14	$ 733	100	$ -	-
5000	**Operating costs**	6(11)(12)	(658)	(89)	-	-
5900	**Gross profit**		75	11	-	-
	Operating expenses	6(11)(12) and 7(2)				
6200	General and administrative expenses		(60,119)	(8202)	(60,652)	-
6300	Research and development expenses		(327,424)	(44669)	(314,740)	-
6000	**Total operating expenses**		(387,543)	(52871)	(375,392)	-
6900	**Operating loss**		(387,468)	(52860)	(375,392)	-
	Non-operating income and expenses					
7010	Other income	6(9)	8,899	1214	7,525	-
7020	Other gains and losses	6(10)	466	63	(3,539)	-
7050	Finance costs		(17)	(2)	(14)	-
7000	**Total non-operating income and expenses**		9,348	1275	3,972	-
7900	**Loss before income tax**		(378,120)	(51585)	(371,420)	-
7950	Income tax benefit (expense)	6(13)	2,270	310	(478)	-
8200	**Loss for the year**		($ 375,850)	(51275)	($ 371,898)	-
	Other comprehensive loss					
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		$ 1,644	224	($ 4,708)	-
8500	**Total comprehensive loss for the year**		($ 374,206)	(51051)	($ 376,606)	-
	Loss attributable to:					
8610	Owners of the parent		($ 375,850)	(51275)	($ 371,898)	-
	Comprehensive loss attributable to:					
8710	Owners of the parent		($ 374,206)	(51051)	($ 376,606)	-
	Loss per share					
9750	Basic loss per share (in dollars)	6(15)	($ 5.05)		($ 5.18)	
9850	Diluted loss per share (in dollars)	6(15)	($ 5.05)		($ 5.18)	

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

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

	Notes	Equity attributable to owners of the parent					
			Capital Surplus			Other Equity	
		Common stock	Additional paid-in capital	Stock options	Accumulated deficit	Financial statements translation differences of foreign operations	Total
2017							
Balance at January 1, 2017		$ 657,856	$ 78,177	$ 35,430	($ 265,158)	$ 5,361	$ 511,666
Loss for the year		-	-	-	(371,898)	-	(371,898)
Other comprehensive loss for the year		-	-	-	-	(4,708)	(4,708)
Total comprehensive loss for the year		-	-	-	(371,898)	(4,708)	(376,606)
Issuance of shares		85,000	1,336,039	-	-	-	1,421,039
Capital surplus used to offset accumulated deficit	6(8)	-	(78,177)	-	78,177	-	-
Compensation cost of shares issued		-	537	-	-	-	537
Amortisation of compensation cost of employee stock options	6(5)	-	-	5,471	-	-	5,471
Amortisation of compensation cost of subsidiaries' employee stock options	6(5)	-	-	4,654	-	-	4,654
Employee stock options exercised		1,070	7,350	(7,118)	-	-	1,302
Balance at December 31, 2017		$ 743,926	$ 1,343,926	$ 38,437	($ 558,879)	$ 653	$ 1,568,063
2018							
Balance at January 1, 2018		$ 743,926	$ 1,343,926	$ 38,437	($ 558,879)	$ 653	$ 1,568,063
Loss for the year		-	-	-	(375,850)	-	(375,850)
Other comprehensive income for the year		-	-	-	-	1,644	1,644
Total comprehensive income (loss) for the year		-	-	-	(375,850)	1,644	(374,206)
Capital surplus used to offset accumulated deficit	6(8)	-	(558,879)	-	558,879	-	-
Amortisation of compensation cost of employee stock options	6(5)	-	-	4,462	-	-	4,462
Amortisation of compensation cost of subsidiaries' employee stock options	6(5)	-	-	10,007	-	-	10,007
Employee stock options exercised		830	5,724	(5,545)	-	-	1,009
Balance at December 31, 2018		$ 744,756	$ 790,771	$ 47,361	($ 375,850)	$ 2,297	$ 1,209,335

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 378,120)	($ 371,420)
Adjustments			
Adjustments to reconcile profit (loss)			
Compensation cost of employee stock options		14,469	10,662
Depreciation	6(11)	2,535	1,466
Amortisation	6(11)	291	551
Interest income	6(9)	(8,706)	(7,511)
Other income		(2)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(12)	-
Accounts receivable, net		(133)	-
Other receivables		(6)	60
Prepayments		(4,944)	(4,740)
Changes in operating liabilities			
Other payables		(21,647)	36,866
Other current liabilities		(8)	150
Cash outflow generated from operations		(386,395)	(333,916)
Interest received		9,034	6,563
Tax refund received		3,021	897
Net cash flows used in operating activities		(374,340)	(326,456)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(406)	(5,382)
Increase in intangible assets		-	(127)
Decrease in other non-current assets		592	1,384
Net cash flows from (used in) investing activities		186	(4,125)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	6(6)	-	1,421,039
Employee stock options exercised	6(5)	1,009	1,302
Net cash flows from financing activities		1,009	1,422,341
Effect of exchange rate changes		1,638	(4,643)
Net (decrease) increase in cash and cash equivalents		(371,507)	1,087,117
Cash and cash equivalents at beginning of year		1,601,000	513,883
Cash and cash equivalents at end of year		$ 1,229,493	$ 1,601,000

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Senhwa Biosciences, Inc. (the "Company") was incorporated and registered with the Ministry of Economic Affairs on November 16, 2012. The Company's shares started trading over-the-counter after approval by the Taipei Exchange on April 24, 2017. The Company is primarily engaged in the development of new drugs and special pharmaceutical ingredients.

(2) As of December 31, 2018, the Company's authorised capital and paid-in capital amounted to $1,000,000 and $744,756, respectively.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 25, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments 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
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of

goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) Licence authorisation

Under IFRS 15, depending on the nature of licences, they are either a promise to provide a right to access to an entity's intellectual property as it exists throughout the licence period, or a promise to provide a right to use an entity's intellectual property as it exists at the point in time when the licence is granted.

Licences that meet all of the following criteria provide access to an entity's intellectual property, and revenue is recognised based on the performance obligation's progress towards completion:

i. the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;

ii. the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified above; and

iii. those activities do not result in the transfer of a good or service to the customer as those activities occur.

If licences cannot meet the criteria listed above, the entity provides a right to use the entity's intellectual property. Revenue shall be recognised at the point in time at which the licence is granted to the customer.

(c) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the

modified transition as of January 1, 2018 are summarised below:

Recognition of licensing revenue

The Group authorises others to access the intellectual property rights of pharmaceuticals. The licensees are entitled to the development, application for drug approval, manufacturing and sales in terms of the authorised pharmaceuticals. In return, the Group receives an upfront payment when the conditions of entering into the licensing agreement are fulfilled. The Group receives milestone royalties when the licensees reach specified milestone and subsequently a regular payment of royalties computed based on a certain percentage of net sales revenue once the pharmaceuticals are granted a marketing approval. As of December 31, 2017, the Group has received the upfront payment which has been recognised as revenue in accordance with the previously applied accounting policies. In line with IFRS 15, the upfront payment is also to be recognised at the point when the IP rights are transferred, considering that the IP rights are granted to licensees under the agreement. Thus, the recognition under the new standard and previous accounting policies are consistent and caused no significant impact on the retained earnings following the adoption beginning January 1, 2018.

(d) Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors,

which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $12,082 and $12,440, respectively, and retained earnings will be decreased by $358.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for financial assets at fair value through other comprehensive income, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2018	December 31, 2017
Senhwa Biosciences, Inc.	SenHwa Biosciences Corporation	New drug clinical and technical support services	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losse's.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they

are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Property, plant and equipment

A. Equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Equipment applies cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The useful lives are 3 and 2 years for office equipment and leasehold improvements, respectively.

(13) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Notes and accounts payable

A. Accounts payable are liabilities for goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-

market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. In addition, the Group chose the date on which the number of shares for employee pre-emption was confirmed to be the grant date for the reporting period and the following reporting periods.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from

research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(21) Share capital

Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(22) Revenue recognition

A. Consulting service revenue

The Group provides product development consulting services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the stage of completion of a service contract to the total services to be performed. Customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. Revenue from licensing intellectual property

(a) The Group entered into a contract with a customer to grant a license of patents of new drugs to the customer. Given the license is distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license transfer to a customer either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the license to a customer at a point in time.

(b) Some contracts require a sales-based royalty in exchange for a license of patents of new drugs. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make assumptions, and estimates concerning future events. However, none of the assumptions is considered critical. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 128	$ 92
Checking account deposits	270	270
Demand deposits	54,035	56,112
Time deposits	1,175,060	1,544,526
	$ 1,229,493	$ 1,601,000

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Prepayments

	December 31, 2018	December 31, 2017
Excess business tax paid	$ 4,217	$ 3,259
Prepaid income tax	2,421	2,449
Prepaid insurance premiums	1,339	1,386
Prepayment for clinical trial and commission research	1,003	905
Prepaid service expenses	-	6,245
Others	521	382
	$ 9,501	$ 14,626

(3) Other payables

	December 31, 2018	December 31, 2017
Commission research expenses	$ 25,750	$ 47,686
Salaries and bonuses	6,271	5,191
Service expenses	823	2,261
Others	3,020	2,399
	$ 35,864	$ 57,537

(4) Pensions

A. The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The subsidiary, SenHwa Biosciences Corporation, offers its employees 401(K) pension savings plan which adopts defined contribution plan. The plan enables both the employer and employees during their employment to contribute monthly based on a certain percentage of their salaries in their pension accounts.

B. The pension costs the under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $2,244 and $1,762, respectively.

(5) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employee stock options –B	2014.11.21	2,000	6 years	2~5 years' service
Employee stock options –C	2016.7.27	350	4 years	2~3 years' service
Cash capital increase reserved for employee preemption	2017.4.10	134	Not applicable	Vested immediately
Employee stock options –D	2018.5.30	700	7 years	2~4 years' service
Employee stock options –E	2018.12.4	150	7 years	2~4 years' service

B. Details of the share-based payment arrangements are as follows:

	2018		2017	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	880	$ 68.78	1,137	$ 55.98
Options granted	850	84.52	134	162.00
Options exercised	(83)	12.16	(241)	95.47
Options forfeited	(53)	60.46	(150)	12.16
Options outstanding at December 31	1,594	80.40	880	68.78
Options exercisable at December 31	535	58.72	304	12.16

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was $70.60 (in dollars) and $86.61 (in dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2014.11.21	2020.11.20	429	$ 12.16	530	$ 12.16
2016.7.27	2020.7.26	350	$ 154.50	350	$ 154.50
2018.5.30	2025.5.29	665	$ 85.30		
2018.12.4	2025.12.3	150	$ 80.90		

E. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options –B	2014.11.21	$ 77.8 (Note)	$ 12.16	49.5%	5.5 years	0%	1.08%~1.31%	$ 66.44~67.09
Employee stock options –C	2016.7.27	154.22	154.5	50.56%	3~3.5 years	0%	0.45%~0.47%	52.80~56.81
Cash capital increase reserved for employee preemption	2017.4.10	162	162	37.41%	0.03 years	0%	0.41%	4.01
Employee stock options –D	2018.5.30	85.30	85.30	42.41%~ 42.44%	4.5~ 5.5 years	0%	0.71%~0.76%	30.53~33.61

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options –E	2018.12.4	80.90	80.90	42.04%~ 42.06%	4.5~ 5.5 years	0%	0.76%~0.81%	28.78~31.70

Note: The Company was an emerging company when issuing the stock options so price-book ratio was used to compute the stock price.

F. Expenses incurred on share-based payment transactions are shown below:

	Years ended Decemer 31,	
	2018	2017
Equity-settled	$ 14,469	$ 10,662

(6) Share capital

A. As of December 31, 2018, the Company's authorised capital was $1,000,000, consisting of 100 million shares of ordinary stock (including 5 million shares reserved for employee stock options), and the paid-in capital was $744,756 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018	2017
At January 1	$ 74,393	$ 65,786
Employee stock options exercised	83	107
Cash capital increase	-	8,500
At December 31	$ 74,476	$ 74,393

(7) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(8) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the

stockholders at the stockholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the paid-in capital.

C. The shareholders during their meeting on May 17, 2018 and June 16, 2017 resolved to offset the accumulated deficit with capital surplus of $558,879 and $78,177 respectively.

(9) Other income

	Years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	$ 8,706	$ 7,511
Other interest income	188	14
Total interest income	8,894	7,525
Other income	5	-
	$ 8,899	$ 7,525

(10) Other gains and losses

	Years ended December 31,	
	2018	2017
Net currency exchange gains (losses)	$ 477	($ 3,335)
Gains on financial assets at fair value through profit or loss	-	361
Other disbursements	(11)	(565)
	$ 466	($ 3,539)

(11) Expenses by nature

	Years ended December 31,	
	2018	2017
Commission research expenses	$ 206,318	$ 206,868
Employee benefit expense	101,480	87,489
Service expenses	35,738	38,935
Patent application fees	13,071	13,441
Depreciation	2,535	1,466
Amortisation	291	551
Other expenses	28,768	26,642
Operating costs and expenses	$ 388,201	$ 375,392

(12) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 78,271	$ 68,574
Share-based payment compensation cost	14,469	10,662
Labour and health insurance fees	2,146	1,942
Pension costs	2,244	1,762
Director's emoluments	320	240
Other personnel expenses	4,030	4,309
	$ 101,480	$ 87,489

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 10% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

B. The Company incurred loss before tax for the years ended December 31, 2018 and 2017. Therefore, employees' compensation and directors' and supervisors' remuneration were not accrued in accordance with the Company's Articles of Incorporation.

C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(13) Income tax

A. Income tax (benefit) expense

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	$ 489	$ 454
Prior year income tax (over) underestimation	(2,702)	24
Effects of foreign exchange	(57)	-
Total current tax	(2,270)	478
Deferred tax:		
Origination and reversal of temporary differences	-	-
Income tax (benefit) expense	($ 2,270)	$ 478

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate (note)	$ 489	$ 454
Prior year income tax (over) underestimation	(2,702)	24
Effects of foreign exchange	(57)	-
Income tax (benefit) expense	($ 2,270)	$ 478

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

	December 31, 2018		
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	$ 370,217	$ 370,217	(Note)

	December 31, 2017		
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	$ 250,683	$ 250,683	(Note)

Note: The Company and its shareholders are entitled to the incentives conferred under the Biotech and New Pharmaceutical Development Act following the Company's incorporation as a biotech pharmaceutical company pursuant to the Letter No. Jing-Shou-Gong-Zi-10320407310 issued by the Ministry of Economic Affairs (MOEA) on April 3, 2014. The incentive measures are valid for five years beginning on the next date of the issuance of MOEA's Letter. The investment tax credit can be first used when there is taxable business income. Any unused tax credit is available for the following four years.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Assessed	$ 669	$ 669	2022
2013	Assessed	113,000	113,000	2023
2014	Assessed	156,145	156,145	2024
2015	Assessed	195,046	195,046	2025
2016	Assessed	235,170	235,170	2026
2017	Filed	356,007	356,007	2027
2018	Filed	378,477	378,477	2028
		$ 1,434,514	$ 1,434,514	

December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Assessed	$ 669	$ 669	2022
2013	Assessed	113,000	113,000	2023
2014	Assessed	156,145	156,145	2024
2015	Assessed	195,046	195,046	2025
2016	Assessed	235,170	235,170	2026
2017	Filed	356,007	356,007	2027
		$ 1,056,037	$ 1,056,037	

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. For the U.S. subsidiary, expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Assessed	$ 2,078	$ 2,078	2036

December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Assessed	$ 9,603	$ 9,603	2036

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(14) Significant contracts

A. The Company acquired intangible assets including multiple patents, technologies, clinical trial drugs and clinical trial information from Company A under the agreement in April 2013. The Company's payment for acquiring the assets relative to the agreement was shown as 'research and development expenses'. In the following years, the Company is obliged to pay royalties computed based on a certain percentage of revenue arising from either licensing to the third party or sales pertaining to the assets provided that the research and development comes to fruition.

B. The Company was commissioned on improving API Production using the industrial strains for generic medicine by Company B under an agreement in April 2013. The Company was permitted to recommission the third party provided that Company B owns the research results. The total contract price was $45,000. The Company recognised the commission research revenue for each period based on the period of time the service was rendered. Further, the Company is entitled to the receipt of royalties computed based on a certain percentage of net sales amount provided that the products are manufactured and sold under cGMP standard. However, Company B entered into a termination agreement with the Company due to the shift in its operating strategy. The latest agreement allowed the Company to access the research results as well as to authorise the third party to the extent of development. Once the products are manufactured or sold, the revenue must be shared with Company B without exceeding the R&D expenses amounting to $28,125 paid by the Company. All service revenue was recognised by the Company during the year ended December 31, 2014.

C. The Company licensed Chaperone Therapeutics, Inc. (hereafter referred to as "Chaperone") a global preclinical drug patent under an agreement in September 2015. Chaperone is responsible for the development, application for drug approval, manufacturing and sales in terms of the authorised pharmaceuticals. In return, the Company receives an upfront payment from Chaperone and milestone royalties when Chaperone reaches specified milestones. The upfront payment was 15% equity of Chaperone while the milestone royalties totalled US$102,700 thousand. The agreement provides that the upfront payment is due one year after the earlier of verification of compound validation or when the agreement is entered into. The Company recognised licensing revenue of $128 and recorded 15% equity of common shares as 'Financial assets at cost-non current'. From the year ended December 31, 2018, the Company recognised equity as 'Non-current financial assets at fair value through other comprehensive income' as described in Note 12 (4)B.

According to the evaluation of the Company, Chaperone's research and development progress has been lagging behind for 3 years since the date of authorisation. So far, the drug candidate (Candidate) has not been developed and entered the GLP toxicology experiment, which has delayed the application of the “Investigational New Drug”. The delay in Chaperone's research and development process, in addition to the substantial loss of the validity period of the Company's patent (intangible assets), have not fulfilled the due diligence clause of the "commercially reasonable development progress". To maintain the development potential of the Company's intangible assets and shareholders' equity, the Company engaged a lawyer in November 2018 to formally send a letter to Chaperone to negotiate the "termination contract" which resulted to a favorable response. The board of directors resolved to terminate the contract on March 25, 2019. The Company will evaluate the pre-clinical drug candidates for cancer use in the pre-development. From the date of termination, the parties shall have no rights and obligations except for the non-disclosure of confidential information for a period of 10 years after the termination of this Agreement.

(15) Loss per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (note)			
Loss attributable to owners of the parent	($ 375,850)	74,422	($ 5.05)

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share (note)			
Loss attributable to owners of the parent	($ 371,898)	71,782	($ 5.18)

Note: The stock options are converted into the Company’s stocks. Hence, the options have no dilutive effect.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Group did not have significant transactions with related parties for the years ended December 31, 2018 and 2017.

(2) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 12,674	$ 12,057
Share-based payments	3,138	4,129
	$ 15,812	$ 16,186

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for that mentioned in Note 6(14)A and B, other commitments are as follows:

Operating lease agreement

The Group recognised rental expense of $5,778 and $5,605 for the lease of offices and vehicles for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 6,244	$ 6,280
Later than one year but not later than three years	6,788	6,262
	$ 13,032	$ 12,542

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6 (14)C.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 130	$ -
Available-for-sale financial assets		
Financial assets at cost	$ -	$ 128
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	$ 1,229,493	$ 1,601,000
Notes receivable	12	-
Accounts receivable	133	-
Other receivables	918	1,441
Guarantee deposits paid	1,908	2,500
	$ 1,232,464	$ 1,604,941
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	$ 35,864	$ 57,537

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Non-monetary items			
USD:NTD	$ 2,450	30.72	$ 75,279
Financial liabilities			
Monetary items			
USD:NTD	$ 1,868	30.72	$ 57,394

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 5,939	29.76	$ 176,753
Non-monetary items			
USD:NTD	2,076	29.76	61,791
Financial liabilities			
Monetary items			
USD:NTD	$ 2,735	29.76	$ 81,390

ii. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to $19 and $1,643, respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Non-monetary items			
USD:NTD	1%	$ -	$ 753
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 574	$ -

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,768	$ -
Non-monetary items			
USD:NTD	1%	-	618
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 814	$ -

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good credit quality are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for their clients before standard payment terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other

factors. Individual risk limits are set based on internal or external ratings in accordance with limits. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The Group does not expect to have significant liquidity risk since the other payables and other current liabilities are due in twelve months.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. All equity instruments invested by the Group are classified as level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 130	$ 130

December 31, 2017: None.

(b) The methods and assumptions the Group used to measure fair value are as follows:

(i) For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price of market quoted price to measure the listed and emerging shares.

(ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty

quotes.

C. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	Equity instruments
At January 1	$ 128
Acquired in the year	2
At December 31	$ 130

For the year ended December 31, 2017: None.

D. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent and reliable.

E. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 130	Discounted cash flow	Long-term revenue growth rate; Discount rate	N/A	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

For the year ended December 31, 2017: None.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency;

or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired 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 or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial

difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(vii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets at cost

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 discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliation of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

Under IAS 39, because the equity instruments, which were classified as financial assets at cost, amounting to $128 were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" in the amount of $128 on initial application of IFRS 9.

C. In line with the regulations under IFRS 9 on assessment of provision for impairment, there is no significant impact to the Group's financial condition and financial performance based on the Group's assessment

D. Credit risk information for the year ended December 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for their clients before standard payment term and conditions are offered. Internal risk control assesses the credit

quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

(5) Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

Revenue is recognised when the license agreements meet all of the following criteria for revenue recognition:

(a) The amount of royalty is fixed or non-refundable.

(b) The contract is irrevocable.

(c) Related rights are granted to the authorised party for its own disposition.

(d) The party granting authority has no further obligation after passing on the rights to the authorized party.

If license agreements do not meet the above conditions, royalties are recognised as revenue using a reasonable and systematic method. The recognition should not be a one-time recognition.

B. There is no significant impact to current balance sheet and statement of comprehensive income, if the Group continually adopts the abovementioned accounting policies for the year ended December 31, 2018.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

The following transactions were eliminated when preparing the consolidated financial statements.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: No transaction involves $100 million or 20% of paid-in capital or more.

(2) Information on investees

The following transactions with the subsidiary were eliminated when preparing the consolidated financial statements.

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry by primarily engaging in the development of new drugs and special pharmaceutical ingredients. The chief operating decision maker, who allocates resources and assesses operating performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The accounting policies adopted by the Group's operating segments are consistent with that summarised in Note 2. The operating segments' profit or loss is measured with net operating profit and based on which the performance is evaluated.

(3) Information about segment profit or loss, assets and liabilities

The Group has only one reportable segment so the reportable information is identical with the financial statements.

(4) Reconciliation for segment income (loss)

The net operating loss reported to the chief operating decision-maker is measured in a manner consistent with the income and expense in the statement of comprehensive income. Hence, the reconciliation is indicated in the statement of comprehensive income.

(5) Information on products and services

	Years ended December 31,	
	2018	2017
Service revenue	$ 733	$ -

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 733	$ 3,610	$ -	$ 5,621
USA	-	182	-	580
	$ 733	$ 3,792	$ -	$ 6,201

(7) Major customer information

Information on major customer accounting for 10% of the Company's operating revenue for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,	
	2018	2017
BIOYO BIOTECH CO., LTD.	$ 733	$ -

Senhwa Biosciences, Inc. and its Subsidiary

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Senhwa Biosciences, Inc.	Chaperone Therapeutics, Inc. - ordinary shares	None	Financial assets at fair value through other comprehensive income-non current	409,400	$ 128	13.15%	$ 128	None
Senhwa Biosciences, Inc.	Pimera, Inc. - ordinary shares	None	Financial assets at fair value through other comprehensive income-non current	468,179	2	3%	2	None

Senhwa Biosciences, Inc. and its Subsidiary

Names, locations and other information of investee companies (not including investee in Mainland China)

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended	Investment income(loss) recognised by the Company for the year ended	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	December 31, 2018	December 31, 2018	
Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	USA	New drug clinical and technical support services	$ 59,123	$ 59,123	1,000,000	100.00	$ 75,279	$ 1,837	$ 1,837	Subsidiary

Senhwa Biosciences, Inc.

Benny T. Hu, Chairman