Stock Symbol: 6496

Excelsior Biopharma Inc.

2019 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

May 8, 2020

Annual Report Website: http://mops.twse.com.tw

1. Name, title, contact numbers, and email addresses of spokesperson and proxy spokesperson:

Name of Spokesperson: MingTse Chen	Name of Proxy Spokesperson: ChiaLing Chen
Title: Financial Manager	Title: Director, General Manager Office
Phone Number: 886-2-2655-7568 #410	Phone Number: 886-2-2655-7568 #651
Email: ir@excelsiorgroup.com.tw	Email: ir@excelsiorgroup.com.tw

2. Address and phone numbers of headquarter company, branch company and factory:
   Address: 14F-6, No. 3, Park St., Nangang Dist., Taipei City, Taiwan
   Phone Number:886-2-2655-7568

3. Name of institution for share transfer, address, website, and phone number:
   Name: Masterlink Securities – Stock Affairs Department
   Address: B1, No. 35, LN. 11, Guangfu N. Rd., Songshan Dist., Taipei City, Taiwan
   Phone Number: 886-2-2768-6668
   Website: http://www.masterlink.com.tw

4. Name of the attesting CPA for the financial report of latest fiscal year, and name, address, website, and phone number of CPA firm:
   Attesting CPA: Yuan-Sheng Yin, Ya-Lin Chen
   Name of CPA Firm: KPMG in Taiwan
   Address: 68F, No. 7, Sec. 5, Xinyi Road, Taipei City, Taiwan
   Phone Number: 886-2-8101-6666
   Website: http://www.kpmg.com.tw

5. Name of overseas listings and trading market for negotiable securities and means of searching information on the overseas negotiable securities: None.

6. Company Website: http://www.excelsiorgroup.com.tw/

Table of Contents

I. Letters to Shareholders

Dear Shareholders,

We would like to thank all shareholders for participating in our 2020 shareholders meeting.

The 2019 business report for Excelsior shall be presented below:

1. 2019 Business Report

(1) Outcome of Business Plan Implementation

In 2019, the consolidated gross profit of the Company was NTD353,585 thousand, which decreased NTD232,144 thousand (-39.63%) compared with the gross profit of 2018 (NTD585,729 thousand). The decrease in NHI prices led to a decline in operating income and gross margin; in addition to an increase in the operating cost rate, we strengthened control and improved the efficiency of operating expenses, so the operation expenses and operating income in 2019 decreased by NTD35,857 thousand (-11.81%) and NTD196,287 thousand (-21.14%) respectively. The basic earnings per share was reduced from NTD4.75 in 2018 to NTD1.52 in 2019.

The subsidiary company of Excelsior Biopharma Inc. - Excelsior Pharmatech Labs. (Excelsior Lab) not only has completed building the new drug R&D Center in Hsinchu Biomedical Science Park and the establishment of PIC/S GMP conforming pharmaceutical factory by the 4th quarter of 2014 certified in compliance with the PIC/S GMP pharmaceutical manufacturing standard but also started own production since 2015 Q2. Excelsior Lab effectively reduces cost production through the utilization of continual productivity increase and boosts its R&D strength in key products and processing control through strengthening the relevant production technology of the subsidiary. Excelsior has shifted from deficit to surplus since 2017 and made up for the cumulative losses in 2019. Meanwhile, Excelsior Lab completed the application of “Transforming Growth Factor Beta Research Center” in 2018 for access to the National Biomedical Science Park with approval. The lab entered the park in 2019 and completed the laboratory establishment, along with the ongoing construction of the “Asia-Pacific Special Disease Research Center,” which is expected to be completed in 2020, in order to boost its R&D synergy through integration of the resources from the National Biomedical Science Park.

Taking concurrent consideration of operational and strategic marketing, Excelsior invested in EirGenix, Inc. (Ticker Symbol: 6589) under 1,000,000 shares in 2018 as the preparation in investing the market of biosimilar.

Taking into account the capital and operation of the Company, Excelsior will mainly focus on industry-academic cooperation in 2020 to acquire patents and product licensing from original makers and inventors to develop marketing strategies of product development with domestic and foreign research institutes. Excelsior will also co-develop with domestic and foreign research institutes and share the ownership of post-cooperation innovative patents and global market licensing to assure Excelsior’s right and interests the investment of product research and development.

(2) Budget Executions

The 2019 consolidated revenue of Excelsior was NTD1,540,064 thousand, meeting 94.09% of the budget for annual operating income; net income was NTD71,012 thousand, meeting 83.22% of the annual budget objectives.

(3) Financial Revenues/Expenses and Profitability Analysis

	Items	2018 (Consolidated)	2019 (Consolidated)
Financial Structure	Debts Ratio (%)	16.47	16.28
	Long-term Fund to Fixed Assets (%)	1,023.07	976.56
Solvency	Current Ratio (%)	559.33	750.02
	Quick Ratio (%)	419.27	486.30
Profitability	ROA (%)	13.37	4.58
	ROE (%)	16.35	5.40
	Gross Profit Margin (%)	13.13	4.61
	EPS	4.75	1.52

(4) Research and Development Status

- New drug for decreasing triglyceride “Omacor (Omega-3-Acid Ethyl Esters 90) Soft Capsules 1000mg” (EX028) is licensed by Norwegian pharmaceutical company for production in Taiwan, which was filed for application to Taiwan Food and Drug Administration in 2009 for new drug (NCE) registration. In 2011, the drug started clinical trial in four domestic medical centers, including National Taiwan University Hospital. The clinical trial ended in 2013 and the results of clinical trial were approved by the Ministry of Health and Welfare in 2014, acquiring market authorization in April, 2016. The drug launched officially in July 2016 and until December 31, 2019, generating a revenue of NTD176,469 thousand in records.
- New drug EX039 for mental diseases is the new indication application - “PURE SODIUM BENZOATE CAPSULES” (Drug Permit Wei-Shu-Han Pharmaceutical No. 000001) for rare diseases developed by Excelsior Lab. The drug is developed for new indicators of dementia and mild Alzheimer Disease, which completes the early clinical academic research through domestic medical centers and have applied for patents in Taiwan, Canada and Germany, in addition to signing global licensing contract with the plan to file for Phase-II clinical trial application in 2020.

2. 2020 Business Plan Overview

Looking into 2020, Excelsior not only continues to develop the domestic specialty medicines business but also expands the development into Asian markets, particularly China, Hong Kong and Southeast Asian markets, based on the various experiences of Excelsior in the foundation of specialty healthcare fields. The Company’s overseas subsidiary in Malaysia was approved by the Board of Directors in December 2019 and has completed the registration of establishment in the first quarter of 2020. Additionally, the approval of “Omacor (Omega-3-Acid Ethyl Esters 90) Soft Capsules 1000mg” will continue to drive the rapid growth of Excelsior in general pharmaceuticals and OTC consumer products.

With regards to production plan, subsidiary company, Excelsior Lab was certified by the Taiwan Food and Drug Administration of Ministry of Health and Welfare in October 2014 for the new factory in conformity with PIC/S GMP certification, Excelsior was also approved for cream dosage form in January 2017, by subsequently transferring drugs consigned to domestic pharmaceuticals for production to the new factory for production, in order to increase the ratio of self-made drugs and lower the cost of consigning pharmaceutical production. In addition, Excelsior Lab also seeks for business in production consignment to fully utilize the capacity of the new factory and boost the productivity of the new factory.

Excelsior Lab will also continue implementing new drug development project by building the research center for transforming growth factor in Hsinchu Biomedical Science Park in April 2016, investing in the new drug development of transforming growth factor beta antagonist and agonist. Excelsior also completed the research center on April 1, 2019 and signed contract for entering National Biomedical Science Park. Excelsior completed the establishment of laboratory by 2019 Q3 and opened the lab officially. In 2020, the construction of the "Asia-Pacific Special Disease Research Center" has been completed at the National Biomedical Science Park to strengthen the Company's development of special medical care and competitiveness in overseas markets.

3. Future Development Strategies of Excelsior subject to the Impact from External Competing Environment, Regulatory Environment and General Management Environment

Excelsior Biopharma Inc. develops the strategy for future business as the operating center for specialty healthcare in Asian Pacific Region, assisting Asia in developing the medical care policies for rare diseases and special diseases, establishing the medical examination center for newborns and special diseases as well as providing medication for various diseases. Excelsior will conduct epidemiology research and introduces new drugs early to engage in cross-country multi-center clinical trials, so that patients of rare diseases can receive treatment early.

Adopting the new drug R&D, manufacturing capacity and medical examination technology from subsidiary - Excelsior Lab, Excelsior has signed industry-academic cooperation projects with domestic and foreign research institutes and medical centers to take division-of-labor cooperation, and apply the existing technology or product development for new products and new indications. In the future, Excelsior Biopharma expects to develop in the direction generally conforming to the current business development. For example, the development of Active Pharmaceutical Ingredients (API) was intended to produce the source of raw materials for rare disease drugs, including sterile preparation, herbal medicinal preparation, existing rare drug development for dementia new indications, which all conform with the current businesses of the Company. While the development of potential candidates for transforming growth factor related mechanism effect is a new strategy with specification and competition niche.

Finally, I would like to acknowledge our most sincere gratitude to all shareholders and employees of Excelsior on behalf of all Board of Directors and Supervisors. Excelsior will uphold to consistent business philosophy to continue pursuing excellence, caring for society, and providing more superior medical services to medical professionals and patients under the responsibilities held for the country and society.

Chairman: Joseph Chen   President: Joseph Chen   Chief Accountant: Ming-Tse Chen

II. Company Profile

1. Date of Establishment

(1) Date of Establishment: July 21, 1988

(2) Address and phone number of headquarter company, branch company, subsidiary, and factory:

Title	Address	Phone Number
Headquarter Company	14F-6, No. 3, Park St., Nangang Dist., Taipei City, Taiwan	(02)2655-7568
Branch Company	N/A	N/A
Warehouse Center	6F, No. 120, 122, 126, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City, Taiwan	(02)2655-7568

Subsidiary (Excelsior Pharmatech Lab)

Title	Address	Phone Number
Headquarter Company	14F-7, No. 3, Park St., Nangang Dist., Taipei City	(02)2655-7568
Branch Company and Factory	Hsinchu Biomedical Science Park 4F, No. 22, 26, Sec. 2, Shengyi Rd., Donghai Village, Zhubei City, Hsinchu County	(03)657-9962
Hsinchu R&D Center	Hsinchu Biomedical Science Park 4F, No. 20, Sec. 2, Shengyi Rd., Donghai Village, Zhubei City, Hsinchu County, Taiwan	(03)657-9963
Taipei R&D Center (Medical Laboratory)	4F, No. 55, Dongxing Rd., Taipei City	(02)8768-1496

2. Company History

Year	Chronicles of Development
1988	Excelsior Biopharma (formerly known as “Excelsior Enterprise Co., Ltd.”) was founded in Taipei City with a capital of NTD5 million.
1996	“Excelsior Pharmatech Lab” (hereinafter referred to as Excelsior Lab) was

Year	Chronicles of Development
	founded with capital of NTD8 million and jointed the ITRI Business Incubation Center in 1996 and established the “New Drug R&D Center,” “Quality Control Lab” and “Pilot Plant.” The company was actively committed to the R&D of new drug and new dosage form of pharmaceuticals and Chinese herbal medicine, in addition to cooperating with pharmaceutical manufacturers at home and abroad to develop new drugs and technological transfer. The company commissions famous pharmaceutical companies in Taiwan such as Ubiasia, Aupa and UC Pharma Co., Ltd. for the mass production.
1997	Excelsior Lab: Applied for share capital increase by conversion debt and share capital increased to NTD14 million after capital increase.
1998	Excelsior Biopharma started to note the agenda and dilemma with the specialty medicines and orphan drugs administration supply in Taiwan. On one hand, the company cooperated with foreign pharmaceutical companies for the distribution of new drugs import or practice of international clinical trials; on the other hand, the company relied on the R&D capability of Excelsior Lab, thus to commit in specialty medicines such as drugs for rare disease, specialized antidotes, and the development of specific drugs, in addition to applying for market authorization and manufacturing.
1999	Excelsior Lab: Applied for share capital increase by conversion debt and share capital increased to NTD35.95 million after capital increase.
2000	1. Excelsior Biopharma cooperated with “National Poison Prevention Center” to promote poison prevention and medical educational training in addition to actively assisting the establishment of “Taiwan Antidote Network providing specialized antidotes for various poison medical treatments. 2. The company increased capital by cash in the amount of NTD7 million.
2002	Excelsior Biopharma cooperated with international professional vaccination manufacturer – Chiron between 2002 and 2005 to introduce the most advanced purified surface antigen vaccine-Fluvirin imported vaccination by projects for humans such as rabies vaccination and Antitoxic Serum of Botulinum Toxin.
2003	Excelsior Biopharma: 1. Was renamed to “Excelsior Biopharma Inc.” in June. 2. Issued 685,000 shares with FV of NT10 in October and merged “Yousui Trade Co., Ltd.” (Yousui), “Yishihua International Co., Ltd.” (Yishuihua International) and “Toude Specialty Medicines Co. Ltd.” (Toude) share conversion, with Excelsior being the surviving company and Yousui, Yushihua International and Toude being the dissolved companies. 3. Awarded by the Ministry of Health and Welfare for the 2nd Pharmaceutical Technology Research and Development Award and Rare

Year	Chronicles of Development
	Disease Drug Supply Manufacturing and R&D Award. Excelsior Lab: Applied for share capital increase by conversion debt and share capital increased to NTD65 million after capital increase.
2006	Excelsior Biopharma Inc.: Finnish Company - Medix Biochemica introduced seven monoclonal antibody rapid test kit, including influenza rapid test kit with development of business in major disease medical testing and stepping into the “Medical Test Kit” market. Excelsior Lab: Awarded by the Ministry of Health and Welfare for the 5th Pharmaceutical Technology Research and Development Award and Rare Disease Drug Supply Manufacturing and R&D Award
2008	Excelsior Biopharma Inc. applied for capital increase out of earnings in NTD16.15 million.
2009	Excelsior Biopharma Inc. applied for capital increase out of earnings in NTD15.75 million.
2010	Excelsior Biopharma Inc. applied for capital increase out of earnings in NTD19.285 million.
2011	Excelsior Biopharma Inc. applied for capital increase out of earnings in NTD29.965 million.
2012	Excelsior Biopharma Inc.: 1. Capital increase by cash in the amount of NTD35 million and capital increase out of earnings in the amount of NTD65 million, with a paid-in capital of NTD200 million. 2. Awarded by the Ministry of Health and Welfare in “Good Distribution Practice” for distinguished distributor through counseling visit. Excelsior Lab: 1. Established “Special Disease Research Center and Medical Test Laboratory” on Dongxing Road in Taipei City. The lab started analyzing genetic analysis and biomarker test technology to develop the methods for genetics of rare disease and special diseases, congenital metabolite disease screening and diagnosis tests, accessing the field of “Preventive Medicine and Molecular Biomedical Test.” 2. Approved to join the Hsinchu Biomedical Science Park, prepared for “New Drug R&D Center” and built the “PIC/S GMP conforming international standard pharmaceutical company.”
2013	Excelsior Biopharma Inc.: 1. Applied for capital surplus transferred to common stock in the amount of NTD52.5 million and capital increase out of earnings in the amount of NTD50 million.

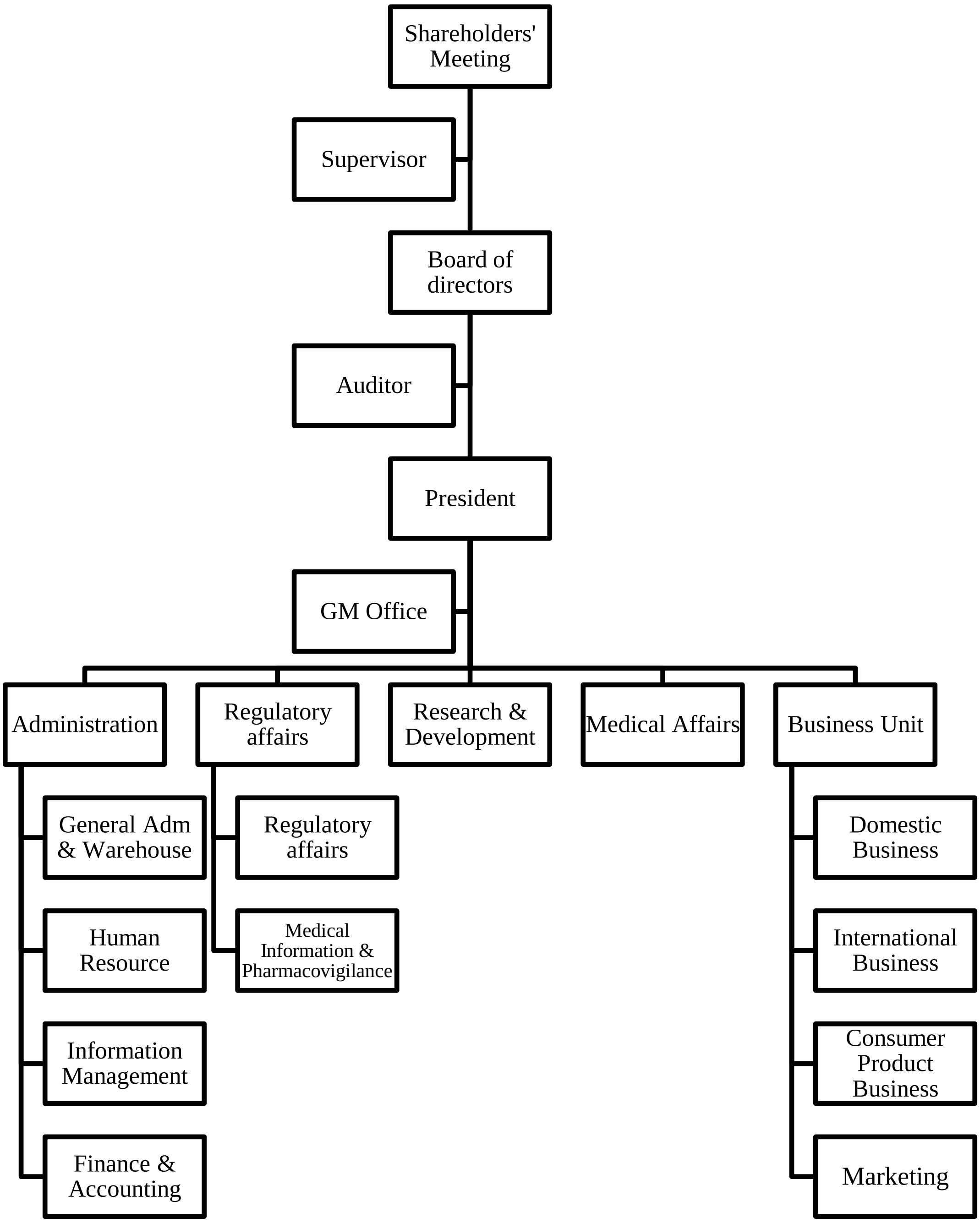
Year	Chronicles of Development
	2. The company applied for capital increase by cash in the amount of NTD37.5 million in response to the marketing of operation strategies, using equity swap to re-invest in Excelsior Pharmatech Lab in addition to acquiring 99.98% share rights. Excelsior Pharmatech Lab became a subsidiary of Excelsior Biopharma and the paid-in capital after capital increase became NTD340 million. Excelsior Lab: 1. Established Research Center in Hsinchu Biomedical Science Park and started R&D of new drugs for special disease treatment in addition to developing and producing pharmaceuticals. 2. Completion and opening of “New Drug Research Center” and pharmaceutical company conforming to PIC/S GMP international standards.
2014	Excelsior Biopharma Inc.: 1. Capital increase out of earnings in the amount of NTD85 million with paid-in capital of NTD425 million. 2. Registered as an OTC company on December 19. Excelsior Lab: 1. The pharmaceutical company was approved by the Ministry of Health and Welfare with the issuance of PIC/S GMP certification in October. 2. Applied for capital increase by cash in the amount of NTD100 million with paid-in capital of NTD 165 million.
2016	Excelsior Biopharma Inc.: 1. Became TaiSDAQ listed company on January 7. Applied for capital increase by cash in the amount of NTD41.67 million with paid-in capital of NTD466.67 million. 2. New drug Omacor Soft Capsule 1000mg for lowering hypertriglyceridemia was approved for launching in Taiwan. Excelsior Lab: 1. Established Transforming Growth Factor Beta Research Center in Hsinchu Biomedical Science Park.
2017	Excelsior Biopharma Inc.: 1. Shizhi Warehouse Center was certified with PIC/S GDP issued by the Ministry of Health and Welfare in March. 2. Awarded with the “26th National Outstanding SMEs Award” for outstanding small and medium enterprise category. Excelsior Lab: 1. Certification for new semi-solid dosage form (cream) approved in January. 2. Acquired PIC/S GDP certification issued by the Ministry of Health and

Year	Chronicles of Development
	Welfare in March.
2018	Excelsior Biopharma: 1. Excelsior Shizhi Warehouse Center acquired PIC/S GMP certification issued by the Ministry of Health and Welfare in May. 2. Listed enterprise on the top 6%~20% ranking of the fourth corporate governance evaluation.
2019	Excelsior Lab: Transforming Growth Factor Beta Research Center was approved for joining the National Biotechnology Research Park.
As of the annual report print date of 2020	-

III. Corporate Governance Report

1. Organization System:

(1) Organization Structure: Excelsior Biopharma Inc.



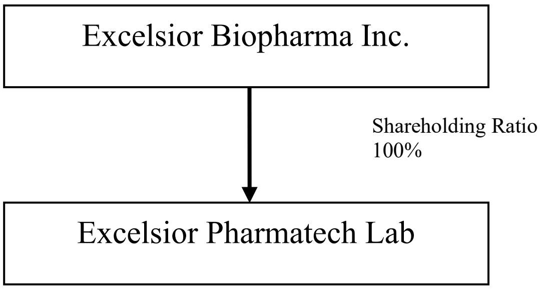
(2) Services operated by major departments

Department	Major Functions
Board of Directors	Decision in sales guidelines, budget review, and responsibilities according to other laws and regulations and given by shareholdings' meeting.
Auditor	Execute internal audit, risk assessment, internal control system plan and execution, measurement of operation efficiency, and provide suggestions for system improvement.
President	Execute the resolutions adopted by the Board of Directors, lead the management team in formulating operation guidelines and strategies as well as execute the promotion of various key operations.
GM Office	Corporate governance and enterprise joint affairs coordination and processing, operation analysis and project improvement projects, promotion and management of standard system introduction, legal affairs and regulations, human resource management, investor relation and corporate social responsibilities.
International Business	Business management of markets outside of Taiwan, development of agencies worldwide, cooperation and management.
Domestic Business	Special medical product groups for Taiwan market, including prescription drugs, antidote, test reagent, and the medical services, marketing management, and marketing/sales promotion for consumer product groups.
Consumer Product Business	Consumer product group, including health food, cosmetics and other services, marketing management and sales business promotion.
Marketing	Marketing planning and business promotion before and after the product launch.
Research & Development	Design the evaluation and suggestions for corporate R&D direction and new drug development projects, execution and management of new drug development project, patent application for joint R&D outcome, pre-clinical and clinical trial plan, R&D and outsourced cooperation R&D project execution and management.
Regulatory affairs	Pharmaceutical Affairs Division is in charge of product verification registration, assisting with new project evaluation and submission for review according to the regulatory requirement, and other pharmaceutical regulations for compliance; the drug safety and medical information department is in charge of medical literature search and update sorting, product information editing, product professional training for salespersons, drug consultations services, drugs safety investigation and Center for Reporting Adverse Drug Reaction.
General Adm & Warehouse	Import/export operations, warehouse logistics, order processing, customer service-related operations, general affairs, procurement operation and documentation, administrative affairs and operation management.
Human Resource	Personnel system design, recruitment and appointment, educational training, performance appraisal, salary, insurance, and other

Department	Major Functions
	personnel management operations.
Information Management	Telecommunication, information software/hardware, and network equipment design and control, corporate ERP and computing promotion and implementation, establishment and maintenance of corporate website.
Financial and Accounting	Fundraising, allocation and supervision of financial operation analysis, financials statement preparation, annual budget planning, and accounting and taxation affairs related operations.
Medical Affairs	Provide professional medical academic information, plan and execute medicine related work projects, patient activity contact and assistance, provide patients with health education information and care in life for disease and medication, and execute the academic or clinical trial projects before and after release to the market.

(3) Affiliated Enterprise Diagram

1. Affiliated Enterprise Diagram:



2. Relation with affiliated enterprises, ratio of mutual shareholding, shares, and actual investment amount:

2020 March 28; Unit: NTD Thousand; Thousand Shares

Name of Affiliated Enterprise	Relation	Affiliated Enterprise Holding the Shares of the Company			The Company holds the shares of the affiliated enterprise		
		Ratio	Shares	Actual Investment Amount	Ratio	Shares	Actual Investment Amount
Excelsior Pharmatech Lab	Subsidiary	-	-	-	100%	16,500	160,711

2. Information of Directors, Supervisors, President, Vice President, Associate Manager, Departmental and Branch Manager

(1) Directors and Supervisors Information

1. Directors and Supervisors Information

2020 March 31; Unit: Shares; %

Title	Nationality or Place of Registration	Name	Sex	Elected (Taking Office) Date (Note 1)	Tenue	Primary Election Date (Note 1)	Shares Held Upon Election		Current Shares		Shares Held Currently by Spouses and Children		Shares Held under Others' Names		Experience (Education) (Note 3)	Concurrent Position of Excelsior and Other Companies	Other managers, directors or supervisors who are spouses or second-degree relative to the affiliated parties			Note 14
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Director	Republic of China	Joseph Chen	M	2018/05/29	3 years	92/06/16	6,622,111	14.19	6,622,111	14.19	3,975,008	8.51	-	-	National Chengchi University – EMBA in Graduate Institute of Technology, Innovation	Note 2	Representative of Corporate Director	HuiChen Liu	Spouse	The Company for Taiwan to focus on special diseases

Title	Nationality or Place of Registration	Name	Sex	Elected (Taking Office) Date (Note 1)	Tenue	Primary Election Date (Note 1)	Shares Held Upon Election		Current Shares		Shares Held Currently by Spouses and Children		Shares Held under Others' Names		Experience (Education) (Note 3)	Concurrent Position of Excelsior and Other Companies	Other managers, directors or supervisors who are spouses or second-degree relative to the affiliated parties			Note 14
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
															and Intellectual Property Management National Taiwan University – Master Degree in Department and Graduate Institute of Pharmacology National Taiwan University – Bachelor Degree from Department of Pharmacy Remuneration Committee Member of Global Lighting Technologies Inc. Product Manager and Sales Managers of Bristol-Myers Squibb Promotional Vice Manager and Sales Manager of Sheng Qiang Technology Co., Ltd.		Representative of Corporate Director	Chialing Chen	Father-Daughter	medical pioneer, Chairman Mr. Joseph Chen for the founder of the Company, deep into the field of special diseases medical field for 30 years and outstanding contributions, considering that the company's future operating strategy is still related to special diseases medical treatment, so the Board of Directors was adopted by Joseph Chen as General Manager, responsible for business development and report to the board. The Company has added a total of three independent directors, and more than half of the directors are not employees or managers.
Director	Taipei City Government	Eastpharm Investment Co.,Ltd.	-	2018/05/29	3 years	101/11/04	10,163,443	21.77	10,163,443	21.77	-	-	-	-	-	-	-	-	-	
	Republic of China	Representative:	F	2018/05/29	3 years	101/11/04	3,975,008	8.51	3,975,008	8.51	6,622,111	14.19	-	-	SooChow University Bachelor Degree in	Note 3	Chairman	Joseph Chen	Spouse	

Title	Nationality or Place of Registration	Name	Sex	Elected (Taking Office) Date (Note 1)	Tenue	Primary Election Date (Note 1)	Shares Held Upon Election		Current Shares		Shares Held Currently by Spouses and Children		Shares Held under Others' Names		Experience (Education) (Note 3)	Concurrent Position of Excelsior and Other Companies	Other managers, directors or supervisors who are spouses or second-degree relative to the affiliated parties			Note 14
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
		HuiChen Liu													Department of German Language and Culture General Administration Manager of Excelsior Biopharma Inc. Import/Export Trade Manager of Excelsior Biopharma Inc.		Representative of Corporate Director	Chialing Chen	Mother-Daughter	
Director	Taipei City Government	Eastpharm Investment Co.,Ltd.	-	2018/05/29	3 years	104/06/23	10,163,443	21.77	10,163,443	21.77	-	-	-	-	-	-	-	-	-	
	Republic of China	Representative: Chialing Chen	F	2018/05/29	3 years	104/06/23	1,911,843	4.09	1,911,843	4.09	-	-	-	-	Bachelor Degree in Department of Medical Biotechnology and Laboratory Science, CGU National Sales Manager of Institute and Hospital Team of Excelsior Biopharma Inc. Product Specialist of Excelsior Biopharma Inc.	Note 4	Chairman Representative of Corporate Director	Joseph Chen HuiChen Liu	Father-Daughter Mother-Daughter	
Director	New Taipei City Government	Billion Investment Co., Ltd.	-	2018/05/29	3 years	101/11/04	635,950	1.36	518,950	1.11	-	-	-	-	-	-	-	-	-	
	Republic of China	Representative: MangShiang Lee	M	2018/05/29	3 years	101/11/04	-	-	-	-	-	-	-	-	National Chengchi University – EMBA in Graduate Institute of Technology, Innovation and Intellectual Property Management Chung Yuan Christian University – Bachelor Degree in Chemistry Chairman of Shinny Plastics Corp Independent Director of Global Lighting Technologies Inc. Director of Excelsior Pharmatech	Note 5	-	-	-	
Director	Taipei City Government	Ogasta Investment Co., Ltd.	-	2018/05/29	3 years	101/11/04	252,285	0.54	252,285	0.54	-	-	-	-	-	-	-	-	-	

Title	Nationality or Place of Registration	Name	Sex	Elected (Taking Office) Date (Note 1)	Tenue	Primary Election Date (Note 1)	Shares Held Upon Election		Current Shares		Shares Held Currently by Spouses and Children		Shares Held under Others' Names		Experience (Education) (Note 3)	Concurrent Position of Excelsior and Other Companies	Other managers, directors or supervisors who are spouses or second-degree relative to the affiliated parties			Note 14
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
	Republic of China	Representative: Hsiu Hui Lee	F	2018/05/29	3 years	101/11/04	-	-	-	-	-	-	-	-	Cornell University - MBA National Chengchi University – Bachelor Degree Supervisor of Lotus Pharm Chairman of Formosa Laboratories, Inc.	Note 6	-	-	-	
Director	Republic of China	HongJen Chang	M	2018/05/29	3 years	104/02/12	-	-	-	-	-	-	-	-	Harvard School of Public Health)- Master of Public Health Administration Executive Yuan Ministry of Health and Welfare Deputy Minister	Note 7	-	-	-	
Independent Director	Republic of China	ChunShyong Chang	M	2018/05/29	3 years	104/02/12	-	-	-	-	-	-	-	-	University of Maryland - PhD in Business Administration USC Master of Financing Auburn University – Master in Business Administration National Chengchi University School of Banking, Bachelor Degree in Commerce Lecture Professor for Department of Finance and Banking, Shih Chien University Professor and Vice President,I-Shou University Independent Director of First Commercial Bank	Note 8	-	-	-	
Independent Director	Republic of China	ShaoWen Sun	M	2018/05/29	3 years	104/02/12	-	-	-	-	-	-	-	-	Ph.D in Pharmacy from College of Pharmacy, University of Montpellier Master Degree from Graduate School of Pharmacy, National Taiwan University Bachelor Degree from Department of Pharmacy, National Taiwan University Associate Professor at Department of Pharmacy, National Taiwan University	Note 9	-	-	-	

Title	Nationality or Place of Registration	Name	Sex	Elected (Taking Office) Date (Note 1)	Tenue	Primary Election Date (Note 1)	Shares Held Upon Election		Current Shares		Shares Held Currently by Spouses and Children		Shares Held under Others' Names		Experience (Education) (Note 3)	Concurrent Position of Excelsior and Other Companies	Other managers, directors or supervisors who are spouses or second-degree relative to the affiliated parties			Note 14
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Independent Director	Republic of China	SuLee Tsai	F	2018/05/29	3 years	104/06/23	-	-	-	-	-	-	-	-	Ph.D. , Lally School of Management Rensselaer Polytechnic Institute M&T MBA, Lally School of Management Rensselaer Polytechnic Institute B.S. , College of Science, Fu-Jen Catholic University, Taiwan	Note 10	-	-	-	
Supervisor	Taipei City Government	Fortune Construction Co., Ltd.	-	2018/05/29	Note 13	105/02/19	147,000	0.31	250,000	0.53	-	-	-	-	-	-	-	-	-	
	Republic of China	Representative: HsiangMin Huang	M	2018/05/29	Note 13	105/02/19	-	-	-	-	-	-	-	-	National Taiwan University EMBA Fudan University EMBA Columbia University - Master of Science in Architecture and Urban Design Chung Yuan Christian University - Bachelor and Master of Architecture HOK - Vice President / Director of Management, China Republic of China Architect License Accredited Professional Certification in Leadership in Energy and Environmental Design (LEED AP)	Note 11	-	-	-	
Supervisor	Republic of China	BeeChu Tsai	F	2018/05/29	3 years	103/06/26	120,000	0.25	222,000	0.47	-	-	-	-	National Taiwan University – Bachelor in Business Administration Central Trust of China – Audit Division Assistant Manager	Note 12	-	-	-	
Supervisor	Republic of China	HsiChieh Wang	M	2018/05/29	3 years	104/02/12	210,237	0.45	210,237	0.45	-	-	-	-	National Taiwan University – Department of Pharmacy, Bachelor Degree SANKYO SEISAKUSHO CO Section Chief TTY Biopharm R&D Division Associate Manager TSH Biopharm Chief Research Fellow	Note 13	-	-	-	

Note 1: Date expressed in year/month/day.
Note 2: Chairman and President of Excelsior Biopharma Inc., Chairman and President of Excelsior Pharmatech Lab, Chairman of Eastpharm Investment Co.,Ltd.
Note 3: Administration Department Manager of Excelsior Biopharma Inc., Corporate Director Representative of Eastpharm Investment Co.,Ltd.
Note 4: New Business Development Manager of Excelsior Biopharma Inc., Associate Manger to the President Office of Excelsior Biopharma Inc., Corporate Director Representative of Eastpharm Investment Co.,Ltd.
Note 5: Chairman and CEO of Global Lighting Technologies Inc. (Cayman), Chairman of Suzhou Opto Technologies Inc., Chairman of Suzhou Global Lighting Technologies Inc., Chairman of Shanghai Global Lighting Technologies Inc., Chairman of Global Lighting Technologies Inc., Director of Zhongshan Global Lighting Technologies Inc., Chairman of Solid State Electronics Limited, Chairman of Solid State Opto Limited, Chairman of Solid State Technology Limited, Chairman of Solid State Display Limited, Chairman of Shining Green Limited, Chairman of GLT Optical Inc. , Director of Cornerstone Intellectual Property Foundation.
Note 6: Chairman of Augusta Inc, Ltd, Chairman of Moraga Inc., Chairman of Miller Monte Investment, Corporate Director Representative of TaiRx.
Note 7: Chairman and President of TGB Fund, President of TGB Fund, Adjunct Professor at Institute of Public Health, National Yangming University, Chairman of Eusol Biotech, Chairman of MiCareo, Inc, Director General of Taiwan Research-based Biopharmaceutical Manufacturers Association(TRPMA), Director Representative of Taigen Medical R&D Co., Ltd., Director Representative of Taigen Biotech, Corporate Director Representative of Abprotix Inc., Corporate Director Representative of MedEON, Corporate Director Representative of Medeon International, Inc., Corporate Director Representative of Micareo, Inc., Director of Acepodia, Inc.(KY), Corporate Director of Taiwania Capital Biotechnology Corp., Director of Lifemax Healthcare International Corporation, Corporate Director Representative of KCI BioTech（SUZHOU）Inc., Corporate Director Representative of KMQ, Independent Director of TOT BIOPHARM COMPANY LIMITED, Corporate Director Representative of Sequential Medicine Limited, Chairman of A2+ Biotech Consulting Co.
Note 8: Excelsior Biopharma Inc. Remuneration Committee Member, Professor Emeritus at Department of Finance,Shih Chien University, Supervisor of SciVision Biotech Inc, Director of Jenteh Junior College of Medicine, Nursing and Management.
Note 9: Excelsior Biopharma Inc. Remuneration Committee Member
Note 10: Excelsior Biopharma Inc. Remuneration Committee Member, Singtex Supervisor, Eastern International Ad. Chairman, Eastern International Ad. Director
Note 11: President of Fortune Construction Co., Ltd. , Rongshi Construction President, OITC Supervisor.
Note 12: Excelsior Pharmatech Lab Supervisor.
Note 13: Resigned on March 2, 2020.
Note 14: If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures (e.g., increasing the number of independent directors and more than half of the directors who are not concurrently employees or managerial officers) to be taken accordingly shall be addressed.

2. Professional expertise and independence of directors and supervisors

2020 March 31

Criter / Name (Note 1)	Over five years of work experience and And the following professional qualification			Conformance of Independence (Note 2)												Number concurrent positions as the independent directors of other public Listing companies.
	Lectures for public/private universities with required major in business, law, finance, accounting, or corporate operations.	Judge, prosecutor, attorney, CPA, or other corporate operation required vocational and technician with national examination and certificate	Work experience in business, law, finance, accounting, or required by the corporate management	1	2	3	4	5	6	7	8	9	10	11	12	
Joseph Chen	-	✓	✓	-	-	-	-	-	✓	-	-	-	-	✓	✓	None
Eastpharm Investment Co., Ltd. Representative: HuiChen Liu	-	-	✓	-	✓	-	-	-	✓	-	-	-	-	✓	-	None
Eastpharm Investment Co., Ltd. Representative: ChiaLing Chen	-	-	✓	-	✓	-	-	-	✓	-	-	-	-	✓	-	None
Billion Investment Co., Ltd.Representative MangShiang Lee	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Augusta Inc. Representative: Hsiu Hui Lee	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-	None
HongJen Chang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
SuLee Tsai	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
ChunShyong Chang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
ShaoWen Sun	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
HsiangMin Huang	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-	None
BeeChu Tsai	-	-	✓	✓	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	None
HsiChieh Wang	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: The column may be adjusted the actual number.

Note 2：If the directors and supervisors meet the following criteria in 2 years before the election or during the tenue, please place "✓" under the space of each code of criteria.

（1）Employees not employed by the company or affiliated enterprises. 。

（2）Directors and supervisors other than the affiliated enterprises of the company (including but not limited to independent directors of parental company, the subsidiary with over 50% of shareholding for direct or indirect voting rights)

（3）Personnel who is not the affiliated person and the spouse, minor, or other persons holding at least 1% of shares already issued by the company or top-10 shareholding by natural person.

（4）Spouses, relative by second-degree kinship or third-degree kindship by blood to personnel not listed in the previous three items.

（5）Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

（6）Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

（7）Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

（8）Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

（9）Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.

（10）Not the relative of spouse or second-degree kinship to other directors.

（11）Absence of items mentioned in Article 30 of Company Act.

（12）Absence of government, corporate or representative election according to Article 27 of Company Act.

3. Major Shareholders of Corporate Shareholders:

2020 March 28

Name of Corporate Shareholders (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Eastpharm Investment Co., Ltd.	Hui Chen Liu 39.23% Joseph Chen 26.93% Chia Ling Chen 16.92% Yu Shan Chen 16.92%
Billion Investment Co., Ltd.	Wise Mega International Limited 100%
Augusta Inc. Ltd.	Shiu Huei Li 57.13% Jeng Yue Chen 14.29% Ta Jung Chen 14.29% Ta Yueh Chen 14.29%
Fortune Construction Co., Ltd.	Shean Hang Hou 18.24% Pei Lee Chang 17.38% Chia Huei Hou 6.81% Chia Yu Hou 3.80% Tenbuild Interiors Co., Ltd. 18.30% Chia En Hou 6.78% Hsiang Min Huang 3.80% Peilee Investment Ltd. 10.56% Tianmin Investment Ltd. 6.33% Haorong Investment Ltd. 7.99%

Note 1：Fill out the name of corporate shareholders if the directors and supervisors are corporate shareholder representatives.

Note 2：Fill our the name of major shareholders of corporate shareholders (top 10 most shareholding ratio) and the shareholding ratio. If the major shareholders are corporate shareholders, fill out the following form additionally.

Note 3：If a corporate shareholder is not a company, the name and shareholding ratio of the shareholder that should be disclosed is the name and contribution or donation ratio of the contributor or donor.

4. Major Shareholders for Major Corporate Shareholders:

2020 March 28

Name of Corporate Shareholders (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
WISE MEGA INTERNATIONAL LIMITED	I-Yu Wang 100%
Tenbuild Interiors Co., Ltd.	Chia Yu Hou 14.43% Pei Lee Chang 14.18% Shean Hang Hou 14.18% Chia En Hou 18.60% Chia Huei Hou 16.54% Fortune Development Co., Ltd. 22.07%
Peilee Investment Ltd.	Pei Chen Chang 0.62% Shean Hang Hou 7.48% Pei Lee Chang 7.48% Chia Huei Hou 7.79% Pei Lin Hou 76.63%
Tianmin Investment Ltd.	Hsin Chieh Yang 4.61% Meng Chen Hou 45.39% Meng Xuan Hou 45.39% Chia En Hou 4.61%
Haorong Investment Ltd.	Hsiang Min Huang 4.60% Chia Yu Hou 4.60% Hao Che Huang 45.22% Hao Wei Huang 45.22% Pei Chen Chang 0.18% Shean Hang Hou 0.18%

Note 1: Fill out the name of corporate entities if the above table shows major corporate shareholders.
Note 2: Fill out the name of major corporate shareholders (top 10 shareholding ratio) and shareholding ratios.
Note 3: If a corporate shareholder is not a company, the name and shareholding ratio of the shareholder that should be disclosed is the name and contribution or donation ratio of the contributor or donor.

(2) Information of President, Vice President, Associate Manager, and Departmental and Branch Managers:

2020 March 31 Unit: Shares; %

Title (Note 1)	Nationality	Name	Sex	Election (Office) Date	Shareholding		Shares Held by spouses and minors		Shares held under others' names		Main Experience (Education) (Note 2)	Concurrent positions held at other companies	Managers who are spouse or are second-degree relatives			Notes (Note 4)
					No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Title	Name	Relation	
President	Republic of China	Joseph Chen	M	1988.7.21	6,622,111	14.19	3,975,008	8.51	-	-	National Chengchi University – EMBA in Graduate Institute of Technology, Innovation and Intellectual Property Management National Taiwan University – Master Degree in Department and Graduate Institute of Pharmacology Product Manager and Sales Managers of Bristol-Myers Squibb Promotional Vice Manager and Sales Manager of Sheng Qiang Technology Co., Ltd.	Chairman and President of Excelsior Pharmatech	President Office Director	ChiaLing Chen	Father-Daughter	The Company for Taiwan to focus on special diseases medical pioneer, Chairman Mr. Joseph Chen for the founder of the Company, deep into the field of special diseases medical field for 30 years and outstanding contributions, considering that the company's future operating strategy is still related to special diseases medical treatment, so the Board of Directors
Vice President of Business Unit	Republic of China	ZhaoYi Wang (Note 3)	F	2010.8.27	60	-	-	-	-	-	National Chengchi University MBA in Institute of Technology, Innovation and Intellectual Property Management, College of Commerce Marketing Associate, MERCK & CO., INC. USA	-	-	-	-	
Executive Assistant,Acting Vice President of Business Unit	Republic of China	YaoTing Lin (Note 4)	M	2017.5.2	-	-	-	-	-	-	7th Business manager senior management research class, School of Professional and Continuous Study, NTU Master Degree Of Pharmaceutical Chemistry in Graduate Pharmacy School, NTU B. Braun Taiwan – Director of Hospital Care Division Orient EuroPharma –Director, Business Development Divsion Panion & BF Biotech Inc.- Vice President of Business Division	-	-	-	-	
Senior Sales Director	Republic of China	Po-Tang Cheng	M	2011.12.21	75,468	0.16	-	-	-	-	Completion of NTU MBA Credit Courses Harvester National Sales Manager; Business Unit Head	-	-	-	-	
Director	Republic of China	ChiaLing Chen	F	2016.7.1	1,911,843	4.09	-	-	-	-	Bachelor Degree in Department of Medical Biotechnology and Laboratory Science, CGU Product Manager of Excelsior Biopharma	-	President	Joseph Chen	Father-Daughter	

											Inc.					was adopted by Joseph Chen as General Manager, responsible for business development and report to the board. The Company has added a total of three independent directors, and more than half of the directors are not employees or managers.
Financial Manager	Republic of China	MingTse Chen	M	2013.2.4	56,000	0.12	-	-	-	-	Bachelor Degree of Department of Accounting, National Pingtung University KPMG Audit Department Manager CFO at Acron Precision Industrial Co., Ltd.	Financial Manager of Excelsior Pharmatech	-	-	-	
Subsdiary – Excelsior Pharmatech Lab																
Vice President of R&D Department	Republic of China	Derek Hsu	M	2008.4.15	-	-	-	-	-	-	Bachelor Degree of Kaohsiung Medical University – School of Pharmacy Boehringer Ingelheim – Hsinchu Factory Quality Assurance Manager; Production Department Manager Panion & BF Biotech Inc. Production Division Director General Wyeth Xinfong Factory – Manager of Technical Service Department	-	-	-	-	

Note 1: The information disclosed should include president, vice president, associate manager, departmental and branch managers, those holding positions equivalent to president, vice president, or associate managers, regardless of the title.

Note 2: Experience related to current position served; if former position has been held in the attesting and auditing accounting firm or affiliated company during the aforementioned period, the person shall describe the title taken and responsible duties.

Note 3:Vice President ZhaoYi Wang resigned from March 16, 2020.

Note 4: If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures (e.g., increasing the number of independent directors and more than half of the directors who are not concurrently employees or managerial officers) to be taken accordingly shall be addressed.

Note5: Executive Assistant,Acting Vice President of Business Unit YaoTing Lin resigned from May 1, 2020.

3. Remuneration paid to directors, supervisors, general manager, and assistant general manager(s) for the most recent fiscal year

(1) Remuneration paid to directors, supervisors, general manager, and assistant general manager(s) for the most recent fiscal year:

(1)2018 remuneration paid to directors (including independent directors) (summarizing the coordinating brackets for disclosure of name)

Unit: NTD thousand; %

Title	Name	Director Remuneration								Total amount of A, B, C and D to net income ratio (Note 10)		Concurrent Employee Related Remuneration Collected								Total amount of A, B, C, D, E, F, and G to net income ratio)(Note 10)		Collection of remuneration from the investment enterprise other than the subsidiary or parent company (Note 11)
		Remuneration (A) (Note 2)		Retirement Pension (B)		Director Remuneration (C) (Note 3)		Business Practice Fees (D) (Note 4)				Salary, Bonus, and Special Reimbursement (E) (Note 5)		Retirement Pension (F)		Employee Remuneration (G) (Note 6)						
																The Company		All companies listed in financial report (Note 7)				
		The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	The Company	All companies listed in financial report (Note 7)	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies listed in financial report (Note 7)	
Chairman	Joseph Chen	-	-	-	-	1,238	1,238	140	140	1.94%	1.94%	8,104	10,032	-	-	1,979	-	2,345	-	16.14%	19.37%	Without the investment business other than the subsidiary or parent company
Director	Billion Investment Co., Ltd. Representative: MangShiang Lee																					
Director	Augusta Inc. Representative: Hsiu Hui Lee																					
Director	Eastpharm Investment Co.,Ltd. Representative: HuiChen Liu																					
Director	Eastpharm Investment Co.,Ltd. Representative: ChiaLing Chen																					
Director	HongJen Chang																					

Independent Director	SuLee Tsai																					
Independent Director	ChunShyong Chang	1,080	1,080	-	-	-	-	110	110	1.68%	1.68%	-	-	-	-	-	-	-	-	1.68%	1.68%-----	
Independent Director	ShaoWen Sun																					

1. Remuneration policies, systems, standards, and structures for independent directors and linkage thereof to powers, risks, and time spent: Considering the independent directors' responsibilities and their independence and referring to the industry standard, the Company has formulated relevant regulations to set the monthly remuneration of independent directors at a fixed amount of NTD10,000 per seat. The remuneration of independent directors is submitted to the Remuneration Committee for review every year.

2. Apart from aforementioned disclosure, the remuneration collected by the corporate directors in the most recent fiscal year for all services provided to the company (such as consultation other than employees): None.

Note: The employee remuneration distribution for 2019 Board of Directors resolution has not been distributed as of Mar 31, 2020 and hence the amount disclosed was calculated by the 2018 employee remuneration distribution ratio distributed in 2019. Nonetheless the actual reimbursement of relevant amount and ratio could likely to incur differentiation likely disclosed.

Remuneration Bracket

<table>
<tr><th rowspan="3">Remuneration Bracket paid to Directors of Excelsior</th><th colspan="4">Name of Director</th></tr>
<tr><th colspan="2">Total amount of foregoing four remunerations (A+B+C+D)</th><th colspan="2">Total amount of foregoing seven remunerations (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Company (Note 8)</th><th>All companies listed in financial report (note 9) H</th><th>The Company (Note 8)</th><th>All companies listed in financial report (note 9)I</th></tr>
<tr><td>Less than NTD1,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Between NTD1,000,000 (including) ～ 2,000,000(excluding)</td><td>Eastpharm Investment Co.,Ltd. (Representative: HuiChen Liu)Eastpharm Investment Co.,Ltd. (Representative: ChiaLing Chen)Billion Investment Co., Ltd.(Representative: MangShiang Lee)
Augusta Inc. (Representative: Hsiu Hui Lee)
Joseph Chen
HongJen Chang
SuLee Tsai
ShaoWen Sun
ChunShyong Chang</td><td>Eastpharm Investment Co.,Ltd. (Representative: HuiChen Liu)
Eastpharm Investment Co.,Ltd. (Representative: ChiaLing Chen)
Billion Investment Co., Ltd.(Representative: MangShiang Lee)
Augusta Inc. (Representative: Hsiu Hui Lee)
Joseph Chen
HongJen Chang
SuLee Tsai
ShaoWen Sun
ChunShyong Chang</td><td>Billion Investment Co., Ltd.(Representative: MangShiang Lee)
Augusta Inc. (Representative: Hsiu Hui Lee)
HongJen Chang
SuLee Tsai
ShaoWen Sun
ChunShyong Chang</td><td>Billion Investment Co., Ltd.(Representative: MangShiang Lee)
Augusta Inc. (Representative: Hsiu Hui Lee)
HongJen Chang
SuLee Tsai
ShaoWen Sun
ChunShyong Chang</td></tr>
<tr><td>Between NTD2,000,000 (including) ～ 3,500,000(excluding)</td><td>-</td><td>-</td><td>Eastpharm Investment Co.,Ltd. (Representative: HuiChen Liu)</td><td>Eastpharm Investment Co.,Ltd. (Representative: HuiChen Liu)</td></tr>
<tr><td>Between NTD3,500,000 (including) ～ 5,000,000(excluding)</td><td>-</td><td>-</td><td>Joseph Chen
Eastpharm Investment Co.,Ltd. (Representative: ChiaLing Chen)</td><td>Eastpharm Investment Co.,Ltd. (Representative: ChiaLing Chen)</td></tr>
<tr><td>Between NTD5,000,000 (including)n ～NTD 10,000,000 (excluding)</td><td>-</td><td>-</td><td>-</td><td>Joseph Chen</td></tr>
<tr><td>Between NTD10,000,000 (including) ～ NTD15,000,000 (excluding)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Between NTD15,000,000 (including) ～NTD 30,000,000 (excluding)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Between NTD30,000,000 (including) ～ 50,000,000 (excluding)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Between 50,000,000 (including) ～100,000,000 (excluding)	-	-	-	-
Over NTD100,000,000	-	-	-	-
Total	9 people	9 people	9 people	9 people

Note 1: Name of director should be listed (list the name of corporate shareholders and representatives for corporate shareholders) and summarized to disclose the various disbursement amount. Fill out the form and the following table (3-1) or (3-2) if the chairman is also the president or vice president.

Note 2: Referring to the remuneration of director in most recent fiscal year (including director salary, additional pay, resignation remuneration, bonuses, and incentives).

Note 3: Fill out the director remuneration amount for assignment adopted by the board of directors in most recent year.

Note 4: The relevant operation execution expenses for directors of most recent fiscal year (including transportation expense, special reimbursement, allowances, dormitory, vehicle assignment). For housing supply, automobile or other transportation or personal expenses, disclose the nature and costs of assets provided, actual and/or rental by fair market price, gasoline, and other expenses. For assignment of divers, please note the relevant remuneration to be paid to the company without incurring into commission.

Note 5: Refers to the salary, additional pay per position, resignation fee, bonuses, rewards, transportation fees, special disbursement, dormitory, vehicle supply collected by the concurrent employees of most recent fiscal year (including concurrent president, vice president, other managers and employees). For housing supply, vehicle and other personal expenses, disclose the nature and costs of assets, actual rental or rental calculated by fair market price, gasoline and other payment. Please note remuneration paid to drivers, if any but such remuneration shall not be calculated as commission. Additionally according to salary recognized by “share basis payment” in IFRS 2, employee warrants, restricted employee new shares, and participation in capital increased by cash for shares purchase shall be calculated in remuneration.

Note 6: Refers to the director and employee of most recent fiscal year (including president, vice president, other managers and employees) acquiring employee remuneration (including stock and cash) shall disclose the amount of employee remuneration adopted by board of directors. Distribute the amount by the actual distribution amount last year if such numbers could not be estimated and fill our Table 1-3.

Note 7: Disclose the total amount of remunerations of all companies in the consolidated report (including the company) paid to the corporate director.

Note 8: The total remuneration amount paid to all directors by the company, disclose the name of director at appropriate bracket.

Note 9: All companies in the consolidated report should be disclosed (including the company) and the total remuneration paid to all directors of the company, disclose the name of directors on the appropriate bracket.

Note 10: Net income refers to the net income of most recent year: In case international financial directives have been adopted, th4e net income refers to the net income of most recent fiscal year in individual or separate financial report.

Note 11: a. Fill out the column with the relevant remuneration amount of reinvested enterprise other than the subsidiary or parent company by the corporate directors.

b. If the company director acquires remuneration from reinvested enterprise other than the subsidiary or parent company, the corporate director shall consolidate the remuneration acquired by the corporate directors in the reinvestment enterprises, where column should be filled out as “all reinvestment enterprises).

c. Remuneration refers to the remuneration and pay received by the directors, supervisors or managers of reinvested enterprise other than the subsidiary or parent company (including compensation of employees, directors, and supervisors) and the operation execution expenses and other related remuneration.

Note 12: The employee remuneration distribution for 2017 Board of Directors resolution has not been distributed as of March 31, 2019 and hence the amount disclosed was calculated by the 2017 employee remuneration distribution ratio distributed in 2018. Nonetheless the actual reimbursement of relevant amount and ratio could likely to incur differentiation likely disclosed.

＊ The content of remuneration disclosed in the table differs from the concept of income in Income Tax Act and hence the purpose of this table aims to disclose information and may not apply to taxation.

(2) 2018 Remuneration Paid to Supervisors (summarizing bracket disclosure of name)

Unit: NTD Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="6">Supervisor Remuneration</th><th colspan="2" rowspan="2">Total of A, B and C to net income ratio (Note 8)</th><th rowspan="3">Collecting remuneration from reinvested enterprise other than subsidiary or parent company (Note 9)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Remuneration (B) (Note 3)</th><th colspan="2">Operation Execution Expenses (C) (Note 4)</th></tr>
<tr><th>The Company</th><th>All companies listed in financial report (Note 5)</th><th>The Company</th><th>All companies listed in financial report (Note 5)</th><th>The Company</th><th>All companies listed in financial report (Note 5)</th><th>The Company</th><th>All companies listed in financial report (Note 5)</th></tr>
<tr><td>Supervisor</td><td>Fortune Construction Co., Ltd.
Representative: HsiangMin Huang</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">531</td><td rowspan="3">-</td><td rowspan="3">180</td><td rowspan="3">-</td><td rowspan="3">1.00%</td><td rowspan="3">-</td><td rowspan="3">No reinvestment enterprise other than subsidiary or parent company</td></tr>
<tr><td>Supervisor</td><td>BeeChu Tsai</td></tr>
<tr><td>Supervisor</td><td>HsiChieh Wang</td></tr>
</table>

Note1: HsiChieh Wang resigned on March 2, 2020.

Remuneration Bracket

Remuneration Bracket paid to all supervisors of the company	Name of Supervisor	
	Total first three items of remuneration (A+B+C)	
	The Company (Note 6)	All companies in financial report (Note 7)
Less than NTD1,000,000	Fortune Construction Co., Ltd. (Representative: HsiangMin Huang) BeeChu Tsai HsiChieh Wang	Fortune Construction Co., Ltd. (Representative: HsiangMin Huang) BeeChu Tsai HsiChieh Wang
Between NTD1,000,000 (including) ～2,000,000(excluding)	-	-
Between NTD2,000,000 (including) ～3,500,000(excluding)	-	-
Between NTD3,500,000 (including) ～5,000,000(excluding)	-	-
Between NTD5,000,000 (including)n ～ NTD 10,000,000 (excluding)	-	-
Between NTD10,000,000 (including) ～ NTD15,000,000 (excluding)	-	-
Between NTD15,000,000 (including) ～ NTD 30,000,000 (excluding)	-	-
Between NTD30,000,000 (including) ～ 50,000,000 (excluding)	-	-
Between 50,000,000 (including) ～100,000,000 (excluding)	-	-
Over NTD100,000,000	-	-
Total	3 people	3 people

Note 1：Supervisor name should be listed (shareholder name corporate shareholder name listed separate) and summarized to disclose reimbursement amount.

Note 2：Remuneration of latest year of supervisor (including supervisor salary, additional pay, resignation and bonus).

Note 3：Supervisor remuneration adopted by board of director for distribution.

Note 4： Relevant operation execution expense paid to supervisor (including transportation, special expense, allowance, dormitory, vehicle and other physical supply). When providing housing, automobile or other transportation modes or special personal expenses, disclose the nature and cost of asset, actual or fair market value calculated rental, gasoline and other reimbursement. Please provide additional remuneration paid to the driver from the company, if any; nonetheless such remuneration may not be included in the compensation.

Note 5：Disclose all companies in the consolidated report (including the company) and the total amount paid for the compensations to supervisors of the company.

Note 6：The company shall disclose supervisor name from the brackets by the total amount of compensation paid by the company to all supervisors.

Note 7： Disclose the supervisor name from the corresponding brackets and the total amount of compensations for all companies (including the company) to all supervisors in the consolidated report.

Note 8：Net income refers to the net income of most recent year; those adopting IFRS shall refer net income as the net income in individual or financial reports of most recent year.

Note 9：a. This column should fill out the amount of compensation related to investment company other than the subsidiary or parent company as collected by the company supervisor.

b. If the company supervisor collects compensation from reinvested company other than the subsidiary or parent company, the compensation received by the corporate supervisor at reinvested enterprise other than the subsidiary shall be consolidated into column D of Compensation Brackets, in addition to changing the column tittle to “All Reinvested Enterprises.”

c. Compensation refers to the remuneration and rewards collected by the director, supervisor or managers when serving as the supervisor of the reinvested enterprises other than the subsidiary or parent company (including compensation of employees, directors, and supervisors) and compensation related to business practice expenses.

＊The content of compensation disclosed in the able differs from the income concept of Taxation Act and hence the purpose of the table is for information disclosure without taxation.

(3) 2019 Remuneration of General Manager and Vice Presidents (Compiled Based on Job Levels for Disclosure of Names)

Unit: NT$ thousands

Titles	Names	Base Compensation (A) （Note 2）		Severance Pay (B)		Bonus to Directors and Allowances (C) （Note 3）		Employee's Remuneration (D) （Note 4） (Note 10)				Ratio of compensation (A+B+C+D) to Net Income (%) (Note 8)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent company (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Joseph Chen	4,745	6,309	-	-	843	1,207	1,870	-	2,236	-	10.50%	13.73%	N/A
Executive Assistant,Acting Vice President of Business Unit	YaoTing Lin													
Vice President of Business Unit	ZhaoYi Wang (Note 11)													

Range of Remuneration

Range of Remuneration for General Manager and Each Vice President of the Company	Names of General Manager and Vice Presidents	
	The company (Note 6)	All companies in the consolidated financial statements (Note 7)
Less than NTD1,000,000	ZhaoYi Wang	ZhaoYi Wang
Between NTD1,000,000 (including) ～2,000,000(excluding)	-	-
Between NTD2,000,000 (including) ～3,500,000(excluding)	YaoTing Lin	YaoTing Lin
Between NTD3,500,000 (including) ～5,000,000(excluding)	Joseph Chen	-
Between NTD5,000,000 (including)n ～NTD 10,000,000 (excluding)	-	Joseph Chen
Between NTD10,000,000 (including) ～NTD15,000,000	-	-

(excluding)		
Between NTD15,000,000 (including) ～NTD 30,000,000 (excluding)	-	-
Between NTD30,000,000 (including) ～50,000,000 (excluding)	-	-
Between 50,000,000 (including) ～100,000,000 (excluding)	-	-
Over NTD100,000,000	-	-
Total	3 persons	3 persons

Note 1: The names of the General Manager and Vice Presidents shall be separately listed, and the amount of each remuneration shall be disclosed in a compiled summary manner. If any Director holds the title General Manager or Vice President concurrently, this form and the above tables (1-1) or (1-2) shall be filled out.

Note 2: The based compensation, professional allowance and severance pay the General Manager and Vice Presidents received in the most recent annual period are filled out.

Note 3: Refers to the list of various bonuses, incentives, traveling expenses, special allowances, various allowances, supply of physical resources such as accommodation and cars and other remuneration received by the General Manager and Vice Presidents in the most recent annual period. In the case of the provision of housing, motor vehicles and other means of transportation or expenses exclusively for individuals, the characteristics and cost of the assets provided, the actual or at a fair market price, rent, fuel expense and other payments shall be disclosed. If there a driver is dispatched, the payment by the Company to such driver shall be disclosed, but the amount shall not be included into the remuneration. The salary expenses recognized in accordance with IFRS 2 (including obtaining employee stock warrants, new restricted employee shares, and participation subscriptions of shares from capital increase by cash) shall also be included in the remuneration.

Note 4: Refers to the amount of compensation (including shares and cash) of the employees distributed by the Board of Directors to the General Manager and Vice Presidents in the most recent annual period. If it is not feasible to conduct estimation, the proposed distribution amount shall be calculated according to the proportion of the actual distributed amount in the previous annual period and filled in Table (1-3). The net income refers to the net profit (after tax) in the most recent annual period; if the IFRs has been adopted, the net income shall be the annual after-tax net profit or individual ones in the financial reports of the most recent annual period.

Note 5: Refers to the total amount of remuneration to the Company's each General Manager and Vice Presidents by all the companies (including the Company) in the consolidated financial statement which required to be disclosed.

Note 6: Refers to the total amount of remuneration for each General Manager and Vice President, and the names of General Manager and Vice Presidents shall be disclosed along with the range f remuneration.

Note 7: Refers to the total amount of remuneration distributed to the Company's each General Manager and Vice President by all the companies (including the Company) in the consolidated financial statement which required to be disclosed, and the names of General Manager and Vice Presidents shall be disclosed along with the range f remuneration.

Note 8: The net income refers to the net profit (after tax) in the most recent annual period; if the IFRs has been adopted, the net income shall be the annual after-tax net profit or individual ones in the financial reports of the most recent annual period.

Note 9:

a. This field shall be clearly filled out with the amount of remuneration from invested companies other than the Company's Subsidiary or parent company received by Company's General Manager and Vice Presidents.

b. If the General Manager and Vice Presidents of the Company receive(s) the remuneration from invested companies other than the Company's Subsidiary or parent company, such amount shall be included in the E filed of Range of Remuneration and the title of such field shell be altered as "All Invested Companies".

c. Remuneration refers to the compensation, remuneration (including employees', Directors' and Supervisors' remuneration) and general expenses for the Company's General Manager and Vice Presidents who are serving as the Directors, Supervisors or managers of the invested companies other than the Company's Subsidiary or parent company.

＊The contents of the remuneration disclosed in this form are different from the income specified in Income Tax Act. Therefore, the purpose of this form is for information disclosure, not taxation.

Note 10: The distributable employees' remuneration for 2019 determined by the Board of Directors has not yet been actually distributed as of March 31, 2020. Therefore, the amount disclosed is estimated based on the distributed amount in 2019. However, the actual distributed amount may be different from the estimated amount.

Note 11: Executive Assistant,Acting Vice President of Business Unit YaoTing Lin resigned from May 1, 2020.

Note 12: Vice President ZhaoYi Wang resigned from March 16, 2020.

(4) List of Managers Receiving Employee’s Remuneration and Implemented Distribution:

Names of Managers Receiving 2019 Employee’s Remuneration and Implemented Distribution

As of March 31, 2020; unit: NT$ thousands

<table>
<tr><th></th><th>Titles (Note1)</th><th>Names (Note 1)</th><th>Employee’s Remuneration - in Stock</th><th>Employee’s Remuneration - in Cash</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="6">Managers</td><td>General Manager</td><td>Joseph Chen</td><td rowspan="6">-</td><td rowspan="6">3,256</td><td rowspan="6">3,256</td><td rowspan="6">4.59%</td></tr>
<tr><td>Vice President</td><td>ZhaoYi Wang (Note 2)</td></tr>
<tr><td>Vice President</td><td>YaoTing Lin</td></tr>
<tr><td>AGM</td><td>ChiaLing Chen</td></tr>
<tr><td>Senoir Director</td><td>Po-Tang Cheng</td></tr>
<tr><td>Department Manager</td><td>MingTse Chen</td></tr>
</table>

Note 1: The distributable employees’ remuneration for 2019 determined by the Board of Directors has not yet been actually distributed as of March 31, 2020. Therefore, the amount disclosed is estimated based on the distributed amount in 2018. However, the actual distributed amount may be different from the estimated amount.

Note 2: Vice President ZhaoYi Wang resigned from March 16, 2020.

Note 3: Executive Assistant,Acting Vice President of Business Unit YaoTing Lin resigned from May 1, 2020.

(2) Compare and explain the ratio of compensation (to the Company's Directors, Supervisors, General Manager and Vice Presidents) to net income of Company and consolidated financial statements in the most recent two annual periods. Explain the policy, standards and portfolios of the payment of remuneration, procedures for determination of remuneration, and correlation between business performance and future risks factors:

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent annual periods to Directors, Supervisors, General Managers and vice presidents of the Company, to the net income:

Units: NT$ thousands; %

	2018		2019	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
General Manager Remuneration	17,596	19,687	12,651	14,945
Ratio of compensation to net income (Directors)	7.93%	8.87%	17.82%	21.05%
Supervisors Remuneration	2,713	2,713	711	711
Ratio of compensation to net income (Supervisors)	1.22%	1.22%	1.00%	1.00%
Total Remuneration of General Manager and Vice Presidents	7,475	9,568	7,458	9,752
Ratio of compensation to net income (General Manager and Vice Presidents)	3.37%	4.31%	10.50%	13.73%

Note: The distributable employees' remuneration for 2019 determined by the Board of Directors has not yet been actually distributed as of March 31, 2020. Therefore, the amount disclosed is estimated based on the distributed amount in 2018. However, the actual distributed amount may be different from the estimated amount.

(2) Policy, Standards and Portfolios of the Payment of Remuneration, Procedures for Determination of Remuneration, and Correlation between Related Business Performance and Future Risks Factors:

A. Remuneration and Compensation to Directors and Supervisors:

According to Article 13 of the Company's Articles of Incorporation, the Board of Directors shall be authorized to set the remuneration and compensation to directors and supervisors based on the level of participation and contribution to the Company's operations and industry standards. According to Article 18 of the Company's Articles of Incorporation, if the Company has made any surplus in the annual period, amounts of no less than 3% of the surplus and no more than 3% of the surplus shall be the employees' remuneration and compensation of Directors and Supervisors, respectively.

The Company has formulated the "Regulations Governing Assessment to Performance of the Board of Directors" and "Regulations Governing Remuneration Policy and Payroll for Directors, Supervisors, and Functional Committees" to evaluate the Board performance and pay remuneration to directors and supervisors. The Company pays only fixed remuneration to Independent Directors. The Company pays remuneration to the employees, general manager, vice presidents, and managerial officers who concurrently serve as directors in accordance with relevant regulations.

The evaluation of the Board performance is conducted at least once every year. The scope of evaluation covers the Board, Board members, and functional committees. The criteria for evaluation shall cover the following aspects: participation in the operation of the Company; improvement of the quality of the board of directors' decision making; alignment of the goals and missions of the Company; awareness of the duties of a director; participation in the operation of the company; and awareness of the duties of the functional committee.

B. Compensation and Remuneration to General Manager and Vice Presidents:

The compensation and remuneration to general manager, vice presidents, and managerial officers, including salaries, bonuses, and employee compensation, shall be paid in accordance with the "Regulations Governing the Remuneration of Managerial Officers," "Regulations Governing Year-end Bonuses," and "Regulations Governing Performance Evaluations," and at the ratio set forth in Articles of Incorporation. Salary is ratified based on personal academic background, work experience, seniority, and job characteristics; bonuses are distributed based on the performance of companies, departments, and individuals; the criteria for performance evaluations include financial indicators (e.g., performance growth rate, expense control rate, budget execution rate, gross profit margin, and net income growth rate) and non-financial indicators (e.g., achievement of strategic assignments).

The Company pays reasonable compensation and remuneration to Directors, Supervisors, and managerial officers based on the industry standards, business performance, and future risks. The compensation and remuneration to Directors, Supervisors, and managerial officers shall be distributed upon review of the Remuneration Committee and adoption of the Board. To control risks and achieve sustainable development, the management and Remuneration Committee shall regularly review and timely adjust the compensation and remuneration to Directors, Supervisors, and managerial officers.

4. Implementation of Corporate Governance

(1) Board of Directors

A total of 7(A) meetings of the Board of Directors were held in the previous period. The attendance of Directors are as follows:

Titles	Names	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Joseph Chen	7	-	100.00%	-
Director	Eastpharm Investment Co.,Ltd. Representative: HuiChen Liu	7	-	100.00%	-
Director	Eastpharm Investment Co.,Ltd. Representative: ChiaLing Chen	6	1	85.71%	-
Director	Billion Investment Co., Ltd. Representative: MangShiang Lee	6	1	85.71%	-
Director	Augusta Inc. Representative: Hsiu Hui Lee	2	5	28.57%	-
Director	HongJen Chang	6	1	85.71%	-
Independent Director	SuLee Tsai	5	1	71.43%	-
Independent Director	ShaoWen Sun	7	-	100.00%	-
Independent Director	ChunShyong Chang	6	1	85.71%	-
Supervisor	BeeChu Tsai	6	-	85.71%	-
Supervisor	HsiChieh Wang	7	-	100.00%	-
Supervisor	Fortune Construction Co., Ltd.	5	-	71.43%	-

	Representative: HsiangMin Huang				

Other matters to be recorded:

1. If any of the following matters occurs during the operation of the Board of Directors, the dates, terms, contents of the proposal of the meetings, the opinions of all Independent Directors and the responses by the Company shall be clearly described:

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

Board Meeting	Discussion and Further Arrangement	Objection or Dissent from Independent Directors	The Company's Disposal
The first Board Meeting (Feb. 27, 2019)	1. 2018 year-end bonuses to managerial officers of the Company 2. Distribution of 2018 compensation and remuneration to managerial officers of the Company 3. Estimation and adjustment of 2019 compensation and remuneration to managerial officers of the Company 4. Amendment to the “Processing Procedures for Acquisition or Disposal of Assets” of the Company	None	None
The second Board Meeting (Apr. 8, 2019)	1. Amendment to the "Operation Procedures for Funds Loan to Others" of the Company 2. Amendment to the "Operation Procedures for Endorsement Guarantee" of the Company 3. Amendment to the “Internal Control Systems” of the Company	None	None
The third Board Meeting (May 3, 2019)	1. The Company's capital increase in cash 2. The Company's participation in capital increase of the subsidiary (Ke-jin Pharmtech, Inc.)	None	None
The fifth Board Meeting (Aug. 7, 2019)	2018 remuneration to Independent Directors and expenditures on professional practices of the Remuneration Committee of the Company	None	None
The sixth Board Meeting (Nov. 14, 2019)	Distribution of 2018 employee compensation to managerial officers of the Company	None	None
The seventh Board Meeting (Dec. 24, 2019)	1. Construction or purchase of buildings, software/hardware equipment or technology for production or business with 2018 unappropriated earnings 2. Engagement of CPAs the Company from 2020 to 2021 3. Audit fees (including tax audit) of the Company's CPAs from 2020 to 2021 4. Establishment of an overseas subsidiary in Malaysia 5. Appointment of directors of the overseas	None	None

	subsidiary in Malaysia (Excelsior Malaysia) 6. Revision of 2018 employee compensation to managerial officers of the Company		

(2) Other than the aforesaid matters, there are other matters objected to or retained by Independent Directors and have been recorded or stated in written: None.

2. For the implementation of Directors' avoidance due to conflicts of interest of Directors, please clearly specify the names of Directors, the content of the proposals, the reasons of avoidance due to conflicts of interest and the participation in the voting and resolution.

Date	Feb. 27, 2019
Directors	Joseph Chen, Chia-Ling Chen (Representative of Eastpharm Investment Co., Ltd.), Ming-Tse Chen
Proposal	2018 year-end bonuses to managerial officers of the Company
Reason for Avoidance Due to Conflicts of Interest	As Directors and Managers concurrently, and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

Date	Feb. 27, 2019
Directors	Joseph Chen, Chia-Ling Chen(Representative of Eastpharm Investment Co., Ltd.), Ming-Tse Chen
Proposal	Distribution of 2018 compensation and remuneration to managerial officers of the Company
Reason for Avoidance Due to Conflicts of Interest	As Directors and Managers concurrently, and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

Date	Feb. 27, 2019
Directors	Joseph Chen, Chia-Ling Chen(Representative of Eastpharm Investment Co., Ltd.), Ming-Tse Chen
Proposal	Estimation and adjustment of 2019 compensation and remuneration to managerial officers of the Company
Reason for Avoidance Due to Conflicts of Interest	As Directors and Managers concurrently, and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

Date	Aug. 7, 2019
Directors	Chun-Shyong Chang, Shao-Wen Sun, Su-Lee Tsai
Proposal	2018 remuneration to Independent Directors and expenditures on professional practices of the Remuneration Committee of the Company
Reason for Avoidance Due to Conflicts of	As Independent Directors

Interest	
Resolution	The other Directors at present all agreed without objection

Date	Nov. 14, 2019
Directors	Joseph Chen, Chia-Ling Chen(Representative of Eastpharm Investment Co., Ltd.), Ming-Tse Chen
Proposal	Distribution of 2018 employee compensation to managerial officers of the Company
Reason for Avoidance Due to Conflicts of Interest	As Directors and Managers concurrently, and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

Date	Dec. 24, 2019
Directors	Joseph Chen, Chia-Ling Chen(Representative of Eastpharm Investment Co., Ltd.)
Proposal	Appointment of directors of the overseas subsidiary in Malaysia (Excelsior Malaysia)
Reason for Avoidance Due to Conflicts of Interest	As Directors and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

Date	Dec. 24, 2019
Directors	Joseph Chen, Chia-Ling Chen(Representative of Eastpharm Investment Co., Ltd.), Ming-Tse Chen
Proposal	Revision of 2018 employee compensation to managerial officers of the Company
Reason for Avoidance Due to Conflicts of Interest	As Directors and as Representative of Corporate Directors and Managers concurrently
Resolution	The other Directors at present all agreed without objection

3. Please disclose the cycle and period, scope, method, and criteria of self-evaluations or peer evaluations of the Board of Directors, and implementation of evaluations.

Cycle (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Criteria (Note 5)
Once every year	108/1/1 ~ 108/12/31	The Board, the Board members, and the Remuneration	Self-evaluation of the Board, self-evaluation of the Board members, and	(1) Evaluation of the Board performance: participation in the operation of the Company; improvement of the quality of the Board of

		Committee	self-evaluation of the Remuneration Committee	Directors' decision making; composition and structure of the Board of Directors; election and continuing education of the Directors; internal control, etc. (2) Evaluation of the Board member performance: alignment of the goals and missions of the Company; awareness of the duties of a Director; participation in the operation of the Company; management of internal relationship and communication; the Director's professionalism and continuing education; internal control, etc. (3) Evaluation of functional committee performance: participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control, etc.

Note 1: Please specify how often the evaluation of the Board performance is conducted (e.g., once every year).

Note 2: Please specify a period when the Board performance is evaluated (e.g., January 1, 2019 to December 31, 2019).

Note 3: The scope of evaluation includes the performance of the Board, Board members, and functional committees.

Note 4: The methods of evaluation include self-evaluation of the Board, self-evaluation of the Board members, peer evaluation, external evaluation by professional institutions or experts or other appropriate methods.

Note 5: The criteria of evaluation shall include at least the following:

(1) Evaluation of the Board performance: participation in the operation of the Company; improvement of the quality of the Board of Directors' decision making; composition and structure of the Board of Directors; election and continuing education of the Directors; internal control, etc.

(2) Evaluation of the Board member performance: alignment of the goals and missions of the Company; awareness of the duties of a Director; participation in the operation of the Company; management of internal relationship and communication; the Director's professionalism and continuing education; internal control, etc.

(3) Evaluation of functional committee performance: participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control, etc.

4. The goals of enhancing the functions of the Board of Directors in the current and most recent annual periods (such as establishment of the Audit Committee, improvement to information transparency, etc.) and performing assessment.

1. The Company has set up three seats of Independent Directors to enhance the corporate governance function of the Board of Directors.

2. The Company has established the Remuneration Committee Charter to assist the Board of Directors in assessing the Company's overall compensation and the remuneration to its managers. There are at least two meetings held each year according to regulations, and four meetings had been held in 2019.

3. According to the “Corporate Governance Best Practice Principles” promulgated in 2017 by the Company, The member composition of the Board of Directors shall be diversified. At present, the member composition of the Board of Directors of the Company consists of the person in charge of the Company, the pharmacy experts and the financial accounting experts. Among the total nine members, four are females, which accounts for more than one-third of the members of the Board of Directors. There is one female among the three Supervisors. Employees concurrently serving as Directors and Independent Directors account for one-third of the Board seats.

The implementation of the Company's diversification policy for the Board of Directors:

Core Competences	Gender	Age	Date of Election (Assumption of Office)	Tenure	Date of First Election	Expertise							Industrial Experience			
						Operating and Decision-making	Finance and Accounting	Operating and Management	Crisis Management	Industrial Knowledge	International Market Analysis	Leadership and Decision-making	Biological Technology	Education	Technology	Banking

Title/Name																
Director/Joseph Chen	Male	60~70	107/05/29	3 Y	92/06/16	V		V	V	V	V	V	V			
Director/Hui-Chen Liu	Female	60~70	107/05/29	3 Y	101/11/04	V		V	V	V	V	V	V			
Director/Chia-Ling Chen	Female	30~40	107/05/29	3 Y	104/06/23	V		V		V	V		V			
Director/Mang-Shiang-Lee	Male	60~70	107/05/29	3 Y	101/11/04	V		V	V			V			V	
Director/Hsiu-Hui Lee	Female	60~70	107/05/29	3 Y	101/11/04	V	V	V	V			V	V			
Director/Hong-Jen Chang	Male	60~70	107/05/29	3 Y	104/02/12	V		V	V	V	V	V	V	V		
Independent Director/Chun-Shyong Chang	Male	70~80	107/05/29	3 Y	104/02/12	V	V	V	V			V	V	V		V
Independent Director/Shao-Wen Sun	Male	70~80	107/05/29	3 Y	104/02/12	V		V	V	V	V	V		V		
Independent Director/Su-Lee Tsai	Female	60~70	107/05/29	3 Y	104/06/23	V		V	V		V	V		V		

4. The Company has promulgated “Regulations Governing Assessment to Performance of the Board of Directors” in 2017 for assessment to performance of the Board of Directors and discloses the assessment results on the official site of the Company.

Note 1: Names of shareholders and Representatives of Legal Persons shall be disclosed if any Director or Supervisor is a Legal Person.

Note 2：(1) If there is any Supervisor or Director resigns from the Company prior to the final date of such annual period, the date of resignation shall be indicated in the fields of remarks. The actual attendance (present) rate (%) is calculated based on the number of meetings of the Board of Directors such Director or Supervisor attends (at present) during their tenure.

(2) If there is any death of Supervisors or Directors re-elected prior to the final date of such annual period, the newly-elected and the former Supervisor or Director shall all be listed, and the status of “newly-elected”, “former”, “re-elected” and the date of election shall be noted in the fields of remarks. The actual attendance (present) rate (%) is calculated based on the number of meetings of the Board of Directors such Director

or Supervisor attends (at present) during their tenure.

(2) Operation of the Auditing Committee and Supervisors' Participation to Operations by the Board:

1. Not applicable due to no Auditing Committee is established.
2. Supervisors' Participation to Operations by the Board:

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of Supervisors is as follows:

Titles	Names	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Remarks
Supervisor	BeeChu Tsai	6	85.71%	
Supervisor	HsiChieh Wang	7	100.00%	
Supervisor	Fortune Construction Co., Ltd. Representative: HsiangMin Huang	5	71.43%	

Other matters to be recorded:

1. Member Composition and Responsibilities of Supervisors:

(1) Communication between Supervisors and the Company's Employees and Shareholders:

The Company invites Supervisors to attend the Board and the Shareholders' Meetings for communication with employees and shareholders. The Supervisors can also communicate via the Finance Department as well as by mails or phone calls.

(2) Communication between Supervisors and Internal auditing Directors and CPAs:

The Company's Supervisors communicate with the CPAs and Internal auditing Directors on the Company's financial and business conditions by actually participating in the meetings of the Board of Directors. The Internal auditing Directors submit audit reports on a monthly basis. If there is any major abnormality found during daily operation, the Supervisors may be notified at any time via phone calls or mails.

2. If the Supervisor have any opinions expressed during their present at meetings of the Board of Directors, the dates, terms, contents of the proposal of the meetings, the Board's resolutions and the Company's handling to Supervisors opinions shall be clearly described: None

Notes:

* If there is any Supervisor or Director resigns from the Company prior to the final date of such annual period, the date of resignation shall be indicated in the fields of remarks. The actual attendance (present) rate (%) is calculated based on the number of meetings of the Board of Directors such Director or Supervisor attends (at present) during their tenure.
* If there is any death of Supervisors or Directors re-elected prior to the final date of such annual period, the newly-elected and the former Supervisor or Director shall all be listed, and the status of "newly-elected", "former", "re-elected" and the date of election shall be noted in the fields of remarks. The actual attendance (present) rate (%) is calculated based on the number of meetings of the Board of Directors such Director or Supervisor attends (at present) during their tenure.

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
1. Does the company establish and disclose the corporate governance best-practice principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		Based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”, the Company has formulated the "Code of Practice for Corporate Governance" and disclosed it to the Market Observation Post System and the Company's website.	None
2. Shareholding Structure & Shareholders’ Rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has "Measures to Prevent Internal Transactions", which sets up a spokesperson and an agent spokesperson system to communicate with shareholders and investors, disclose the contact methods of spokespersons and agents on the Company's website, and stipulates "Stock Operation Management Method". The Company has a special	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			person in charge of stock operation and entrusts professional stock agency "MasterLink Securities Co., Ltd., Stock Agent Department" to assist in dealing with stock affairs. For legal matters, the legal entity shall be consulted or lawyers shall be entrusted to assist in dealing with them; through the above channels and procedures, shareholder matters can be taken care of promptly and effectively.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company is responsible for the stock operation by a dedicated person, which is stipulated in Article 25 of the Securities and Exchange Act, to declare the changes of shareholding rights and pledges of the insiders (Directors, Supervisors, Managers and major shareholders holding more than 10% of the shares) every month. In addition, according to the list of shareholders provided by the stock agency, the principal shareholders or the ultimate controllers of the principal	None

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			shareholders who actually hold shares are within our supervision.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) Currently, the Company has 100% control over a subsidiary company, whose business can be separated and independent from that of the Company. Procedures and methods of "Processing Procedures for Acquisition or Disposal of Assets," "Operation Procedures for Endorsement Guarantee," "Operation Procedures for Funds Loan to Others," "Measures for Management of Transactions of Group Enterprises, Specific Companies and Related Persons," and "Measures for Supervision and Management of Subsidiaries" are hereby followed, so as to create, implement the risk control and firewall mechanism among the related enterprises.	None
(4) Does the company establish internal rules against insiders trading with undisclosed	✓		(4) The Company has the "Measures to Prevent Internal Transactions" and "Guidelines for Honest Operating Procedures	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
information?			and Conducts," which are disclosed on the Company's website, to regulate and prohibit insiders from buying and selling securities using undisclosed information in the market.	
3. Composition and Responsibilities of the Board of Directors (1) Does the board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company has formulated the "Corporate Governance Best Practice Principles" to regulate the composition of the Board of Directors; to formulate an appropriate diversification policy on its own operation, operation pattern and development needs. Members of the Board of Directors generally possess the necessary knowledge, skills, accomplishments and abilities to perform their duties in order to achieve the ideal goal of corporate governance. Currently, the Company's Board of Directors is composed of business leaders, pharmaceutical specialists and financial and accounting specialists. The Board	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			of Directors upholds gender equality, with the percentage of female directors set at 30% and above. 4 of the 9 board members are female, accounting for more than one third of the Board seats (44%); furthermore, 1 of the 3 supervisors is female.	
(2) Does the company voluntarily establish other functional committees in addition to the remuneration committee and the audit committee?	✓		(2) The Company has established the Remuneration Committee according to law, but has not yet set up an Audit Committee as of 2019. The Company will set up an Audit Committee in the reelection of directors and supervisors in 2021. On December 27, 2019, the Board of Directors resolved to set up a Business Strategy and Risk Management Committee. In the future, we will examine the statutory provisions and the actual operating needs of the Company, and evaluate the establishment of other functional committees.	None
(3) Does the company establish a standard to measure the performance of the board, and	✓		(3) The "Board Performance Evaluation Standard" has been established in 2017 and approved by the Board of Directors, and	None

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
implement it annually, and report the results of evaluation to the board of directors and refer to the said results when determining each director’s compensation and reelection?			shall perform a board performance evaluation each year at the end of the year, including the internal self-assessment of the Board of Directors, self-assessment of board members, appointment of external professional bodies, experts or other means. The implementation of the performance evaluation of the Board of Directors shall be evaluated by an external professional independent body or a team of external experts and scholars at least once every 3 years. The measurement items of the performance evaluation of the Company's board of directors are enclosed in the following 5 main aspects: 1. Engagement in the Company’s operations. 2. Improvement in the Board’s decision making. 3. Board’s organization and structure. 4. Directors’ election and continuing study.	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			5. Internal control. The measurement of performance self-evaluation (peer evaluation) of board members includes the following 6 main aspects: 1. The grasp of the Company's goals and tasks. 2. The awareness of the role of Directors. 3. The engagement in the Company’s operations. 4. The internal relationship management and communication. 5. Directors’ expertise and continuing study. 6. Internal Control The criteria for evaluating the performance of functional committees cover, at a minimum, the following 5 aspects: 1. Participation in the operation of the Company. 2. Awareness of the duties of the functional committee.	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			3. Improvement of quality of decisions made by the functional committee. 4. Makeup of the functional committee and election of its members. 5. Internal control. When electing or nominating members of the Board of Directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual Director's remuneration on the evaluation results of his or her performance. In December 2019, the Company sent a questionnaire to all Board members for the performance evaluation of the Board of Directors, and the results of Board performance evaluation in 2019 were reported to the Board of Directors in February 2020, and published on the Company's website, the Company's Board	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(4) Does the company regularly evaluate the independence of CPAs?	✓		of Directors is still in good working in 2019. (4) The Company follows the "Code of Practice for Corporate Governance" and regularly (at least once a year) assesses the independence and willfulness of the appointment of accountants. The assessment is based on Article 47 of the Certified Public Accountant Act and Article 10 of the Code of Ethics for Professional Accountants, which sets out the measurement guidelines to assess whether there is a direct or indirect interest in the Company and affects the independence of accountants. The Company currently has appointed the CPA, known as KPMG. KPMG is a global professional advisory services organization; and before appointing the CPA, the Company considers the accountant's history, and its professional competence and independence to be in line with the needs of the Company and obtains the declaration of Independence issued	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			therefrom; the Company completed the independence and competence evaluation operations of the CPA on December 24, 2019, and the results of the evaluation met the requirements of independence.	
4. Does the company set up adequate personnel and a corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, helping directors and supervisors comply with laws and regulations, handling matters relating to board meetings and shareholders meetings according to laws, and producing minutes of board meetings and shareholders meetings)?	✓		4.The Company passed the Board of Directors' resolution on May 11, 2018, with the designation of Ming-Tse Chen, the financial manager, as a corporate governance officer, in accordance with Article 23 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers." Since March 27, 2019, Ming-Tse Chen has served as the corporate governance officer to be in charge of corporate governance affairs, protecting the interests of shareholders, and strengthening the functions of the Board of Directors.	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			The scope of powers and business performance in 2019 are as follows: 1. To deal with the shareholders meeting of 2019 in accordance with the law, prior to registration, and within the statutory deadline for the production of meeting notice, proceedings manual, proceedings. 2. To draw up the agenda of the Board of directors, to inform the Directors 7 days before the convention, to convene meetings and to provide meeting data, and to remind them to avoid the interests of the subject in advance, and to complete the proceedings of the Board within 20 days after the meeting. 3. After the shareholders meeting, to be responsible for the inspection of important information issued by the Board of Directors, to ensure the relevance and	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			correctness of the content of the re-message, in order to protect the investor transaction information equivalence, so that investors can obtain sufficient evaluation to determine the reasonable value of the enterprise capital market, and protect the rights and interests of shareholders. 4. In accordance with the Code of Practice for Corporate Governance, assist in arranging meetings when Independent Directors meet individually with the head of internal audit or the CPA to understand the needs of the Company's financial operations, and report to the Board of Directors, Independent Directors, and Supervisors the operation of corporate governance in 2019. 5. According to the background of the Company and the	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Directors and Supervisors, arrange for 6 credits per person for the training courses of the Directors and Supervisors in 2019, and publish the results on the MOPS. 6. To handle the legal person briefing, arrange the Company's senior supervisor to communicate with the institutional investors or the general shareholders, so that the investors can obtain enough information, and the shareholder's rights and interests are well kept.	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
5. Does the company establish communication channel of the stakeholders (including but not limited to shareholders, employees, customers, supplier, etc.), and establish an exclusive zone of the stakeholders in the company's website, and properly respond the important issues of corporate social responsibility concerned by the stakeholders?	✓		5. The Company has established a pipeline of communication with interested parties, in addition to the financial business related information and corporate governance information exposed to the public information observatory, the Company's website set up a stakeholder zone as a communication platform for investors, employees, suppliers, consumers and other interested parties. Interested parties may respond to their concerns through e-mail or by phone, and all issues shall be answered by a dedicated person, and the Company shall have a spokesman and an acting spokesperson mechanism for the communication of external affairs.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		6. The Company entrusts professional stock agency "MasterLink Securities Co., Ltd., Stock Agent Department" to assist in dealing with stock affairs.	None
7. Information Disclosure				

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up a website to expose relevant information about Company profiles, financial operations and corporate governance, and to disclose business, financial information and important information regularly and irregularly on the MOPS.	None
(2) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has set up a network declaration operation procedure for public information, and has designated a person to take charge of the collection and disclosure of Company information; and has a spokesperson and an acting spokesperson. The relevant data of past and past legal person associations are listed on the MOPS and are also posted on the Company's website for investors to access.	None
(3) Does the company announce and register the annual financial statements within two months after the close of each fiscal year and the	✓		(3) The Company has announced and registered the annual financial statements within two months after the close of each fiscal year and the quarterly financial statements and	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
quarterly financial statements and the monthly operating status within the given time limits?			the monthly operating status within the given time limits.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		8. (1) Employee rights: The Company's business strategy includes professional, innovative, and its business rules include integrity, honesty, and this is the development of employee rights and interests related operations, specific actions is in line with the labor's law. The Company has work rules and various management measures to ensure the safety and health of employees' lives and property, There are the Safety and Health Work Code and regular occupational safety education and training; and to promote harmonious labor relations, quarterly labor meetings are held to communicate, and a sexual harassment complaint hotline is set up, the pension system is implemented and staff remuneration is paid in accordance with the Articles of Incorporation so as to achieve the goal of	None

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			protecting employees' rights and pursuing a friendly workplace And share with all staff the results of the Company's growth, staff career development; in addition to regular education and training, create new personnel training and job related professional training and other courses, in line with the Company's development, each year to provide a certain proportion or amount of education and training budget, in order to develop staff professional skills, as long-term development goal. (2) Employee wellness: The Company has staff welfare committee, the implementation of various welfare measures, for marriage and funeral, maternity, holidays, condolences and birthdays greetings, with issuance of gifts; the staff scholarships for outstanding children, the organization of staff tourism and departmental excursions and the provision of	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			subsidies, the year-end annual meeting to handle lottery activities; the Company has a staff group insurance system, regular health inspection operations to care for the physical and mental health of employees and supervisors, also take the initiative to care about the physical and mental condition of colleagues, to provide necessary assistance and advice. (3) Investor relations: Through the MOPS and the Company's website, the Company promptly and fully exposes information and sets up a system of spokesperson and acting spokesperson. The Company's website has a stakeholder area to expose the contact details of the spokesman and to communicate with investors through the shareholders’ meeting or the invitation to participate in the investor conference to facilitate investors to understand the Company's operating conditions. (4) Supplier relation: The Company establishes a partnership	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			with suppliers in accordance with the principle of equal reciprocity in order to establish a stable supply chain, and in order to maintain product quality, ensure consumer rights and comply with laws and regulations, the Company conducts regular or irregular inspection and evaluation operations of suppliers in accordance with relevant management practices and procedures. (5) The interest of stakeholders: The Company sets up the stakeholder area on the website, as a communication platform for interested parties (such as investors, employees, suppliers and consumers, etc.), interested parties can respond to their concerns in a timely manner through e-mail or by phone, and their issues are taken care of by a dedicated person (such as the spokesman and the acting spokesperson responsible for investor relationship maintenance, consumers may protect the rights of	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			interested parties through consumer service lines or drug safety notification lines, etc., if in violation of ethical behavior reports, etc.). (6) Directors' and Supervisors' training records: The Company pays attention to refresher courses and informs Directors and Supervisors to participate in further studies according to their needs and complies with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies." The number of refresher hours for the monitoring and implementation of the main points of further education can be found on the MOPS. (7) The implementation of risk management policies and risk assessment measures: The Company at any time assesses the risks and determines the response according to the results of the risk assessment, such as the transfer of risk through the	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			insurance system, or establishment of the internal control system required by the Company to reduce risk, etc., in accordance with operational and statutory requirements. Information security risk management architecture: The Company's Information Management Department is responsible for information security operations, including promoting the policy formulation and specific management programs and ensuring the effectiveness of the results of implementation. In addition to 1 supervisor, the Information Management Department also has a total of 4 other working members, all of whom are experienced by relevant experience. The head of the Information Management Department can report directly to the management the information security operations. Information security policy and specific management plan:	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			The Company has a Computerized Information System Processing Methods in place to implement the internal control system and maintenance of the security. Considering that the information security insurance is still a new type of insurance, so the Company has not yet purchased it; policies and specific management plans are described as follows: Account permissions are in line with the responsibilities and appropriate division, for change of clearance, a timely processing is in line with the Company's procedures. Periodical review the permissions of each user to ensure that the user's job permissions have been taken into account in the job requirements, the appropriate division of functions and the need to comply with the principle of containment. Any additions, modifications and deletions shall be filled in with the "Information Operations Service Application Form" and	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			approved by the supervisor. Employee turnover, retirement, job assignment or business adjustment, real-time according to the notice of the human resource department, undo (or deactivate) or move its information system account number and rights of access of information. Ensure the security of Company's data preservation and transmission, computer systems and communications equipment, and isolate external attacks or intrusions: Computer hosts and client computers install software to detect viruses to prevent viruses from invading the system. The Company's network between the firewall partition, in order to control the transmission of data between the network segments and resource access. The computer and server host periodically set the schedule to	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			perform anti-virus operations. The Company and the external points, according to the security level strategy, as necessary to build a VPN to ensure the confidentiality and security of data transmission. The Company creates a special computer room for information equipment, installation of lighting, fire and temperature control facilities, regular inspection, and updates. Computer room for access control, in addition to the management personnel and authorized personnel, other personnel may not enter or leave without authorization. It is strictly prohibited for equipment users to download, install or use illegal software. Regularly check the network security facilities and anti-virus, and update the anti-virus system and the implementation of virus scan and other safety measures.	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			From time to time to deal with the training and advocacy of education and security, establish employee safety awareness; improve the Company's level of information security. The network system establishes the warning system, when the unknown user tries to invade continuously, the system can automatically issue the warning signal, and the manager takes the effective handling measure in real time. Continuous operation and emergency response disposal, in the event of an accident can return to normal operation in the shortest possible time to reduce damage and risk. Network system to build a provisioning path to reduce the risk of network service disruption. Important system data, performing backup jobs on a regular and irregular basis. Perform regular drills for data recovery or system rebuilds	

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			operations. The Company follows the policy and control mechanism, and the implementation of the aforementioned safety policies and specific management plans, that the control management and safety objectives can be achieved, and will continue to assess the integrity and adequacy of security, and implement feasible solutions to reduce damage and risk. (8) Implementation of customer policies: The Company provides excellent and timely quality service, and has established an ordering line, product consulting, adverse drug reaction notification and consumer service line and other pipelines, with dedicated person to help solve the problem, in order to achieve the goal; the Company also understands customer needs or continuously optimizes procedures to improve customer satisfaction through regular and occasional management	

Evaluation Items	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			meetings, and the Company's products have been insured against product liability insurance to increase customer protection.. (9) Responsibility insurance purchased for Directors and Supervisors: Since March 2015, the Company has insured the Directors and Supervisors with liability insurance, and has completed the renewal operation over the years and submitted the report to the Board of Directors.	

9. Please state the improvements made up to date according to the corporate governance assessment of the most recent years by Corporate Governance Center of the Taiwan Stock Exchange Corporation and propose the proprieties and measures for areas not yet addressed:

For the first time, the Company took part in the annual corporate governance evaluation job in 2018 and was ranked in 6%-20% of the OTC companies evaluated. The Company will be reviewed annually in accordance with evaluation results, and in line with trends and rubrics the Company's goals, continuous improvement or adjustment.

The Company's main improvements in 2019 were "disclosure of financial statements, handbook for shareholders meeting, and shareholders meeting notice in English" and "appointment of a chief corporate governance officer." The Company plans to prepare a CSR report in 2020 to strengthen information transparency and maintain the rights and interests of stakeholders, including employees, consumers, suppliers, and

Evaluation Items	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
community residents.				

Note: For the operating conditions, regardless of whether it is checked with “yes” or “no”, should be stated in the description.

(IV) The Composition, Duty, and Implementation Status of the Remuneration Committee, if have, should be disclosed accordingly:

(1) Remuneration Committee Members information

Identity (Note1)	Conditions / Name	Whether the person has work experience over 5 years and possesses any of the following qualifications			Conformed to the requirements of Independence (Note2)										The number of public companies that the members also serves as Remuneration Committee Member	Remark (Note 3)
		Lecturer or higher level qualification of a public/private university or college for teaching the relevant departments in relation to the business, legal, finance, accounting or other business requirement.	Judge, prosecutor, lawyer, certified public accountant or other professional/technician who has acquired certificates or operation qualifications through the national examinations	Work experiences required for commercial, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Su Lee Tsai	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note 3)
Independent Director	ChunShyong Chang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note 3)
Independent Director	ShaoWen Sun	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note 3)

Note 1: Please specify the identity of director, independent director, or others.

Note 2: If the respective member meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark (•) in the blank space under the code representing the respective condition.

(1) Not an employee of the Company or its affiliated companies.

(2) Not a Director or Supervisor of the company or any of its affiliated enterprises. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.

(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the third degree of consanguinity of any person indicated in the foregoing three categories.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

(6) Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

(7) Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the

Securities and Exchange Act or the laws of the country of the said company.

(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

(9) Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.

(10) Not subject to any condition under Article 30 of the Company Law.

Note 3: The Remuneration Committee is to evaluate the remuneration policy and system for the Company's Directors, Supervisors, and managerial officers in a professional, objective manner and, according to the results of evaluation, give opinions to the Board of Directors for its decision-making.

(2) Operation of the Remuneration Committee

1. The Company's Remuneration Committee is composed of with 3 members.

2. Tenure of office of Remuneration Committee members of the current session: June 22, 2018 ~ May 28, 2021. Within the latest fiscal year (2019), the Remuneration Committee convened 4 meetings (A). The qualifications and attendance facts of the Remuneration Committee is enumerated below:

Title	Name	Number of times attending in person (B)	Number of times attending by proxy	Actual attendance rates (%) (B/A)	Remark
Convener	ChunShyong Chang	4	-	100	-
Committee member	Su Lee Tsai	3	1	75	-
Committee member	ShaoWen Sun	4	-	100	-

Other matters to be disclosed:

(1) If the Board does not accept or amend the suggestions of the Remuneration Committee, shall state the Board meeting date, the term, the contents of the motions, the resolution of the Board, and the Company’s handling the opinions of the Remuneration Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Remuneration Committee, shall state the differences and the reasons for the differences): None.

(2) If there is any opposition or reservation against the resolutions of the Remuneration Committee recorded or documented in writing, shall state the meeting date of the Remuneration Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None

(3) The subject matter of the Committee's discussion and the outcome of the

resolution, and the Company's handling of the members' views:

Date	Discussion	Resolution	The Company's Handling of the Members' Views
2019/02/27 (first meeting in 2019)	Evaluation of 2018 Board performance	Passed without objection	None
	Distribution of 2018 remuneration to Directors and Supervisors	Passed without objection	None
	Distribution of 2018 employee compensation	Passed without objection	None
	2018 year-end bonuses to managerial officers	Passed without objection	None
	Distribution of 2018 compensation and remuneration to managerial officers of the Company	Passed without objection	None
	Estimation and adjustment of 2019 compensation and	Passed without objection	None

		remuneration to managerial officers of the Company			
	2019/08/07 (second meeting in 2019)	2018 remuneration to Independent Directors and expenditures on professional practices of the Remuneration Committee of the Company	Passed without objection	None	
		Distribution of 2018 remuneration to non-independent directors and supervisors	Passed without objection	None	
	2019/11/14 (third meeting in 2019)	Distribution of 2018 employee compensation to managerial officers	Passed without objection	None	
		Amendment to the “Measures for the Management of Performance Appraisal”	Passed without objection	None	
		Amendment to the “Regulations Governing Assessment to Performance of the	Passed without objection	None	

		Board of Directors”			
	2019/12/24 (fourth meeting in 2019)	Revision of 2018 employee compensation to managerial officers of the Company	Passed without objection	None	
		Formulation of the subsidiary’s “Regulations Governing Assessment to Performance of the Board of Directors”	Passed without objection	None	
		2020 Operational Calendar of the Committee	Passed without objection	None	

Note:

(1)Prior to the end of the year, those who separated from members of the paid committee should indicate the date of separation in the remarks column, while the actual attendance rate (%) was calculated on the basis of the number of meetings of the pay committee during its incumbency and the number of actual attendance.

(2)Before the end of the year, those who have been re-elected by the pay Committee shall include the members of the new and old paid committee and indicate in the remarks column the date of the old, new or re-election and re-election of the member. The actual attendance rate (%) is calculated on the basis of the number of meetings of the Pay compensation committee during its incumbency and the number of actual attendance.

(5) Corporate Social Responsibility Implementation Status and Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
1. Does the company conduct risk assessments on environmental, social, or corporate governance issues related to the company's operations in accordance with the principle of materiality and formulate relevant risk management policies or strategies?	✓		1. Unit in charge of corporate social responsibility: The Chairman assigns General Manager to be in charge of corporate social responsibility. The General Manager's Office is responsible to promote the social responsibility unit of the Company according to the functions of the departments, which is responsible for the related affairs of the Company's corporate social responsibilities, in line with the "Corporate Governance Best Practice Principles," analysis of issues of concern to stakeholders, and formulation of policies, and reports the progress of implementation to the Board of Directors at least once every year. Risk assessments: The Company conducts risk assessments on material issues in accordance with the principle of materiality and formulates relevant risk management policies or strategies as follows:	None

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Material Issue</th><th>Risk Assessment Criteria</th><th>Risk Management Policies or Strategies</th></tr>
<tr><td>Environmental</td><td>Environmental protection and ecological conservation</td><td>Upholding the business philosophy of "taking from society and giving back to society," the Company actively engages in public welfare and invites all employees to participate. We work with the Good Social Welfare Foundation in Longtan, Taoyuan, to organize vegetable gardens and bitter tea plantations. We also work with the Taiwan Foundation For Rare Disorders in Kansai, Hsinchu to take care of more than 100 osmanthus trees through loosening soil, making fertilizers, weeding and land preparation. We also organize beach cleaning activities along the north coast.</td></tr>
<tr><td>Social</td><td>1. Occupational safety</td><td>We take the working environment and rights and interests of employees seriously. In addition to the “Safety and</td></tr>
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</td><td></td></tr>
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Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			Health Work Code" to ensure the life safety and property protection and health of employees, the various protective measures for the working environment and personal safety are as follows: A. Measures and response for preventing disaster and equipment maintenance and investigation: The Company cooperates with the Building Management Committee, Nangang Software Park, where the office is located at and laws and regulations related to buildings to implement safety inspection and disaster prevention plans for fire safety drills. B. Physical examination: In addition to the physical examination for new employees,	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			the employee group physical examination is conducted once every 2 years, which covers the items stipulated in the Occupational Safety and Health Act, and the other items are highly subsidized to take care of the health of all employees. C. Workplace environmental hygiene: In addition to maintaining the basic cleanliness of the work area by the employees, personnel designated and arranged are also responsible for the cleaning and disinfection of the common areas and the overall environment within the Company, and in cooperation with the planning of the management committee of local park, the public areas of the park	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			are regularly cleaned and disinfected. D. Psychological health and gender equity at workplace: ● Sexual harassment prevention: The Company establishes the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace", set up the appeal channels, and holds the sexual harassment prevention promotion and educational training on a regular basis. ● Friendly workplace and gender equality: The Company complies laws and regulations to handle labor affairs, provide the employee's leave matters, and establish a sound agent system,	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			promoting the gender equality of the employment policy from time to time to maintain a friendly workplace environment of gender equality. ● Employee satisfaction survey: The employee satisfaction survey is conducted every year, in the way of multi-aspect satisfaction survey to understand the satisfaction of the positions and responsibilities of employees, work environment, and communication with various departments. ● Labor-management meeting and labor matters handling: The Human Resources Management Department is responsible to operate related labor business, regularly hold labor-management meetings according to law to	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			understands the needs of employees, and establish a general manager's mailbox and other channels to recruit employees' opinions widely. E. Insurance and medical care: Insure the labor insurance and national health insurance according to law, and provide comprehensive and plenty employee group insurance. F. Access security: The building and office area of the Company are equipped with access control systems; the Company also signs a contract with the security company to ensure the personal safety of employees and strengthen the security of the office area.	
			2. Product safety — 2. The Company's products comply with products and services-related	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	

		laws and regulations and PIC/S GDP and PIC/S GMP. With strict quality system management, we provide customers stable quality of products and services. To improve the quality of customer service and customer satisfaction, the Company has a customer service hotline and a website in place to create a mutually beneficial and prosperous relationship with customers, which is the cornerstone of corporate sustainability.
Governance	Socioeconomics and compliance	With the governance organization and internal control mechanisms set up, we ensure that all personnel and operations comply with relevant laws and regulations.

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary (Note 2)	
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		2. The General Manager's Office is responsible to promote the social responsibility unit of the Company according to the functions of the departments, which is responsible for the related affairs of the Company's corporate social responsibilities, in line with the "Corporate Governance Best Practice Principles," analysis of issues of concern to stakeholders, and formulation of policies, and reports the progress of implementation to the Board of Directors.	None
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of its industry?	✓		(1) The Company's operating projects are mainly import and sales of western medicine, there is no a large amount of air pollution and waste water in our operating activities. Our subsidiary is also not a major energy-consuming industry and has complied with the standards for the marketing of good medicines (Good Distribution Practice) and the code for the manufacture of good medicines (PIC/S	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			Good Manufacture Practice); we establish appropriate environmental management standard operating procedures and strictly enforce them. The Company and its subsidiary continue to assess the factors that may affect the environment in the course of operations, establish targets of design for environmental protection, and continuously implement measures to control the production of energy consumption by saving water and power.	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) Due to operating characteristics of the Company and its subsidiary, we are not in the industry for major energy consumption; therefore, the production process will not produce a large amount of air pollution and waste water; but the Company is still planning the effective use of resources in order to take any effort to maximize the use of resources with efficiency. The Company encourages and implements waste sorting and recycling, regular recycling of waste paper, waste toner cartridges, etc., and commissioned a professional qualified	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary (Note 2)	
			waste removal treatment agencies to deal with the Company's scrap products and plant production and operation of the waste generated. Since 2015, the Company has promoted the computerization policy, and currently develops attendance system and business online operation form. In 2017, with the introduction of CRM system, and in 2018, with the development of supply chain system, we have reduced the use of routine work and improve the efficiency; staff daily office and work area planning is mainly on the seated by the windows so as to use of natural light insured of the fluorescent lamps; and employees are also encouraged to use environmentally-friendly straws and tableware.	
(3) Does the company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?	✓		(3) The Company faces the following climate-related risks: A. Floods frequently block roads, increasing transportation costs or failure to deliver goods. B. The supply of raw materials decreases due to climate change, causing production costs to	None

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>increase.
C. Other indirect risks include market risks, financial risks, and labor safety risks caused by climate anomalies, as well as additional management costs.
The Company takes the following mitigation measures:
A. When formulating long-term business strategies, we take climate-related factors into consideration and assess climate-related risks.
B. We conduct market observations and surveys of new products or services that may be derived from future climate change.
C. Increase the reuse and conversion of resources.</td><td></td></tr>
<tr><td>(4) Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and establish the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</td><td></td><td>✓</td><td>(4) The energy consumption during the Company's operation is mainly related to daily management, information, and operation such as water, electricity, paper and business trips.
Water and Electricity Consumption in 2018-2019
<table><tr><th>2018</th><th>2019</th></tr></table></td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>

Water consumption (L)	972	1,080
Electricity consumption (kWh)	152,244	158,664
Total CO2 emissions (metric tons)	81.30	84.74
Per-capital CO2 emissions (metric tons)	1.47	1.60

Waste in 2018-2019

	2018	**2019**
Waste (kg)	9,350	8,878
Per-capital waste (kg)	170	167.5

A. Management goals</td><td></td></tr>
</table>

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			To conserve resources and protect the environment, the Company sets future environmental management goals, with 2019 as the base year, after considering the current situation and the needs of future business development. (A) Carbon reduction: An annual reduction in per-capital CO2 emissions by 1% in 2020. (B) Water conservation: An annual reduction in water consumption by 1% in 2020. (C) Waste reduction: An annual reduction in waste by 1% in 2020 (total amount of waste in 2019 divided by total number of people, mainly domestic waste). B. Measures As one of the global citizens, the Company strives to save energy and reduce waste by taking the following measures: Power supply and air conditioning are regulated by office block. Lights in blocks where there is no need to turn on the lights are turned off. Air conditioners and lights are turned off when there is no one in conference rooms. Offices are designed with glass as much as possible, along with thermal	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			insulation paper and blackout curtains, to increase daylighting; the temperature of offices and labs is regulated moderately to reduce energy consumption. Used water is only general wastewater, which has no major pollution and no recycling value, and is discharged through public sewage pipelines. The Company has gradually introduced electronic signing systems for leave taking, daily reporting, and order placing, which significantly saves paper consumption and increases the reuse of photocopy paper. The Company promotes waste recycling in cooperation with the park's resource recycling office with a view to protecting the environment. The Company also announces energy conservation information to all employees on a regular basis. We are on our way to becoming a green company.	
3. Social Issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company complies with relevant labor regulations and is in line with international human rights conventions, such as the "United Nations Universal Declaration of Human Rights," the	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			"United Nations Global Compact," the "United Nations Guiding Principles on Business and Human Rights," and the "International Labor Conference Conventions," and sets out policies to safeguard the rights and interests of employees with fair treatment, such as employment policies that are not based on gender, race, age, marital status, and family conditions as difference in treatment; and follow the "People with Disabilities Rights Protection Act" and "Act of Gender Equality in Employment," caring for vulnerable ethnic groups, implementing equality of opportunities for promotion, providing a system of reasonable remuneration and bonuses for employees, regularly handling staff education and training, implementing the attendance system and providing pensions according to the law.	
(2) Does the company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect the business performance or results in employee compensation	✓		(2) We have always viewed employees' health and work-life balance as one of our key business philosophies. To enable our employees to work while being in condition, we offer a number of	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
appropriately?			employee benefits and have established the Employee Welfare Committee to promote employee welfare such as insurance, employee benefits and employee welfare organizations and measures, allowances and bonuses, education and training, safety and health, and other benefits. Striving to promote employees' well-being in all aspects, the Company fulfills its social responsibility to take care of employees by providing various employee benefits, and enhances cohesion among employees. The Company also stipulates in the Articles of Incorporation that if there is any profit in a year, no less than 3% shall be allocated as employee compensation and no more than 3% as remuneration to directors and supervisors, provided that the Company shall reserve an amount to make up for any accumulated losses.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular	✓		(3) The Company has the "Safety and Health Work Code" in place to ensure the safety and health of employees' lives, property and health. The various	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary (Note 2)	
basis?			protective measures for working environment and personal safety are as follows: A. Disaster prevention measures and contingency and equipment maintenance and inspection: Taipei Headquarters held 1 fire drill and 2 fire equipment inspections in 2019. B. Health check-up: In addition to the physical check-up of new employees, the group health check-up of employees is conducted every 2 years. C. Work environment hygiene: we arranged dedicated person responsible for the cleaning and disinfection of the public area and the whole environment under the jurisdiction of the Company. D. The Company has the "Measures to Prevent and Control Sexual Harassment in the Workplace, Complaints and Punishment Measures" in place, with a dedicated complaints pipeline, and conducts sexual harassment prevention and control advocacy and education training. In 2019, the training of new recruits in the prevention and control of sexual harassment was held 12 times.	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			E. To insure labor health insurance according to law and provide staff's group insurance. F. Access control safety: The Company's building and office area are equipped with access control system to ensure personal safety of our employees.	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) The Company helps staff to develop personal career, with a complete grade level system and related career development roadmap, so as to improve staff and family well-being as the goal, so the Company provides not only the salary and benefits, but also a stable and reasonable career development.	None
(5) Does the company follow relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and establish related consumer protection policies and grievance procedures?	✓		(5) The Company's drugs or products are produced and shipped in line with the relevant regulations to ensure product quality, and has a drug safety bulletin line (0800-213-176) and consumer service hot line (0800-211-952). For any question and problems with the Company's products, you can contact the Company's dedicated personnel to safeguard consumer rights and interests.	None
(6) Does the company establish the supplier	✓		(6) The Company has the standard operating	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary (Note 2)	
management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervise their compliance?			procedures for supplier evaluation, which evaluates and screens suppliers according to their ability to meet the Company's requirements, and achieves stable delivery quality by properly managing qualified suppliers. Currently, the Company's main suppliers are international pharmaceutical factories, whose operation must meet the requirements of local laws and regulations. The company has been dealing with suppliers for many years. By visiting, mailing and communicating documents to observe and understand the compliance of suppliers. No record of significant environmental and social impacts has been found. The Company's contract with the main supplier does not explicitly address the terms of termination or rescission of the contract that involve a breach of corporate social responsibility and have a significant impact on the environment and society, but the Company has a supplier evaluation standard operating procedure to evaluate, screen suppliers and obtain stable delivery quality through appropriate management of	

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>qualified suppliers, the Company will not cooperate with the supplier if there is any violation of the law. The Administration Department also regularly audits the suppliers' manufacturing processes to improve manufacturing quality and technology, process, and yield.</td><td></td></tr>
<tr><td>5. Does the company refer to the guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports that disclose its non-financial information? Does the company receive assurance or certification of the aforesaid reports from a third party accreditation institution?</td><td></td><td>✓</td><td>5.The Company is not compelled to prepare a CSR report.</td><td>None</td></tr>
<tr><td colspan="5">6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the principles and their implementation:
The Company has formulated the "Corporate Social Responsibility Best-Practice Principles", and has set up a special (part-time) job unit responsible for corporate social responsibility related issues; through strengthening education, training and activities advocacy measures, the spirit of the Principles is implemented and the operation of corporate social responsibility is promoted. Nevertheless, the substantive contractual provisions have not yet been drafted to require suppliers to abide by environmental and social responsibility.</td></tr>
</table>

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices: – 1. Rare disease drugs, medical field engagement: Since 1992, the Company has invested on the drugs for rare diseases, and teamed up with National Health Bureau (now the National Health Department), Rare Disease Foundation and the Society of Human Genetics and other government non-governmental organizations cooperation, to understand the rare diseases in Taiwan, and develop common birth related laws, and import agent research and treatment of rare disease drugs and provide drugs and information for medical treatment, to assist patients with rare diseases to obtain appropriate medical care and counseling services. – 2. Each year, the Company plans routine public welfare activities, so that all employees can personally participate in social and community care: – On April 1, 2014, we conducted the "North Coast Baishawan Beach Clean Beach" activity and we estimated that more than 20 kg of garbage was cleared. – On April 1, 2015, we conducted the "Green Coast/Lao-Mei Green Reef Clean Beach" campaign and we estimated that more than 30 kg of garbage was cleared. – On April 1, 2016, Social Care - Helping Vulnerable Groups to Start Their Own Business: Organizing the "Lighting the Color of Life" Loving Garden Fair, offering a promotion platform, inviting 16 groups, such as patients with rare illness, people with physical and mental disabilities, and vulnerable units, to hold a charity sale in Nangang Software Park. – On November 22, 2016, Community Care - Shelter Farm Park Land Preparation: A total of 150 employees of our Company and subsidiary company participated in the volunteer activities, site preparation and osmanthus tree care work of "Taiwan Foundation For Rare Disorders", in Kansai, Hsinchu. – On March 24, 2017, a total of 158 employees of the subsidiary Company participated in the volunteer service activities of the "Good Social Welfare Foundation" in Longtan, Taoyuan, and worked with the students of the shelter farm to organize vegetable gardens and bitter tea plantations. – On March 31, 2018, all 170 employees of the subsidiary Company participated in the volunteer activities, site preparation and osmanthus tree				

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
care work of the "Taiwan Foundation For Rare Disorders", in Kansai, Hsinchu. – On November 9, 2019, a total of 120 employees of the Company and subsidiary company invited 40 patients of the "Taiwan Foundation For Rare Disorders" and their family members to visit the Shimen Dam and Kuo Yuan Ye Museum of Cake and Pastry to relieve stress of daily care.				

Note 1: For the operating conditions, regardless of whether it is checked with "yes" or "no", should be stated in the description.

Note 2: For company who has compiled the CSR report, the summary description should indicate the methods and substituting index pages for the Corporate Social Responsibility Report.

(6) Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company establish the ethical corporate management policies approved by the board of directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?	✓		(1) The core value of the Company's view is one of "honesty," another of the Company has set the "Code of Credit Operation" and "Guidelines for Credit Operation Procedures and Conducts," to expose the related content on the Company's website and public information station; the Company's Board of Directors and management is to actively implement the credit management the concept, with other dedicated unit to regularly report to the Board (at least once every year) to inform and explain the implementation of credit management. The Company shall require the directors and senior management to issue a statement of compliance with the credit management policy, and require the	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		employees to abide by the credit management policy under the employment conditions. (2) The Company creates regulations for breach of trust in the treatment program "Code of Credit Operation," follows the "Guidelines for Credit Operation Procedures and Conducts" and "Coe of Moral Conduct," and holds against trade secret related courses, through regular training, combined with the prevention of acts of bad faith to achieve goals; through the employee performance appraisal and employee incentive program, the Company also establishes an effective reward and punishment system. The Company has the "Reporting and Protection System Operating Procedures" in place to provide prosecution and complaint channels for violations of laws and regulations, dishonesty and immorality.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(3) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(3) The Company has set up criteria for assessing risks of dishonesty within the scope of business activities, which consist of the following 6 aspects: finance, credit, law, information security, strategy and operation, and work. Controls for each type of risk is set up based on the probability, impact, and risk factors. Annual major risks are screened for audits or interviews to ensure the continuous effectiveness of risk management. The implementation of ethical corporate management policies and systems is reported to the Board of Directors at least once every year. Effective accounting systems and internal control systems are established to prevent risks by means of functional division of labor, education and training, internal auditing operation and reporting and appeal system; the above systems are reviewed at any time in order	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			to ensure that the design and implementation of systems are sustainable and effective; in addition, the Company has established the "Code of Credit Operation" and "Guidelines for Credit Operation Procedures and Conducts in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and “XXX Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct.”	
2. Fulfillment of Ethical Corporate Management (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		(1) The Company, in accordance with the "Regulations for Customer Credit Management" and "Supplier Selection and Evaluation Methods," evaluates credit for customers and suppliers, reviews their past operating activities in order to understand the risk whether there may be dishonest behavior. The Company's important customers or	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			suppliers, in addition to the rights and obligations of both parties set out in contracts, will be requested to comply with the terms of ethical conduct; if business dealings or partners are found to have dishonest acts, the Company shall immediately stop business dealings and classify the partners as objects of rejection.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the board to be in charge of corporate integrity and regularly (at least once every year) report to the board of directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(2) Units in charge of ethical corporate management and reporting frequencies: The General Manager's Office is responsible to form the ethical corporate management team according to the functions of each department. Under the Board of Directors, the ethical corporate management team handles the revision, execution, interpretation, consultation service and notification, content registration and archiving of the integrity operation procedures and guidelines, and plans and	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			supervises the progress of the implementation of ethical corporate management, and reports the implementation of ethical corporate management to the Board of Directors at least once every year. (The implementation of ethical corporate management was reported to the Board on December 24, 2019.) Operational performance: Every year, all employees are tested online, with the scope covering corporate governance, Code of Credit Operation, Guidelines for Credit Operation Procedures and Conducts, Code of Moral Conduct, Reporting and Protection System Operating Procedures, and Prevention of Insider Trading Management Methods. From October 2, 2019 to November 12, 2019, a total of 147 employees completed online training and tests.	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company has formulated a policy to prevent conflicts of interest so as to identify, supervise and manage the risks of dishonesty caused by conflicts of interest. The Directors, Supervisors, managers and other stakeholders present or present on the Board of Directors of the Company who have an interest in the bills listed by the board of directors and the legal persons on whose behalf they are, shall not participate in discussions and votes when the Board of Directors states the important contents of their interests. They shall also avoid discussions and votes and shall not act as agents when they are harmful to the interests of the Company. Other Directors exercise their voting rights. They shall also exercise self-discipline and have to support each other.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			In the course of carrying out the business of the Company, the personnel of the Company shall report the relevant matters to the direct supervisor and the exclusive unit of the Company at the same time when they find that there is a conflict of interest with themselves or the legal person they represent, or that they may obtain unfair benefits from themselves, spouses, parents, children or their interested parties. The direct supervisor shall provide appropriate guidance.	
(4) Does the company establish effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The Company has established an effective accounting system and internal control system, and reviews them at any time to ensure that the design and implementation of the system are sustainable and effective. The internal auditing units of the Company regularly check the compliance of the preceding systems and submit an audit report to the	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Board of Directors. They may also appoint accountants to carry out the audit and, if necessary, invite professional assistance.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The Company, in every new staff training course, arranges Company introduction, specification and corporate social responsibility, internal control system, and emphasizes the importance of the Company into the business integrity, through internal meetings, advocating "integrity management" of the relevant provisions and measures, and the measures for the administration of disclosure on the Company's website or the MOPS to follow. From October 2, 2019 to November 12, 2019, 147 employees of the Company conducted online education and training on integrity management, ethical behavior and prevention of insider trading, and carried out tests	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			covering corporate governance, Code of Credit Operation, Guidelines for Credit Operation Procedures and Conducts, Code of Moral Conduct, Reporting and Protection System Operating Procedures, and Prevention of Insider Trading Management Methods. The Company also invites and encourages Directors, Supervisors and key managers to participate in relevant courses organized by internal or external units of the Company in order to achieve the goal of strengthening integrity management.	
3. Operation of the Whistleblowing System (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has established the "Reporting and Protection System Operating Procedures," any person can report dishonesty or misconduct through independent special line and written forms, there is also a sexual harassment complaint hot line, when	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			the relevant information is received, the Company is assigned to investigate and respond to the investigation; after investigation, rewards and punishments will be made to the relevant personnel, the Company holds "Rules of Work" and "Staff and Personnel Review Committee of Articles of Association" to deal with relevant matters of concern; the aforementioned operating procedures and pipelines are disclosed in the Company's internal and external websites.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2) In accordance with the "Reporting and Protection System Operating Procedures," the Company, when receives a report, will assign a dedicated person to conduct an investigation, and according to the rank of the complexity of the case set out the responsibilities of different investigations for processing. The Company shall, in writing, keep	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(3) Does the company provide proper whistleblower protection?	✓		confidential the identity of the whistleblower and the contents of the complaint by a written statement of the person concerned with the prosecution. (3) The Company undertakes and protects the whistleblower from improper disposition as a result of the prosecution, such as adverse management measures or the disposition of working conditions, acts affecting his or her entitlements or other interference.	None
4. Strengthening Information Disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The "Code of Credit Operation” and "Guidelines for Credit Operation Procedures and Conducts" of the Company and implementation results of ethical corporate management are disclosed on the company website and in the annual report and also available on the MOPS.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles				

Evaluation Items	Implementation Status (Note 1) Yes	No	Summary	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The company conducts the "Code of Credit Operation" and "Guidelines for Credit Operation Procedures and Conducts". Convened by the General Manager's office with participation of the relevant department personnel, the Company promotes the integrity operation of enterprises in accordance with the functions of each department; it belongs to the Board of Directors and handles the revision, execution, interpretation, consultation service and notification of integrity operation procedures and conduct guidelines, and the registration and filing of content. The actual operation of the Company is not significantly different from that of the TWSE/TPEx Listed Companies.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., reviews and amends its policies). 1. The Company complies with "The Company Act ", "Securities Exchange Act ", "Commercial Account Law", and related regulations for TWSE/TPEx Listed Companies and other business practices related laws, in order to implement the integrity of the operation of the basic. 2. The "Rules of procedure of the Board of directors" of the Company shall contain a system of avoidance of directors' interests, and those who have an interest in the bills on the Board of Directors, who have an interest in themselves or on behalf of legal persons, and who are at risk of harmful to the interests 3. The company shall have "Measures to Prevent Internal transactions", stating that the Directors, Managers and employees may not divulge such material information as they know to others, and shall not inquire to those who know the material information within the Company, or the collection of important internal information not disclosed by a company that is not related to his or her personal position, nor shall it be disclosed to other persons for information not to be disclosed by the Company for the performance of its business.				

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
4. Except for "Work Rules", "marketing, business, medical service planning and implementation of standard operating procedures", "Personal Information Protection and Management", the "Acquisition, Maintenance, and Application of IPR" in "Development Cycle", and "Control of the Security Check" in "Information Circulation", and other related regulations, the Company also incorporates integrity management concept into the management concept so as to strengthen the integrity of business operations. 5. The Company has always uphold the principle of good faith, follow the relevant laws and regulations and internal control system of good management, strictly prohibit dishonesty or violations of the law, and has a neutral unit as the necessary advice and the basis for validation. 6. The Company has insured Directors, Managers and key employees with director and Manager liability insurance, which can fully reduce the risks to the Company arising from the performance of the duties of the relevant personnel, and protect the rights and interests of investors. 7. The Company pays attention to the development of relevant norms of good faith management at home and abroad, and encourages Directors, Supervisors, Managers and employees to make suggestions to review and improve the integrity of the company's business policies and promote measures to enhance the effectiveness of the company's integrity management.				

Note 1: For the operating conditions, regardless of whether it is checked with “yes” or “no”, should be stated in the description.

(7) For company that has Access to Corporate Governance Best-Practice Principles and relevant regulations, it should indicate the method of search.

1. The Company has Corporate Governance Best-Practice Principles and relevant regulations:

- Articles of Incorporation

- Rules of procedure of the shareholders’ meeting
- Rules of procedure of the Board
- Measures for the election of Directors and Supervisors
- Rules on the category of duties of independent directors
- Code of corporate ethical conduct
- Measures to prevent the management of insider transactions (including internal major information processing procedures)
- Rules on the scope of competence of the ombudsman
- Measures for the operation and management of the Pay Compensation Commission
- Honesty Management operation procedure and behavior guide
- Code of Practice on corporate governance
- Measures for the evaluation of Board performance
- Code of Practice on corporate social responsibility
- Code of good faith management
- Reporting and protection system operating procedures

2. Perform annual education and training or conduct advocacy with Directors, Managers and all staff in a conference method.

3. Inquiry: Our company's website: http://www.excelsiorgroup.com.tw/

(8) Any other important information to facilitate better understanding of the Company’s corporate governance practices, it should be disclosed:

1. MOPS: http://mops.twse.com.tw/mops/web/index

2. Company’s Website: http://www.excelsiorgroup.com.tw/

3. Excelsior Pharmatech Labs. is not a public company, only one corporate shareholder, namely Excelsior Biopharma Inc. 3 Directors and 1 Supervisor are the Board members, and no independent directors; the Company's news release is issued by the parent Company, Excelsior Biopharma.

(9) Implementation of Internal Control Systems and Mandatory Disclosures

Excelsior Biopharma Inc.
Statement of Internal Control Systems

March 03, 2020

The Statement and Self-appraisal to the Internal Control Systems of the Company in 2019 are as the following:

1. The Company has firmly acknowledged that the establishment, implementation and maintenance of its internal control systems shall be the responsibility of the Board of Directors and managers. The Company has established such systems with the purpose to provide assurance in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reliability, timeliness and transparency of press release, and compliance with relevant regulations.
2. Due to inherent limitations within the nature of the internal control systems, regardless of how well it is designed, an internal control system which is considered to be effective and efficient can only provide reasonable assurance of the achievement of the aforesaid three objectives. In addition, the effectiveness of the internal control system may also vary due to changes of the overall environment and circumstances. However, the Company's internal control system is equipped with the self-monitoring mechanism. Once a defect is detected and identified, the Company would instantly take correction measures.
3. The Company determines the effectiveness and efficiency of designing and implementation of the internal control system based on the criteria specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (referred as “Regulations Governing Internal Control Systems” herein after). The criteria adopted by the “Regulations Governing Internal Control Systems” for determination of effectiveness and efficiency of designing and implementation of the internal control systems shall be the following five elements from the process of management control: a. control environment, b. risk assessment, c. control operations, d. information and communication, and e. supervision operations. Each element includes several items. Please refer to the “Regulations Governing Internal Control Systems” for details of these items.
4. The Company has adopted the preceding criteria of internal control system to determine the effectiveness and efficiency of designing and implementation of its internal control system.
5. Based on the results of the preceding assessment, the Company hereby assures that the internal control system (including its supervision and management to subsidiaries) of the Company on December 31, 2019 Note 2 can reasonably achieve the preceding objectives including the comprehensive understanding of effectiveness of the business operation and the achievement of

efficiency objectives, reliability, timeliness and transparency of press release, and compliance with relevant regulations.

6. The Statement shall be the main content of the Company's Annual Report and Prospectus which are publically available. If the any part of the content is found to be false or concealed, legal liabilities such those specified in Articles 20, 32, 171 and 174 of Securities and Exchange Act shall be exerted.
7. This Statement has been approved by the Board of Directors of the Company at the meeting on March 03 of 2020 where 7 Directors attended in which 0 Directors objected and the rest approved the contents of this Statement.

Excelsior Biopharma Inc.
Chairman of the Board: Joseph Chen
General Manager: Joseph Chen

Company who appoints CPAs to conduct project audit to internal shall submit the reasons, the auditing report by CPAs defects and improvement by the Company based on “Regulations Governing Establishment of Internal Control Systems by Public Companies”. Company who conducts the initial public offering shall submit the Statement of Internal Control Systems, appoint CPAs to produce auditing report, and submit the auditing report by CPAs: None.

(10) Punishment exerted to the Company or its internal personnel according to legal regulations or punishment exerted to the internal personnel by the Company the Most Recent Annual Period and as of the Printing Date of this Annual Report, and the Major Defects and Improvement: None

(11) Major Resolutions of Shareholders’ Meeting and Board Meetings in the Most Recent Annual Period and as of the Printing Date of this Annual Report.

Name of Meeting	Meeting Date	Major Resolutions
Board of Directors	February 27, 2019	1. Resolved the Performance Assessment of Board of Directors of the Company for the Year 2018. 2. Resolved the compensation distribution to Directors and Supervisors of the Company for the Year 2018 . 3. Resolved the compensation distribution to Employees of the Company for the Year 2018 . 4. Resolved the year-end bonus to Managerial Officers of the Company for the Year 2018. 5. Resolved the actual status of the remuneration distribution to Managerial Officers of the Company for the Year 2018 . 6. Resolved the assessment and adjustment to remuneration of Managerial Officers for the Year 2019 of the Company 7. Resolved the 2018 Business Report and Financial Statements and Consolidated Financial Statements. 8. Resolved the Earnings Distribution for the Year 2018 of the Company. 9. Resolved the cash distribution from the paid-in capital of the Company. 10. Resolved the outcome of the “Assessment of the Effectiveness of the Internal Control System” and “Internal Control System Statements” for the Year 2018 of the Company. 11. Resolved the amendment to the “Regulations Governing the Acquisition and Disposal of Assets” of the Company. 12. Resolved the amendment to the “Corporate Governance Best-Practice Principles” of the Company. 13. Resolved the contract renewal application for the bank credit lines of the Company. 14. Resolved matters related to the convening of the 2019 Annual Shareholders' Meeting. 15. Resolved the matters related to the establishment of the period for accepting proposals from shareholders and acceptance locations thereof in accordance with the regulations under Article 172-1 of the Company Act.

Board of Directors	April 08, 2019	1. Resolved the amendment to the “Operational Procedures for Loaning Funds to Others” of the Company. 2. Resolved the amendment to the “Operational Procedures for Endorsements/Guarantees” of the Company. 3. Resolved the agenda for 2019 Annual Shareholders' Meeting. 4. Resolved the promulgation of the "Standard Operating Procedures for Requests Filed by Directors" of the Company. 5. Resolved the amendment to “the Internal Control System” of the Company.
Board of Directors	May 3, 2019	1. Resolved the proposal of the Company to carry out the capital increase by cash. 2. Resolved the proposal of participation of the Company to the new foreign investment from capital increase by cash of the Subsidiary

Annual Shareholders' Meeting	May 24, 2019	1. Recognized the Business Report and Financial Statements for the Year 2018. Status of Implementation: Resolved by voting 2. Recognized the Earnings Distribution for the Year 2018. Status of Implementation: Resolved by voting. A cash dividend is distributed with NT$3 per share. The total amount of cash dividend is NT$140,001,000. The record date for common stock shareholders entitled to participate in dividend distribution is July 16, 2019 and the cash dividend is distributed on August 8, 2019. 3. Resolved the cash distribution from the paid-in capital of the Company. Status of Implementation: The paid-in capital derived from the issuance of new shares at a premium is distributed according to the numbers of shares held by the shareholders as recorded in the shareholders' register as of the record date. The cash dividend of NT$1 per share is distributed and any amount less than NT$1 will not be distributable (round down to and to an integer). The record date for common stock shareholders entitled to participate in distribution is July 16, 2019 and the cash dividend is distributed on August 8, 2019. 4. Resolved the amendment to the “Regulations Governing the Acquisition and Disposal of Assets” of the Company. Status of Implementation: Resolved by voting. 5. Resolved the amendment to the “Operational Procedures for Loaning Funds to Others” of the Company. Status of Implementation: Resolved by voting. 6. Resolved the amendment to the “Operational Procedures for Endorsements/Guarantees” of the Company. Status of Implementation: Resolved by voting.
Board of Directors	June 19, 2019	1. Resolved the amendment to the “Ethical Corporate Management Best Practice Principles”. 2. Resolved the ex-dividend date for the cash dividend distribution for 2018 surplus earning resolved by the 2019 Annual Shareholders' Meeting. 3. Resolved the record date for the cash distribution from the paid-in capital of the Company.

Board of Directors	August 07, 2019	1. Resolved the Earnings Distribution for the Year 2018 of the Company. 2. Resolved the remuneration to Independent Directors and the expense of performance for the members of the Remuneration Committee for the Year 2018. 3. Resolved the compensation distribution to Non-Independent Directors and Supervisors for the Year 2018 of the Company. 4. Resolved the amendment to the “Procedures for Ethical Management and Guidelines for Conduct”. 5. Resolved the amendment to the “Regulation governing the Performance Assessment of Board of Directors”.
Board of Directors	November 14, 2019	1. Resolved the compensation distribution to Managerial Officers and Employees for the Year 2018 of the Company. 2. Resolved the amendment to the “Regulation governing the Performance Evaluation” of the Company. 3. Resolved the amendment to the “Regulation governing the Performance Assessment of Board of Directors”.
Board of Directors	December 24, 2019	1. The undistributed earnings for the Year 2018 to build or acquire buildings, software/hardware equipments or techniques for self-production or -operation purpose. 2. Resolved the appointment of independent auditor for the Years 2020 and 2021. 3. Resolved the audit fees (including the taxation audit service) for auditing performed by Accountant for the Years 2020 and 2021. 4. Resolved the plan of the company to establish an overseas subsidiary in Malaysia 5. Resolved the appointment of directors candidates for the overseas subsidiary in Malaysia (Excelsior Malaysia). 6. Resolved the amendment to the compensation distribution to Managerial Officers and Employees for the Year 2018 of the Company. 7. Resolved the Business Plan and Budget for the Year 2020. 8. Resolved the Audit Plan of the Company for the Year 2020. 9. Resolved the promulgation of the “Regulation governing the Performance Evaluation” of the Subsidiary. 10. Resolved the establishment of Business strategy and Risk Management Committee.

Board of Directors	February 11, 2020	1. Resolved the appointment of Director Huang Yawen, Director of Consumer Products Division of the Company. 2. Resolved the Performance Assessment of Board of Directors of the Company for the Year 2019. 3. Resolved the compensation distribution to Directors and Supervisors of the Company for the Year 2019. 4. Resolved the compensation distribution to Employees for the Year 2019 of the Company. 5. Resolved the performance assessment of and the year-end bonus to Managerial Officers of the Company for the Year 2019 . 6. Resolved the actual status of the remuneration distribution to Managerial Officers for the Year 2019 of the Company. 7. Resolved the assessment and adjustment to remuneration of Managerial Officers of the Company for the Year 2020 8. Resolved the 2019 Business Report and Financial Statements and Consolidated Financial Statements. 9. Resolved the proposal that the Company plans to issue the domestic secured convertible corporate bonds for the first time.
Board of Directors	March 3, 2020	1. Resolved the assessment to remuneration of Managerial Officer, Huang Yawen, for the Year 2020 2. Resolved the Earnings Distribution of the Company for the Year 2019. 3. Resolved the outcome of "Assessment of the Effectiveness of the Internal Control System" and "Internal Control System Statements" of the Company for the Year 2019. 4. Resolved the amendment to "Articles of Incorporation" of the Company. 5. Resolved the promulgation of the "Organic Regulations of Business strategy and Risk Management Committee". 6. Resolved the amendment to the "Procedures for Ethical Management and Guidelines for Conduct". 7. Resolved the amendment to the "Corporate Social Responsibility Principle" of the Company. 8. Resolved the amendment to the the "Corporate Governance Best-Practice Principles" of the Company. 9. Resolved matters related to the convening of the 2020 Annual Shareholders' Meeting. 10. Resolved the matters related to the establishment of the period for accepting proposals from shareholders and acceptance locations thereof in accordance with the regulations under Article 172-1 of the Company Act.

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(13) Resignation or Dismissal of the Company's Key Individuals (Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Manager and R&D) in the Most Recent Annual Period and as of the printing Date of this Annual Report: None.

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Accounting Firm	Name of CPAs		Period Covered by CPA's Audit	Remarks
KPMG Taiwan	YuanShen Yi	YaLin Chen	2019.1.1~2019.12.31	N/A

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000	-	5	5
2	NT$2,000,001 ~ NT$4,000,000	2,060	-	2,060
3	NT$4,000,001 ~ NT$6,000,000	-	-	-
4	NT$6,000,001 ~ NT$8,000,000	-	-	-
5	NT$8,000,001 ~ NT$10,000,000	-	-	-
6	Over NT$100,000,000	-	-	-

Note: The non-audit fee of the Company is NT$ 5,000 (for transportation and miscellaneous expenses).

(1) If the amount of non-audit fee paid to CPAs, their accounting firm and affiliates is more than 25% of the audit fee amount, the audit and non-audit fee amount and the non-audit service content shall be disclosed: N/A.

(2) If the audit fee paid to the new accounting firm in the annual period of replacement is lower than the one in the annual period prior to the annual period of replacement, the amounts of the audited fee before and after the replacement and the reasons shall be disclosed: Not applicable.

(3) If the audit fee is reduced by more than 15% compared with the one in the previous annual period, the amount, proportion and reasons for the audit reduction shall be disclosed: Not applicable.

6. Replacement of CPAs

In the most recent two annual periods, the Company has replaced no accounting firm except for replacing CPAs due to internal change of the accounting firm.

7. The Chairman of the Board, the General Manager, Managers who are Responsible for Finance and Accounting Affairs Used to be Employed by the Accounting Firm of the Appointed CPAs or Its Affiliates Within the Past One Year: None.

8. Changes in Shareholding of Directors, Supervisors, Managers and Shareholder with more than 10% of Total Holding in the Most Recent Annual Period and as of the Printing Date of this Annual Report:

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: share

Title	Name	2019		As of March 28, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and the Shareholder with more than 10% of Total Holding	Joseph Chen	0	0	0	0
Director	HuiChen Liu (Representative of Eastpharm Investment Co., Ltd.)	0	0	0	0
Director	ChiaLing Chen (Representative of Eastpharm Investment Co., Ltd.)	0	0	0	0

Director	MangShiang Lee (Representative of Billion Investment Co., Ltd.)	(39,000)	0	0	0
Director	Hsiu Hui Lee (Representative of Augusta Inc.)	0	0	0	0
Director	HongJen Chang	0	0	0	0
Independent Director	ChunShyong Chang	0	0	0	0
Independent Director	ShaoWen Sun	0	0	0	0
Independent Director	SuLee Tsai	0	0	0	0
Supervisor	HsiangMin Huang (Representative of Fortune Construction Co., Ltd.)	0	0	103,000	0
Supervisor	BeeChu Tsai	0	0	102,000	0
Supervisor	HsiChieh Wang	0	0	0	0
Senior Director	Po-Tang Cheng	0	0	0	0
Vice President of Business Unit	ZhaoYi Wang	0	0	0	0
Vice President of Business Unit	YaoTing Lin	0	0	0	0
AGM	ChiaLing Chen	0	0	0	0
Financial Manager	MingTse Chen	0	0	0	0

(2) Shares Trading with Related Parties: None.

(3) Shares Pledging with Related Parties: None.

9. Relationship among the Top Ten Shareholders, Spouses, Related Parties and Relatives Within Two Degrees

As of March 28, 2020; units: shares; %

<table>
<tr><th rowspan="2">Names</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse’s/minor’s Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th colspan="2">Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives Within Two Degrees</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Name</th><th>Relationship</th></tr>
<tr><td rowspan="5">Joseph Chen</td><td rowspan="5">6,622,111</td><td rowspan="5">14.19</td><td rowspan="5">3,975,008</td><td rowspan="5">8.51</td><td rowspan="5">-</td><td rowspan="5">-</td><td>HuiChen Liu</td><td>Spouse</td><td rowspan="5">-</td></tr>
<tr><td>ChiaLing Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>YuShan Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>Eastpharm Investment Co.,Ltd.</td><td>Company Representative</td></tr>
<tr><td>Tor-De Investment Limited</td><td>Representative ad a Relative Within Two Degrees</td></tr>
<tr><td rowspan="4">Eastpharm Investment Co., Ltd.</td><td rowspan="4">10,163,443</td><td rowspan="4">21.77</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td>Joseph Chen</td><td>Company Representative</td><td rowspan="4">-</td></tr>
<tr><td>HuiChen Liu</td><td>Company Director</td></tr>
<tr><td>ChiaLing Chen</td><td>Company Director</td></tr>
<tr><td>YuShan Chen</td><td>Company Supervisor</td></tr>
<tr><td rowspan="4">Joseph Chen (Representative of Eastpharm Investment Co. ,Ltd.)</td><td rowspan="4">6,622,111</td><td rowspan="4">14.19</td><td rowspan="4">3,975,008</td><td rowspan="4">8.51</td><td rowspan="4">-</td><td rowspan="4">-</td><td>HuiChen Liu</td><td>Spouse</td><td rowspan="4">-</td></tr>
<tr><td>ChiaLing Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>YuShan Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>Tor-De Investment Limited</td><td>Representative ad a Relative Within Two Degrees</td></tr>
<tr><td rowspan="5">HuiChen Liu</td><td rowspan="5">3,975,008</td><td rowspan="5">8.51</td><td rowspan="5">6,622,111</td><td rowspan="5">14.19</td><td rowspan="5">-</td><td rowspan="5">-</td><td>Joseph Chen</td><td>Spouse</td><td rowspan="5">-</td></tr>
<tr><td>ChiaLing Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>YuShan Chen</td><td>Relative Within Two Degrees</td></tr>
<tr><td>Eastpharm Investment Co., Ltd.</td><td>Company Director</td></tr>
<tr><td>Tor-De Investment Limited</td><td>Representative ad a Relative Within Two Degrees</td></tr>
<tr><td rowspan="4">Tor-De Investment Limited</td><td rowspan="4">3,050,000</td><td rowspan="4">6.53</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td>YuShan Chen</td><td>Company Representative</td><td rowspan="4">-</td></tr>
<tr><td>Joseph Chen</td><td>Representative ad a Relative Within Two Degrees</td></tr>
<tr><td>HuiChen Liu</td><td>Representative ad a Relative Within Two Degrees</td></tr>
<tr><td>ChiaLing Chen</td><td>Representative ad</td></tr>
</table>

Names	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								a Relative Within Two Degrees	
YuShan Chen (Representative of Tor-De Investment Limited)	1,806,375	3.87	-	-	-	-	Joseph Chen	Representative ad a Relative Within Two Degrees	-
							HuiChen Liu	Representative ad a Relative Within Two Degrees	
							ChiaLing Chen	Representative ad a Relative Within Two Degrees	
							Eastpharm Investment Co., Ltd.	Representative ad a Relative Within Two Degrees	
ChiaLing Chen	1,911,843	4.09	-	-	-	-	Joseph Chen	Relative Within Two Degrees	-
							HuiChen Liu	Relative Within Two Degrees	
							YuShan Chen	Relative Within Two Degrees	
							Tor-De Investment Limited	Representative ad a Relative Within Two Degrees	
							Eastpharm Investment Co., Ltd.	Company Director	
YuShan Chen	1,806,375	3.87	-	-	-	-	Joseph Chen	Relative Within Two Degrees	-
							HuiChen Liu	Relative Within Two Degrees	
							ChiaLing Chen	Relative Within Two Degrees	
							Tor-De Investment Limited	Company Representative	
							Eastpharm Investment Co., Ltd.	Company Supervisor	
Billion Investment Co., Ltd.	518,950	1.11	-	-	-	-	-	-	-
KuangYang Chien (Representative of Billion Investment Co., Ltd.)	-	-	-	-	-	-	-	-	-
ShiuYin KuanYeh	407,641	0.87	-	-	-	-	-	-	-
YunChing Liang	349,280	0.74	-	-	-	-	-	-	-
Augusta Inc.	252,285	0.54	-	-	-	-	-	-	-
Hsiu Hui	-	-	-	-	-	-	-	-	-

Names	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Lee (Representative of Augusta Inc.)									

Note 1: List all top ten shareholders. For shareholders who are legal persons, please list the name of the legal person and its representative's name, respectively.
Note 2: Please present the shareholding ratios of shares held under the names of the shareholder him/herself, the spouses, minor children, or those held in the name of other persons.
Note 3: The relationships between the preceding shareholders (regardless of legal or natural persons) shall all be disclosed based on Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. Please calculate and present the consolidated shareholding ratios which include the shares of the same reinvested enterprise held by the Company, the Company's Directors, Supervisors, and managers, and the affiliates directly or indirectly controlled by the Company: None.

IV. Capital Overview

A. Sources of Capital

(1) History

1. The changes of the Company's Capital in the most recent five annual periods and as of the publication date of the Prospectus.

As of March 28, 2020; unit: thousand shares, NT$ thousands

Month/ Year (Note 1)	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other

09/2009	10	10,000	100,000	5,075	50,750	Increase in 15,750 thousand shares by retained earning	N/A	Note 2
09/2010	10	10,000	100,000	7,004	70,035	Increase in 19,285 thousand shares by retained earning	N/A	Note 3
09/2011	10	10,000	100,000	10,000	100,000	Increase in 29,965 thousand shares by retained earning	N/A	Note 4
10/2012	10	50,000	500,000	16,500	165,000	Increase in 65,000 thousand shares by retained earning	N/A	Note 5
11/2012	25	50,000	500,000	20,000	200,000	Increase in 35,000 thousand shares by cash	N/A	Note 6
07/2013	10	50,000	500,000	25,000	250,000	Increase in 50,000 thousand shares by retained earning	N/A	Note7

07/2013	10	50,000	500,000	30,250	302,500	Increase in 52,500 thousand shares by APIC	N/A	Note 7
12/2013	20.22	50,000	500,000	34,000	340,000	Increase in 37,500 thousand shares by cash	$60,699 Shares for Payment of Share Equity: $60,699	Note 8
08/2014	10	50,000	500,000	42,500	425,000	Increase in 85,000 thousand shares by retained earning	N/A	Note 9
01/2016	95	50,000	500,000	46,667	466,670	Increase in 41,670 thousand shares by cash	N/A	Note 10

Note 1: Based on the approval date of registration change.

Note 2: Approved by Fu-chian-yeh-shan-zhi No. 09888327220 issued on Sep. 18, 2009.

Note 3: Approved by Fu-chian-yeh-shan-zhi No. 09987573910 issued on Sep. 14, 2010.

Note 4: Approved by Fu-chian-yeh-shan-zhi No. 10087416410 issued on Sep. 13, 2011.

Note 5: Approved by Fu-chian-yeh-shan-zhi No. 10188634900 issued on Oct. 12, 2012.

Note 6: Approved by Fu-chian-yeh-shan-zhi No. 1018933070 0issued on Nov. 6, 2012.

Note 7: Approved by Fu-chian-yeh-shan-zhi No. 10286208200 issued on Jul. 24, 2013.

Note 8: Approved by Fu-chian-yeh-shan-zhi No. 10290284010 issued on Dec. 19, 2013.

Note 9: Approved by Fu-chian-yeh-shan-zhi No. 10386275310 issued on Aug. 20, 2014.

Note 10: Approved by Fu-chian-yeh-shan-zhi No. 10580337100 issued on Jan. 12, 2016.

Private placement of common shares in the most recent three annual periods and as of the printing date of this Annual Report: N/A.

(2) Share Types

As of March 28, 2020; unit: shares

Share Types	Authorized Capital			Remarks
	Outstanding Share	Unissued Share	Total	
Common Share	46,667,000	33,333,000	80,000,000	Shares of GTSM listed companies

(3) Relevant Information of Shelf Registration

Securities Types	Planned to be Issued		Issued		Purposes and Expectations for Issued Parts	Scheduled Issuance Period for Unissued Parts	Remarks
	Total Shares	Approved Amounts	Shares	Prices			
-	-	-	-	-	-	-	-

2. STATUS OF SHAREHOLDERS

As of March 31, 2020; units: persons; %

Shareholder / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury Stock
Number of Shareholders	-	-	11	3,980	7	3,998
Shareholding (shares)	-	-	14,367,683	32,046,315	253,002	46,667,000
Percentage	-	-	30.79	68.67	0.54	100.00

3. Shareholding Distribution Status

As of March 31, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	187	21,194	0.04%
1,000 ~ 5,000	3,182	6,219,332	13.33%
5,001 ~ 10,000	357	2,834,497	6.07%
10,001 ~ 15,000	77	966,977	2.07%
15,001 ~ 20,000	62	1,129,923	2.42%
20,001 ~ 30,000	46	1,162,290	2.49%
30,001 ~ 40,000	27	951,933	2.04%
40,001 ~ 50,000	9	422,911	0.91%
50,001 ~ 100,000	28	1,882,128	4.03%
100,001 ~ 200,000	10	1,334,078	2.86%
200,001 ~ 400,000	5	1,286,366	2.76%
400,001 ~ 600,000	2	926,591	1.99%
600,001 ~ 800,000	-	-	0.00%
800,001 ~ 1,000,000	-	-	0.00%
1,000,001 or over	6	27,528,780	58.99%
Total	3,998	46,667,000	100.00%

4. List of Major Shareholders: Names, Shares and Holding Ratios of Top Ten Shareholders and hareholders Holding 5% or More of Total Shares

As of March 31, 2020; units: shares; %

Holding / Shareholders	Shares	Percentage
Eastpharm Investment Co., Ltd.	10,163,443	21.77
Joseph Chen	6,622,111	14.19
HuiChen Liu	3,975,008	8.51
Tor-De Investment Limited	3,050,000	6.53
ChiaLing Chen	1,911,843	4.09
YuShan Chen	1,806,375	3.87
Billion Investment Co., Ltd.	518,950	1.11
ShiuYin KuanYeh	407,641	0.87
YunChing Liang	349,280	0.74
Augusta Inc.	252,285	0.54

5. Market Price, Net Worth, Earnings, and Dividends per Share in the Most Recent Two Annual Periods

Unit: NT$; NT$ thousands

Item \ Year			2018	2019	As of March 31, 2020
Market Price per Share	Highest Market Price		81.5	55.00	54.0
	Lowest Market Price		38.55	34.05	40.5
	Average Market Price		57.07	43.02	47.43
Net Worth per Share	Before Distribution		29.43	29.43	29.77
	After Distribution		25.43	25.43(Note)	Undistributed Yet
Earnings per Share	Weighted Average Shares		46,667	46,667	46,667
	Earnings per Share		4.75	1.52	0.34
Dividends per Share	Cash Dividends		3	1 (Note)	Undistributed Yet
	Stock Dividends	Stock Dividends from Retained Earnings	0	0 (Note)	Undistributed Yet

		Stock Dividends from Additional Paid-in Capital	0	0 (Note)	Undistributed Yet
	Accumulated Undistributed Dividends		0	0	0
Return on Investment	Price / Earnings Ratio		17.89	11.66	10
	Price / Dividend Ratio		19	18.46	14
	Cash Dividend Yield Rate		8.44	9.2	7.44

Note: The proposal was resolved and adopted by the Board of Directors and to be resolved and adopted by the shareholders' meeting.

6. Dividend Policy of the Company and Implementation

(1) Dividend Policy

The Company's dividend distribution procedures are based on the current operating conditions, working capital quantity planning, capital expenditure budget, internal and external environmental changes, and the interests of shareholders of the Company. The amount of dividends for distribution is proposed by the Board of Directors and distributed after submission to the Shareholders' Meeting for resolution.

Under no specific requirement, the Company's dividend policy adopts is based on a dividend balancing approach that shall not affect the Company's operations; the distribution of dividends (including those from APIC) shall in principles accounts for no less than 50% of the after-tax earnings. The Company's dividend distribution in the past five annual periods accounted for 67% to 117% of the after-tax earnings.

In addition, according to the Company's Articles of Incorporation, the distribution ratio of cash dividends shall not be not less than 10% of the total dividends for such annual period.

(2) The profile for the dividends distribution at the Shareholders' Meeting for current year

In 2019, it is proposed a surplus of NT$46,667,000 shall be distributed with a cash dividend of NT$1 per share, and any amount less than NT$1 will not be distributable (round down to and to an integer). Any remain amount in the aforesaid distributable amount less than NT$ 1 shall be recognized as "other income" of the Company.

7. INFLUENCE FROM THE PROPOSED STOCK DIVIDENDS DISTRIBUTION TO EPS OF THE COMPANY'S OPERATION PERFORMANCE: N/A.

8. REMUNERATION OF EMPLOYEES, DIRECTORS AND SUPERVISORS

(1) The Percentage or Scope of Remuneration and Compensation for Employees, Directors and Supervisors Specified in the Articles of Incorporation

The dividends policy Stipulated in the Articles of Incorporation: If there is a surplus in the annual financial statement of the Company, the payment of tax, covering for losses in previous annual periods, and recognizing 10% of the surplus as the legal reserve shall be conducted. However, recognition for legal reserve would not be required if the amount of legal reserve has reached the one of capital of the Company. When the total amount is exceeded, this is not the limit. If the Company has made any surplus in the annual period, amounts of no less than 3% of the surplus and no more than 3% of the surplus shall be the employees' remuneration and Compensation of Directors and Supervisors, respectively. However, if there is any accumulated losses remain, an amount for coverage from surplus shall be retained in advance.

(2) Estimation Basis of this Annual Period for the Remuneration and Compensation for Employees, Directors and Supervisors, and the Accounting Approach for Handling the Differences between the Calculation Basis for the Shares of Employees' Remuneration Distributed by Stock and the Actual Distributed Amount and the Estimated Number of Shares

The estimated amount of this Annual Period for distribution of remuneration and compensation to employees, Directors' and Supervisors is based on the amount (which shall also be listed as operating expenses for the annual period) obtained from the calculation of each pre-tax income (prior to being deducted by remuneration and compensation to employees, Directors' and Supervisors) from such period multiplying the distribution percentage of remuneration and compensation to employees, Directors' and Supervisors based on the Company's Articles of Incorporation. If there is any difference between the actual distributed amount and the estimated one, it shall be recognized as profit or loss of next annual period based on the change in accounting estimation.

(3) Compensation Distribution Profile resolved by Board of Directors

The compensation distribution to employees, Directors and Supervisors is conducted in cash or stocks. If there is any discrepancy between that amount and the estimated figure for the fiscal year that these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed. The compensation to the employees and to directors and supervisors for the Year 2019 of the Company are NT$4,748,000 and NT$2,849,000 respectively (after paying the compensation to independent directors of NT$1,080,000, the compensation to directors (excluding independent directors) and supervisors is NT$1,769,000). The calculation basis thereof is that the profit before tax before it deducts the compensation to employees, directors and supervisors for each responding period multiplies the distribution percentage of compensation to employees, directors and supervisors under the Articles of Incorporation of the Company and such amount shall be listed as the operating expenses for the Year 2019. In the event of any discrepancy between the actual amount to be distributed and the estimated amount to be distributed, it shall be treated according to the change in accounting estimate and shall be recognized as the profit and loss for the Year 2020. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation. No employee compensation is distributed in stock for the Year 2019.

(4) The Actual Distributed Remuneration and Compensation (Including Distributed Shares, Amounts and Share Prices) for Employees, Directors and Supervisors in the Previous Annual Period (2019), and Please Present the Amounts, Reasons and Handling of the Differences (if any) in the Recognized Remuneration and Compensation for Employees, Directors and Supervisors:

Item	Amount Approved by the Board of Directors	Amount Actually Distributed	Difference
Employees Remuneration-	NT$ 4,748	NT$ 4,748	-

Cash	thousands	thousands	
Employees Remuneration-Shares	-	-	-
Directors and Supervisors Compensation	NT$ 1,769 thousands	NT$ 1,769 thousands	-

In 2019, there is no differences between the amount approved by the Board of Directors and the amount actually distributed.

9. SHARE REPURCHASE BY THE COMPANY: NONE.

10. BONDS (INCLUDING OVERSEAS ONES): NONE.

11. PREFERRED STOCK: NONE.

12. ISSUANCE OF GLOBAL DEPOSITORY RECEIPTS: NONE.

13. EMPLOYEE STOCK WARRANTS AND RELEVANT INFORMATION

(1) Conducting employee stock warrants: None.

(2) Names of managers who obtain employee stock warrants and names of top ten employees who obtain employee stock warrants allowing subscription of the most quantity of shares and the subscription amount reaches NT$ 30 million or more, as well as the status of obtain and subscription: None.

(3) Employee stock warrants for private placement in the most recent three annual periods and as of the printing date of thid Annual Report: None.

14. ISSUANCE OF NEW RESTRICTED EMPLOYEE SHARES

(1) New restricted employee shares which have not reached the vesting conditions fully and their effect to shareholders' equities: N/A.

(2) Names of managers who obtain new restricted employee shares and the names of top ten employees in terms of shares quantity obtained, as well as the status of shareholding: N/A.

15. MERGERS AND ACQUISITIONS (M&A) OR ACCPTANCE OF NEW SHARES ISSUED BY OTHER COMPANIES:

(1) M&A: None.

(2) Ongoing Acceptance of New Shares Issued by Other Companies: None.

16. ULTILIZATION PLANS OF FUNDS AND THE IMPLEMETIAON

Implementation of each issuance or private placement of securities as of the last Quarter prior to the printing date of this Annual Report:

The last issuance of new shares by cash by the Company was in January, 2016, and the Company had utilized he funds for business operation based on planned schedule in Q1 of 2016. The accumulated amount used had reached NT$395,865 thousands, with implementation efficiency at the level of 100%. The accumulated amount of NT$395,865 thousands for business operation funds had all been used by the Company. The performance of relevant financial ratios had all been improved when being compared with those prior to capital increase, indicating the good achievement from such capital increase.

V. OPERATION OVERVIEW

I. BUSINESS SCOPE

(I) Business Scope

1. The Company's business scope:

Business Item Code	Business Item
IG01010	Biotechnology Services
C802041	Drugs and Medicines Manufacturing
F108021	Wholesale of Drugs and Medicines
F208021	Retail Sale of Drugs and Medicines
CF01011	Medical Materials and Equipment Manufacturing
F108031	Wholesale of Drugs, Medical Goods
F208031	Retail sale of Medical Equipments
F108040	Wholesale of Cosmetics
F208040	Retail Sale of Cosmetics
F102170	Wholesale of Food and Grocery
F203010	Retail sale of Food and Grocery
F401010	International Trade
I103060	Management Consulting Services
I199990	Other Consultancy (Pharmaceutical Manufacturing Consultancy)
IZ06010	Cargoes Packaging
G801010	Warehousing and Storage
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue Breakdown:

The List of Revenues breakdown by drugs (products) category, therapeutic area, and sales channel for targets, as follows:

(1) Revenues breakdown by drugs (products) category

Unit: In Thousands of New Taiwan Dollars; %

Year of / Major Product	2017		2018		2019	
	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix
Prescription Drugs	1,660,205	96.78	1,621,119	95.97	1,471,423	95.54
Over-the-Counter (OTC) Drugs	48,530	2.83	55,574	3.29	55,023	3.57
Medical Device	2,228	0.13	1,281	0.08	993	0.07
Healthcare Food	908	0.05	4,778	0.28	4,955	0.32
Medical Supplies	1,058	0.06	1,319	0.08	1,135	0.07
Other	2,610	0.15	5,053	0.30	6,535	0.43
Total	1,715,539	100.00	1,689,124	100.00	1,540,064	100.00

(2) Revenues Breakdown by Therapeutic Areas

Unit: In Thousands of New Taiwan Dollars; %

Year of / Therapeutic Areas	2017		2018		2019	
	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix
Pediatrics	1,230,878	71.75	1,182,946	70.03	1,010,517	65.62
Neurology	184,384	10.75	139,329	8.25	124,959	8.11
Cardiology	153,960	8.98	201,432	11.93	229,147	14.88
Gastroenterology	94,709	5.52	105,537	6.25	114,035	7.40
Dermatology	28,714	1.67	28,707	1.70	30,107	1.96
Medical Toxicology	5,978	0.35	9,212	0.55	8,127	0.53
Anesthesiology	5,224	0.30	5,677	0.34	6,001	0.39
Infectious diseases	1,589	0.09	840	0.05	508	0.03
Obstetrics & Gynecology	3,141	0.18	3,061	0.18	3,365	0.22
Dentistry	1,058	0.06	1,319	0.08	1,136	0.07
Orthopedics	948	0.06	962	0.06	909	0.06
Nephology	526	0.03	240	0.01	655	0.04
Hematology	3,509	0.20	2,806	0.17	2,567	0.17
Oncology	89	0.01	17	0.00	0	0
Pulmonary Medicine	69	0.00	56	0.00	35	0

Ophthalmology	0	0.00	0	0	0	0
Other	763	0.05	6,983	0.40	7,996	0.52
Total	1,715,539	100.00	1,689,124	100.00	1,540,064	100.00

(3) Revenues Breakdown by Sales Channel for Targets

Unit: In Thousands of New Taiwan Dollars; %

Year of / Sales Target	2017		2018		2019	
	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix	Revenue from sale of goods	Revenue Mix
Medical Center	1,388,009	80.91	1,332,359	78.88	1,193,643	77.51
Regional Hospital	154,952	9.03	188,144	11.14	157,252	10.21
Local Hospital	81,837	4.77	46,369	2.74	51,562	3.35
Clinic	30,833	1.80	53,027	3.14	62,390	4.05
Pharmacies	15,525	0.90	24,974	1.48	22,829	1.48
Other	44,383	2.59	44,251	2.62	52,388	3.40
Total	1,715,539	100.00	1,689,124	100.00	1,540,064	100.00

3. The current products (service) items of the Company:

The products of the Company cover the main physiological systems of the human body such as the digestive system, nervous system, muscular system, circulatory system, respiratory system, reproductive system, endocrine system and skin, and are especially focused on the special requirements of various medical treatments. The current therapeutic areas of the products are: Pediatrics, Gastroenterology, Neurology, Cardiology, Dermatology, Medical Toxicology, Dentistry, Obstetrics & Gynecology, Anesthesiology, Orthopedics, Neonatology, Oncology, Pulmonary Medicine, Nephology, and others, etc. For the net revenues and breakdown by each therapeutic area of the Company from 2017 to 2019, please refer to the above table (2).

The company also actively promotes the essential specific antidotes autonomously reserved by the hospitals and specified enterprises; has the rapid test kit to supply the major hospitals and clinics nationwide; and develop and operate healthcare foods and medical supplies which are sold through the major hospitals, pharmacies, clinics and general consumer medical supplies stores within the country. For the net revenues and breakdown by sales channels of the Company from 2017 to 2019, please refer to the above table (2).

4. New products of planned development:

New product development	① To add new products as a distributor for partners： Prescription drugs, specialty medicines, OTC consumer products, skin-care products, in vitro rapid tests. ② The new drug products developed by the subsidiary Excelsior Pharmatech Labs. include: Specialty medicines, prescription drugs. The new drug treated for hypertriglyceridemia EX028 "Omacor Soft Capsules 1000 mg (Omega-3-Acid Ethyl Esters 90)" was launched in July, 2016; EX039 for dementia and mild Alzheimer's disease drug is planned to apply for the phase 2 clinical trial in 2019.
Market Expansion	①The sales region of the pharmaceutical products distributed by the Company is mainly within the Taiwan market, and continues to expand to other Asian countries. ②The sales region of the drug developed by the subsidiary Excelsior Pharmatech Labs. is mainly within the Taiwan market, and continues to expand exports to other Asian countries.

(II) Industry Overview

1. Current Status and Development of the Industry:

Among advanced countries or developing countries in the world, the significant growth of elderly population, refined eating patterns, the environmental population caused by economic activities, stress from work and alienation in interpersonal relationship because of urbanization have led to the rapid growth of chronic diseases such as hypertension, high cholesterol, three-hyper (hyperglycemia, hypertension, hyperlipidemia) of diabetes, depression and cancer. As a result, there is an increasing demand for chronic diseases and cancer drugs such as three-hyper drugs and neuropsychiatric drugs in the pharmaceutical market.

Changes in the environment have caused the source of infectious disease to be mutated acceleratingly, and various drug-resistant bacteria such as tuberculosis, and constantly, new viruses are emerging quickly, such as Ebola virus, HIV virus, and new influenza viruses that mutate annually, H1N1、Middle East Respiratory Syndrome Coronavirus (MERS-CoV), and the new coronavirus (Covid-19) that causes a global pandemic in 2020etc. Once the disease caused a global pandemic, the demand for antiviral drugs, rapid test reagents, vaccines, medical equipment, and epidemic prevention supplies increases, the demand of medical industry becomes more urgent than before.

In term of the medium and long-term future of the industrial development trends, due to the medical advancement of gene decoding, and then the gradual development is into the "precision medical" and "personalized medical" stages, and the classification of diseases is becoming more and more detailed. Hence the target of therapeutic drugs also presents diversity, and furthermore the gene of the patient must be confirmed first in order to take the most appropriate treatment. As a result, the number of patients under each diseases classification has gradually decreased, and there are more and more items of medicines, but it appears that the treatment target is more precise and the treatment patients are defined.

Table 1: Top 10 therapeutic categories by global pharmaceutical sales

Unit: in hundred million U.S. dollars

Therapeutic classes	Year of 2018 Revenue from sale of goods
Oncologic	995
Anti-diabetics	787
Respiratory	605
Autoimmune disease	535
Antibiotics and Vaccines	406
Blood Coagulation	398
Pain	397
Mental Health	355
Immunology	342
Hypertension	299

The key element to determine the development of the country is the changes in the size of the population and the population age composition. In accordance with the statistical data of the Ministry of the Interior, Taiwan has entered the stage of an “aged society” in 2018 (Taiwan’s aging rate surpasses 14 percent of Taiwan’s total population), and it is expected to become a “super-aged society" (over 20%) by 2026. Taiwan’s population is aging at a rate, which is much faster than that for Japan, the U.S., for France and for the UK, but which is about the same as that for South Korea and Singapore according to the estimated schedules. In accordance with the “Population Projections for R.O.C. (Taiwan): 2018~2065" report published by National Development Council, the proportion of the elderly (65 years of age and over) out of the entire population, the share will increase from the current level of 14.5% as of 2018, to that of 33.3% of the total population by 2065. By then, the elderly population will expand to 4.5 times that of the young population. Based on assumptions on different fertility level, the population in Taiwan will reach its peak population between 2020 and 2027 and then turn into negative growth. Due to continuous progress in the living standards, medical technology, and public healthcare in Taiwan, the gradual prevalence of the health regimen concept, it is estimated that the death situation by age group will continue to improve in the future. According to the standardized mortality rate calculated based on the population composition in 2018, the gross mortality rate in 2018 is 7.5 ‰, and the estimated rate will be reduced to 4.9 ‰ by 2065. The increase in life expectation will increase the demand for resources, such as healthcare, food and clean water, etc. Hence, the healthcare industry has always been the most important industry in the past and the future.

Analysis of the domestic development trends in recent years, the scale of Taiwan biotechnology industry has been expanding year by year, and the government has approved a number of action plan for biotechnology industry initial plans. At current stage, the major development areas for biotechnology industry focus on four major areas of medicine, medical devices, applied biotechnology and healthcare and well-being. Domestic biotechnology companies are in response to the needs of clinical trials and product launches and market promotion and the cross-industry actively enters the biotechnology industry, driving the increase of domestic biotechnology investment. In 2018, the amount of private investment in domestic biotechnology industry exceeded NT$55.264 billion, a 5% increase from 2017. The National Development Fund of the Executive Yuan cooperates with the policy to invest in the biotechnology industry. By 2018, the investment amount exceeded NT$11.3 billion.

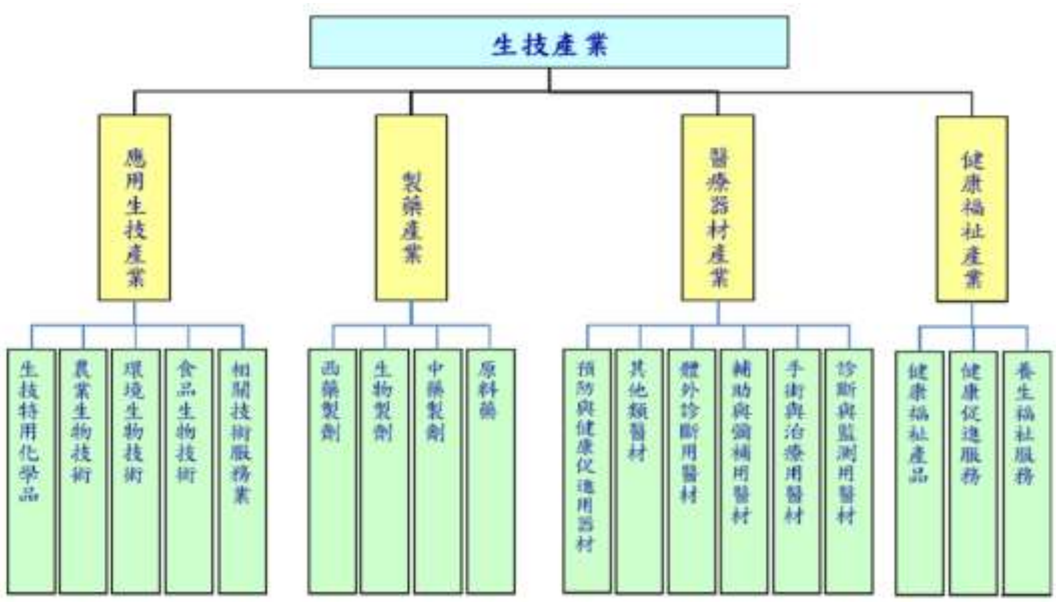


Figure 1: Scope of Biotechnology industry in Taiwan (manufacturing Industry and related Technical Services)

Source: Industrial Development Bureau, Ministry of Economic Affairs

Applied Biotechnology Industry					Pharmaceutical Industry				Medical Device Industry						Healthcare and Well-being Industry		
Biotechnological Specialty Chemicals	Agricultural Biotechnology	Environmental Biotechnology	Food Biotechnology	Technical Activities related to Biotechnology	Pharmaceutical Preparations	Biological Preparations	Chinese Medicine Preparations	Active Pharmaceutical Ingredients (API)	Medical Device for Prevention and health promotion	Medical Device under other categories	In vitro Diagnostic Device	Auxiliary and Supplementary medical Device	Medical Device for Surgery and Treatment	Medical Diagnostic and Monitoring Devices	Products for Health and Well-being	Health Promotion Service	Wellness and Well-being Service

In 2018, the turnover of biotechnology industry in Taiwan was NT$514.8 billion, an overall 5.6% increase over 2017. Among them, the turnover of medical devices was NT$159.2 billion, that of the pharmaceutical industry was NT$80.3 billion, and the applied biotechnology industry was NT$104.7 billion, and healthcare and well-being one was NT$170.6 billion.

By learning from current status, the healthcare and well-being industry belongs to the item as the industry for domestic demand, but the domestic demand for the related to the healthcare and well-being is driven by the increase of elderly population in Taiwan, at the compound annual growth rate ("CAGR") of 10%. The applied biotechnology industry is driven by food biotechnology and strategic alliances of manufacturers carrying out the export performance at CAGR of 7%. Due to the export-oriented development, the turnover of medical equipment industry remains steady at a CAGR of 6.5%. The turnover of the pharmaceutical industry has increased from NT$80 billion in 2012 to NT$80.3 billion in 2018, demonstrating a steady trend, due to facing various channellings, including the price adjustment suppressed by National Health Insurance in Taiwan, and the regulatory and registration system of pharmaceuticals for the export market, which causes the difficulty in expanding and promoting pharmaceuticals in such markets, and the price competition in the existing market, the time consuming for new drug promotion to make any contribution in turnover, etc.

Figure 2: The growth trend of turnover for Biotechnology Industry

Source: Biotechnology and Pharmaceutical Industries Promotion Office, MOEA, Pharmaceutical Industry Technology Development Center, Industry, Science and Technology International Strategy Center (ISTI) of the nonprofit Industrial Technology Research Institute (ITRI), 2019

					Unit: NT$100 Million
Amount					
	Applied Biotechnology Industry	Pharmaceutical Industry	Medical Device Industry	Healthcare and Well-being Industry	

① General Prescription Drugs

The growth of the global pharmaceutical market is driven by an increasing number of patent expiries of brand-name drugs and new NME approvals and an increasing demand of USA pharmaceutical market. According to the statistics data from IQVIA, the turnover of global pharmaceutical market in 2018 were about US$1.20 trillion, about a 6.1% increase compared with 2017, and also reversed the decline trend of annual growth rate in recent years. According to the analysis of drug sales by regional markets, the United States remains the global largest pharmaceutical market. In 2018, the US pharmaceutical market sales reached US$484.9 billion, with a CAGR of 7.2%. The China pharmaceutical market gradually accounted for 28% of the US pharmaceutical market between 2012 and 2018, and is expected to increase to 27% in 2023, indicating that the growth of China pharmaceutical market will slow down in the future. Japan is affected by the restriction on lower drug prices and medical expenses, etc. which accounts for 24% the US market in 2012 to 18% in 2018, and is expected to decrease to 12% in 2023. As demonstrated in Table 2:

Table 2: 2018 Global pharmaceutical sales by regional submarkets

Unit: in hundred million U.S. dollars, %

By Region	Year of 2018 Revenue from sale of goods	2014~2018 Compound annual growth rate ("CAGR")	2019~2023 Compound annual growth rate ("CAGR")
Developed Countries	8,000	5.7%	3~6%
United States of America	4,849	7.2%	4~7%
Five European Countries	1,775	4.7%	1~4%
Japan	864	1.0%	(-3)~0%
Emerging Pharmaceutical Countries	2,859	9.3%	5~8%
Other	1,189	3.2%	2~5%
Total	12,048	6.3%	3~6%

Source: The Global Use of Medicine in 2019 and Outlook to 2023, IQVIA, January 2019.

According to the worldwide prescription drug sales based on top 500 pharmaceutical and biotech companies by EvaluatePharma, the worldwide prescription drug sales in 2019 are about US$844 billion, up about 2.0% from 2018, and these in 2020 are estimated at US$893 Billion dollars, up about 5.7% from 2019 and expected to grow at a CAGR of 6.9%. As demonstrated in Figure 3:

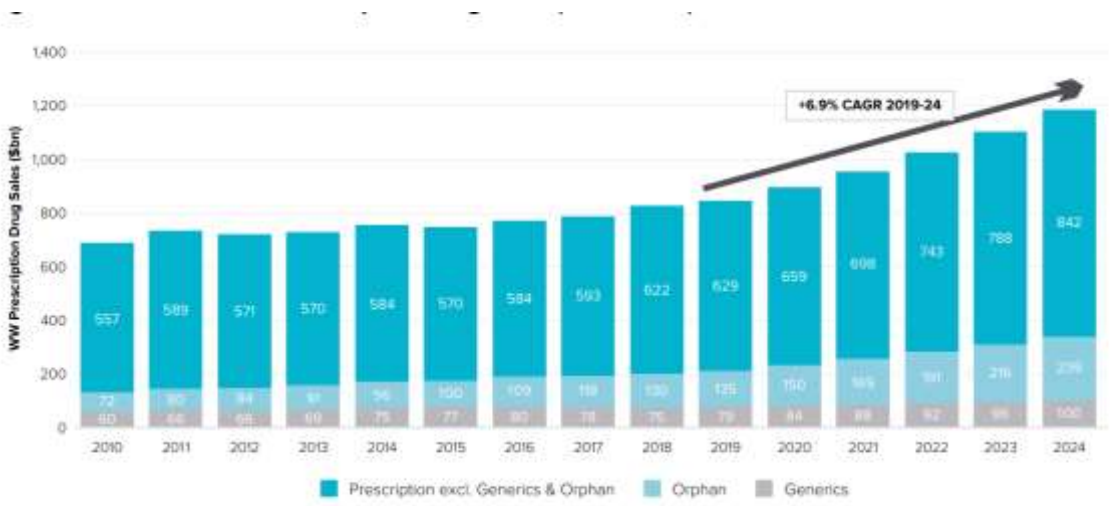


Figure 3: Worldwide Total Prescription Drug Sales

Source: World Preview 2019, Outlook to 2024, EvaluatePharma, May 2019

Taiwan pharmaceutical industry includes Western pharmaceutical preparations, APIs, Chinese medicines and biological preparations, among which pharmaceutical preparations are the largest area of the pharmaceutical industry. In 2018, the turnover of pharmaceutical industry reached NT$80.3 billion, remaining the same as last year. In the early days, western pharmaceutical preparations in Taiwan were mostly engaged in the development of generic drugs once the patents on their branded drugs expire. After the government began planning to promote the development of the biotechnology industry, the new drugs were listed as key projects, and a number of companies with new drug research and development capacity were incubated. Now, the generic drugs are still the main source of revenue for the western medicine industry. It is estimated that the contribution of new medicines in the pharmaceutical industry will increase slowly in the future.

② Special medical prescription drugs

In the early days, the usage volume of drugs for rare diseases was not large, and the conditions for the launch of new drugs were complicated and the invested resources were quite large. Hence, the incentives for pharmaceutical firms were small. However, based on the need of human rights, the United States first proposed the “Orphan Drug Act” (“ODA”) in 1983 to encourage the development of orphan drugs. Japan and the European Union passed the orphan drug-related bills in 1993 and 2000 respectively, and in Taiwan the “Rare Disease and Orphan Drug Act” was resolved by the Legislative Yuan in three readings on February 9, 2000.

Regard to the orphan drugs, since the United States proposed the "Orphan Drug Act" to encourage firms to develop drugs for rare diseases, the development of the pharmaceutical market in this field has produced a significant encouragement, and has made the pharmaceutical firms in this area attracting more and more attention of investors in the capital market. Global orphan drug sales in the world reached approximately US$130 billion in 2018, accounting for 15.7% of the global prescription drug sales market. Compared with the overall prescription drug market, the orphan drugs sector is expected to outperform the market, and it is expected that the orphan drug market size and market share will continue to rise, peaking at US$239 billion in 2024, accounting for 20.3% of the global prescription drug sales market, indicating that orphan drugs have become one of the main driving forces for the growth of the pharmaceutical market.

In addition, the foresaid rare disease means a disease in which the incidence rate is extremely low and the number of patients is extremely few. Most of them are inherited metabolic diseases, and only some are non-hereditary or unexplained illness. According to the definition of the U.S. “Orphan Drug Act” is defined as a disease affecting less than 200,000 American citizens; the Japanese Orphan Drug Act is defined as having fewer than 50,000 people. In Taiwan, “Rare Disease and Orphan Drug Act” was promulgated on February 9, 2000 and the definition of rare disease according to the publication of “Rare Diseases and Rare Disease Drugs Review Committee” is the prevalence of the condition less than 1 in 10,000 (Source: Notice Letter Wei Shu Yi Tze No. 080009924 dated August 9, 2000)

Regard to the types of rare disease, it is generally believed that there are about potential existence of 7,000, and about 1,200 that have been confirmed, but only about 200 drugs are used to treat or maintain the life of the patients. It is obvious that there are still many opportunities in the future in developing orphan drugs to treat patients with rare diseases. At present, as of January 15, 2019, the rare diseases is recognized by the Taiwan government whose number of types are a total of 223 announced by the Government, and a total of 103 drugs were approved as rare diseases medicine. The number of patients with rare diseases in Taiwan was 19,709, 2,759 of whom died according to the number of notified cases for rare disease of the Health Promotion Administration, Ministry of Health and Welfare as of November 2019 (Source: Taiwan Foundation for Rare Disorders). And with the encouragement of examination technology and policies, more and more patients will be revealled. In 2018, the total pharmaceutic expenditure on National Health Insurance (NHI) in Taiwan was NT$195.7 billion, and the drug expenditure on rare diseases was NT$5.868 billion, accounting for 3% of total NHI expenditure for the corresponding year.

The requirements for special disease mean that couple diseases, especially some types of cancer, whose the number of patients is few and is considered a rare disease in the United States or other countries in Europe, but in Taiwan such conditions may not be determined as "hereditary or genetic mutation" or “difficulty in diagnosis and treatment”, and consequentially they cannot be recognized as the rare disease. The definition of rare diseases in Taiwan is not only the prevalence of the condition less than 1 in 10,000, but also is reviewed by the “Rare Diseases and Rare Disease Drugs Review Committee” based on the consideration of "hereditary or genetic mutation" or “difficulty in diagnosis and treatment”. In addition, the decision of the 24th Meeting of Rare Diseases and Rare Disease Drugs Review Committee dated September 10, 2000: The people with the three additional exclusion provisions cannot file application to the competent authorities for determination whether such conditions are rare disease, including: A. Diseases or injuries caused by external factors caused by human, such as major traffic accidents, public nuisances and food poisoning incidents, etc. B. Diseases or injuries caused by acquired factors, such as infectious diseases, related diseases caused by tumors, etc.; C. Cancer (Source: Notice of Health Promotion Administration, Ministry of Health and Welfare) Therefore, some treatment drugs for special disease with fewer number of patients are naturally unable to apply as the rare disease drugs in Taiwan, and must apply for a license in the form of general drugs. Due to the small size of the Taiwan market, international major pharmaceutical companies will not list Taiwan as an important product development and implementation clinical trial site. There is still an urgent need for these patients to get advanced therapeutic drugs as soon as possible:

③ Dedicated Antidote Agents Products

Among the prescription drugs, the overview for the current market status of dedicated antidote agents for acute medicine intoxication is briefly described as follows: According to the data from the Taiwan Antidote Network of the Ministry of Health and Welfare, since 1958, the use and reservation of antidote agents have been valued by advanced countries in Europe and America. In the event of major disasters and poisoning emergencies, a large number of antidote agents must be put together in a short period of time for use. Hence, the necessity to establish a reserve antidote agents system is consisted with the consensus of every nations. In terms of the establishment of the reserve system for the antidote agents, the reserve mode of each country will be developed which is suitable for its own country according to its national conditions, culture, and economic factors, etc. Although different reserve models may face some degree of limitations and bottlenecks, the dedicated antidote reserve system is the only way to prevent the drug shortage in case of emergency.

Since 2000, the Ministry of Health and Welfare has established the "National Poison Control Center” at Taipei Veterans General Hospital. With the establishment of this center, the "Taiwan Antidote Network" was established to implement the control of specific antidote and to solve the predicament of non-specific antidote in hospital for emergency first aid, and secondly to gradually construct a complete poisoning prevention system (Figure 4), thereby strengthening the emergency response capacity of large-scale poisoning disasters and reducing the number of civilian casualties caused by poisoning, to achieving the goal of shortening the medical treatment of poisoning and improving the quality of poisoning medical treatment.

Figure 4: Taiwan Antidote Network

(Source: Taiwan Antidote Network websitehttp://www.pcc.vghtpe.gov.tw/antidote/index.htm)

④ Rapid Test Kit

The rapid test kits are part of medical device in the classification of medical products. In 2018, the global medical devices market was about US$389.1 billion. With the increase in medical demand brought about by the physiological decline of the elderly population, the medical device market will continue to grow in the future and the global medical device market is expected to reach US$462.5 billion in 2021. In 2018, the global market for medical devices is still dominated by the Americas, accounting for 47.5% of the world; followed by Western Europe, accounting for 25% of the global market; Asia Pacific accounting for 21% of the global market; Central and Eastern Europe accounting for 4%; the Middle East and Africa accounting for 2.5%, and the ranking for the regional market remains the same, as shown in Figure 5.

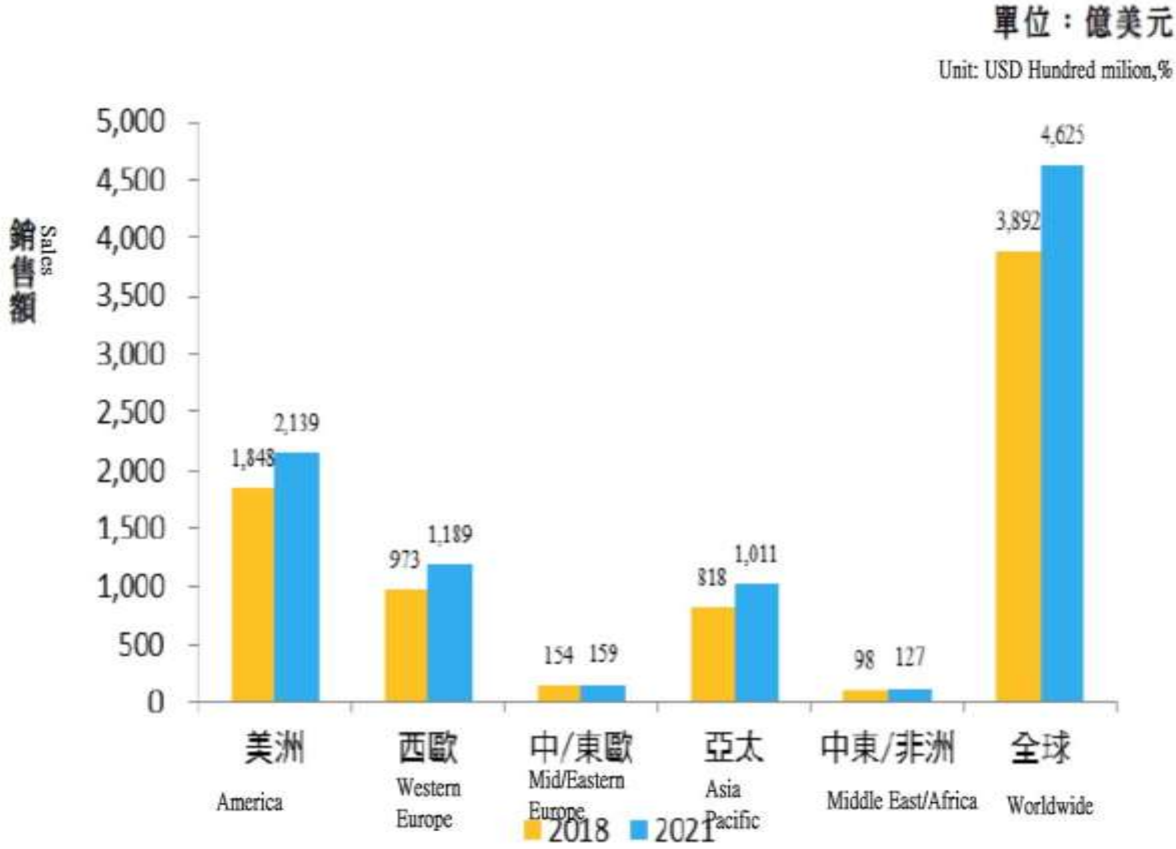


Figure 5: The global medical device market size distribution.

Source: BMI 2019；ITRI, ISTI, May 2019

The "medical devices industry" in biotechnology industry of Taiwan is the fastest growing field. In 2018, the turnover of medical devices industry in Taiwan reached NT$159.2 billion, a 8.8% increase compared with that of 2017. In terms of the import value of medical devices, the total amount increased from NT$67.2 billion in 2014 to NT$79 billion in 2018. The second largest import product item is "other diagnostic or experimental kits", including pregnancy testing kits, drug abuse kits, uric acid testing kits, etc., because such type of products is compatible with the imported in vitro diagnostic device manufactured by the big firms, and it is procured along with such device in long term, it becomes an important import item. The total import value in 2018 was NT$6.62 billion, accounting for 9% of the total import value, which was 12% higher than that in 2017.

⑤ Cosmedica and Healthcare Food

According to the overview of the cosmetics market in Taiwan researched by Euromonitor International which is an independent provider of strategic market research from Europe, the current market situations within the market size of NT$120 billion by product category are skin care products accounting for more than 50%; makeups products for nearly 20%, hair products nearly 9%, facial mask 5%, perfume 4%. In terms of purchase, the research date of Euromonitor International also indicates that the ranking for purchase preference channels of consumers in Taiwan as department stores (25%), cosmedica stores (10%), direct sales (10%), online shopping (11%). Due to the progress with the times and the improvement of living standards, people in Taiwan pay more and more attention to the demand of cosmetics products. In addition, because Taiwan officially entered an aged society at the end of March 2018, the demand of health products and medical supplies is increasing. The average annual growth rate for the turnover of cosmedica retail industry in the past 10 years is 2.9%, which is higher than 2.4% for that of the overall retail industry. The products are displayed on the open shelf and samples are provided for trying out and the professional consulting services of pharmacists and beauty consultants are provided for consumers' convenience in experiencing and selecting the most suitable products for them.

The Food Biotechnology means the health-care ingredients extracted from resources such as animals, plants and minerals are made into functional foods or health foods for human consumption, which have ingredients for higher nutritional and health benefits in application of the biologic technology and the products cover healthcare foods and heath food reviewed by the central competent health authority for product registration. According to analysis report by Research And Markets, by 2025, the global dietary supplements market size will reach US$194.63 billion (approximately NT$ 5.7542 trillion) at a CAGR of 7.8%. The healthcare food market size in Taiwan is increasing. In 2019, the market size for dietary supplements in Taiwan is expected to be NT$81 billion, with a growth rate of nearly 9%, of which capsules and ingots forms ,accounting for about 20%, and oral/infusion granular powder (including for commercial purpose), accounting for about 12%, the production value of microbial-derived healthcare foods, accounting for about 28.1%, the production value of herbal kampo medicine or herbal-derived healthcare foods, accounting for about 17.2%, and the production value of animal-derived healthcare foods is about 9.6%. In summary, the overall domestic output value and market demand value are still growing year by year. It is obvious that the health awareness is on the rise. There are still new consumers entering the market, increasing the demand for healthcare food and its production capacity, and expanding the scale of domestic healthcare food market year by year.

2. Relevance of upper, middle and lower streams:

The pharmaceutical industry chain is divided into the upstream, midstream and downstream, including raw materials, APIs, western pharmaceutical and Chinese medicine preparations, channels and branding companies. The upstream mainly focuses on manufacturing the raw materials (such as chemicals, natural plants, minerals, microbial strains and related tissue cells, etc.) and the APIs as the main ingredients for Chinese and Western medicine (the manufacturing process for APIs from natural substances through including fermentation and cultivation, fractionation and purification, or from general chemistry through the organic synthesis, fractionation and purification). The midstream is the suppliers of Chinese and Western medicine preparations (the preparation process is to add the pharmaceutical necessities, such as excipient, and additives into the raw materials, and then processed into convenient dosage forms). The downstream is pharmaceutical agent sales and distributors.

The upstream manufacturers are engaged in the manufacture of raw materials for pharmaceutical products and the development of new drugs. Raw materials include general chemical materials, natural animal and plant extraction, microbial strains, fermentation and genetic engineering or tissue cells related to protein, etc., of which general chemical materials count for a majority proportion. The main process techniques for the API industry are recovery, extraction, fractionation, purification and formulation for organic chemical synthesis, extraction and purification of natural materials, microbial fermentation or semi-synthesis after microbial fermentation. The main process techniques of preparation manufacturers for general chemical materials mainly focus on the complicated organic synthesis and fractionation and purification. The manufacturers includes SicoPharm Taiwan Ltd., Syn-Tech Chem. & Pharm. Co. Ltd. Chunghwa Chemical Synthesis & Biotech Co. Ltd., (CCSB), Formosa Laboratories, Inc., SCI Pharmtech Inc., etc. Taiwan Food and Drug Administration actively monitors the usage conditions of APIs in domestic pharmaceutical firms and requires that all preparations and drugs shall use the APIs certified by GMP and complete the source registration in order to maintain the quality of the pharmaceutical ingredients. APIs manufactured by domestic firms are mainly for export purpose and small part of them are for domestic usage. By the end of 2018, a total of 27 APIs firms and 22 APIs companies receive the PIC/S GMP certification.

The midstream manufacturers are preparation manufacturers, secondary processing of APIs into easy-to-use dosage forms, including nearly 200 companies, such as Yungshin Pharm Ind. Co., Ltd., TTY Biopharm Company Limited, China Chemical & Pharmaceutical

Co., Ltd, Standard Chem & Pharm CO., LTD, and Taiwan Biotech Co. Ltd., etc. By end of 2018, the number of western pharmaceutical preparations firms which passed the PIC/S GMP evaluation are 141 and domestic pharmaceutical company counts for 126. The Taiwan pharmaceutical industry mainly manufactures the generic drugs once the patents on their branded drugs expire, are fewer in the development of new medicines, the scale of domestic market is small, The products are high-mix low-volume and have highly homogeneity, the drug prices thereof are low, and the market competition is fierce.

Downstream logistics vendors to provide distribution services for domestic hospitals, clinics and pharmacies, such as: DKSH Management Ltd., Arich Enterprise Co., Ltd., Zuellig Pharma Holdings Pte. Ltd. etc. After dispatching from the factory, the medicine may be transported to the hospital or pharmacy through different channels such as air, sea and road transportation. The purpose of implementing GDP is to ensure that the quality and packaging integrity of medicines can be maintained during the storage and transportation, and the medicines are actually delivered within a reasonable time.

Upstream

- Organic chemical synthesis
- Extraction and purification of natural materials
- Microbial fermentation
- Excipients manufacturing
- Capsule shell manufacturing
- APIs
- Intermediates

Midstream

- Formulation technology platform
- Medicinal gases
- Western Medicine Manufacturing
- Chinese Medicine Manufacturing

Downstream

- Distributors
- Branding company
- Channel providers
- Logistics vendors

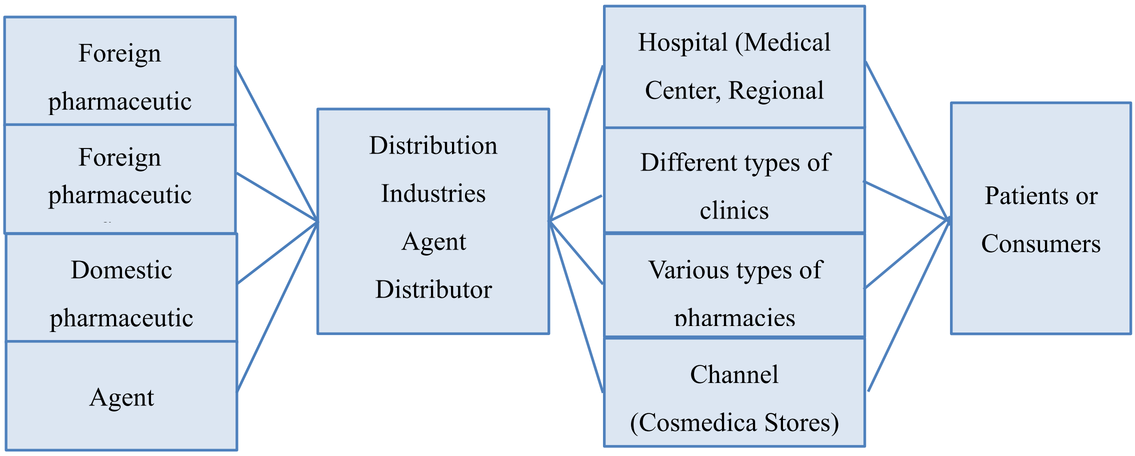
The up-, middle-, and down- streams of the drug dealers are as follows:

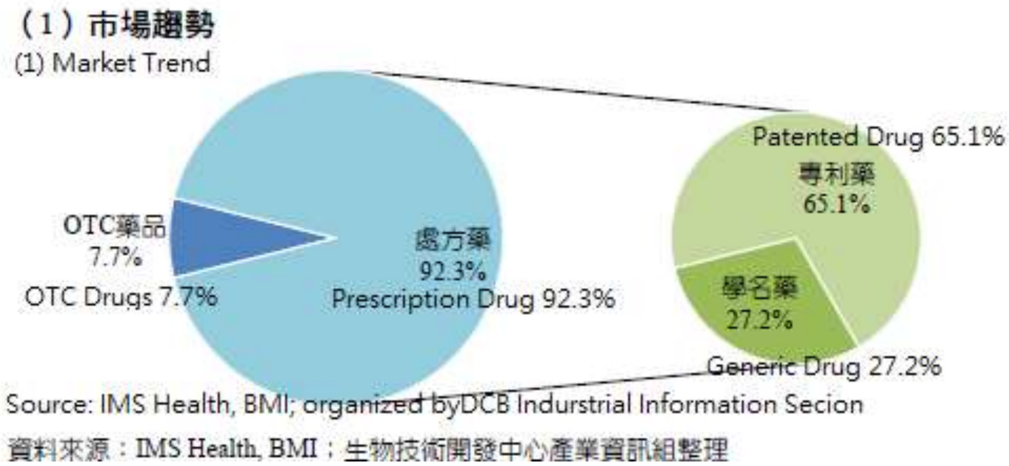
Up-stream： Drug suppliers, such as foreign and domestic pharmaceutical firms, foreign and domestic agents, whose supply prices and sources of supply are one of the factors affecting market supply and demand.

Mid-stream： Including agents, distributors, logistics vendors, etc.

Down-stream： Refers to physicians who prescribe the medicine, pharmacists who accepts such prescription, or prepares the instruction drugs, medicine to be purchased for usage through the hospitals, medical institutions (health clinics),

clinics, pharmacies, etc., or medical channel providers (medical supply special pharmacies, such as Wellcare Health Care Supply, MedFirst Healthcare Services,lnc., Great Tree Pharmacy Co., Ltd., etc. and cosmedica stores chain, such as Watsons, Cosmed, etc.) are downstream manufacturers selling drugs for products related to the Company.





3. Product Development Trends and Competition situation are analyzed as follows:

According to data from IMS Health, the main sales channels of pharmaceutical market in Taiwan are hospitals, clinics and pharmacies, of which hospitals are about 78.8%, clinics are about 6.3%, and pharmacies are about 14.9%. The domestic pharmaceutical market is dominated by prescription drugs, counting for 92.4%, and OTC non-prescription drugs or OTC Consumer Products count for about 7.6%. The patented drugs are accounted for 60% of the prescription drugs, and generic drugs are accounting for about 30% of that. NHI prescription drugs are influenced by the policy of National Health Insurance Administration, MOHW. Since 1999, the survey and adjustment of drug price been been carried out. The drug price adjustment has been carried out every two years to narrow the drug price difference between the NHI price and the market transaction price and the global budget payment system. This is a key factor affecting the growth of the pharmaceutical market in Taiwan.

After the th amendment to the second-generation National Health Insurance Act, the policy of the Ministry of Health and Welfare decided to try the "Drug expenditure target, DET" from 2013. Each year, the exceed quota of DET is as the upper limit of the drug price adjustment. The amount of the drug reduction by adjustment in 2014 was NT$5.67 billion (adjusted by 3.9%), and the amount in 2015 was NT$8.21 billion (adjusted is 5.3%), the amount in 2016 was NT$3.18 billion (adjusted 2.1%). It has been trial run for four years by the end of 2016. After reviewing, a new revised plan has been trial run for three years starting from 2017. The amount of drug reduction by adjustment in 2017 was NT$5.71 billion (adjusted by 3.5%). The amount in 2018 is NT$7.3 billion and the amount in 2019 is NT$5.83 billion (adjusted by 3.5%). DET (Drug Expenditure Target) has been trial run for eight years. On the one hand, the requirements of government for drug quality have been increasing year by year, and on the other hand, the price has been reduced by adjustment year after year. The potential negative impact on the development of the domestic pharmaceutical industry and the drug supply chain is worthy for the government to face up.

① General Prescription Drugs

The NHI prescription drugs of the Company are mainly for Departments of gastroenterology, neurology, cardiology, dermatology, obstetrics and gynecology, anesthesiology, external orthopedics and etc. The external gel for tinea capitis-Zalain External 2% 30 mg Gel was newly launched and had been approved as the NHI benefits drugs in 2015 and the research and development in Departments of cardiology and neurology had been continuously invested. In July 2017, a new drug with new mechanism of action (MOA), Omacor Soft Capsules 1000 mg, to reduce the triglyceride level was launched. The new drug for Alzheimer's disease, EX039, is actively invested for the global market as target, which will bring the engineering for performance growth.

The main indications for products are as follows:

Items of Disease Treatment	Main medical purpose
Gastrointestinal	Ulcerative enteritis, constipation, gastrointestinal ulcers,

Items of Disease Treatment	Main medical purpose
disease	reflux esophagitis
Medication for department of dermatology, department of obstetrics and gynecology	Treatment of mold infections on the skin surface (eg, athlete's foot, femoral hernia, etc.) or vaginal infections caused by mold or liposuction dermatitis, dandruff
Departments of Neurology, Orthopedics, Rehabilitation	Muscle spasm caused by spinal cord and brain diseases
Department of Cardiology	Enhance myocardial contractility
	Hypertriglyceridemia
Anesthesia, surgery related medication	Preoperative anesthesia, reduce arrhythmia during surgery, reduce postoperative vomiting, nausea or related symptoms caused by anesthesia
Department of Rheumatology	Anti-rejection medications after Organ Transplant
Department of Neurology	Epilepsy

② Special medical prescription drugs

The Company is a pioneer in rare diseases, working together with doctors and patients to jointly promote the announcement and implementation of the “Rare Disease and Orphan Drug Act” promulgated on February 9, 2000. It is the fifth legislation in the world to protect patients with rare diseases and their family members. In order to enhance the medical care of patients with rare diseases, the Ministry of Health and Welfare provides a double layer safety net as of NHI benefits and medical assistance for people with rare diseases: A rare disease publicized by the Ministry of Health and Welfare, if a patient is notified as the case of a rare disorder, the prevalence of the indication for the drug is less than less than 1 in 10,000 and there is a chance to obtain the orphan drug status.

However, in the face of the compression of NHI Administration to the adjustment of general drug prices, more and more manufacturers are turning to the orphan drug market, which is not included in the global budget payment and a special budget is allocated for it.

In addition to the establishment of domestic companies which dedicates for the orphan drugs market, in recent years, international major pharmaceutical firms such as Roche, Novartis, Pfizer, GlaxoSmithKline, Janssen/Johnson & Johnson , Merck, Sanofi, Takeda, etc., enters the orphans markets with large-scale actions in ways of research and development, mergers and acquisitions, capital cooperation, etc. into the orphan drugs markets.

Because the definition of rare diseases in Taiwan is more restricted than that in Europe and the United States, according to the US Orphan Drug Act, all diseases in the United States with fewer than 200,000 patients are rare diseases; the Japanese orphan drug law is defined as the number of people with fewer than 50,000 people; the EU rare disease is defined as the prevalence of the condition in the EU less than 5 in 10,000, and the definition of rare diseases in Taiwan "Rare Disease and Orphan Drug Act" is: The principle is the three indicators, such as the prevalence of the condition less than 1 in 10,000, hereditary disease, and difficulty in diagnosis and treatment. In addition, according to the information on the website of Health Promotion Administration, Ministry of Health and Welfare: A. Diseases or injuries caused by external factors caused by human, such as major traffic accidents, public nuisances and food poisoning incidents, etc. B. Diseases or injuries caused by acquired factors, such as: infectious diseases, related diseases caused by tumors, etc.; C. Cancer. People with these conditions cannot file application to the competent authorities for determination whether such conditions are rare disease. Therefore, there are still some special diseases in medical care, such as cancer, non-hereditary rare diseases, special medical drugs or nutrition for special disease, because the number of patients is few, and there is no policy incentive, fewer drug dealers are willing to invest in the development of such items.

Even there are already supplies of drugs in the world. Because of the small number of manufacturers, a single manufacturer in the seller market, the high price and the difficulty in negotiating price. Consequentially, it leads unfavorable factors against patents, such as NHI application drug price is relatively higher, so that it is difficult in making such payment. Hence, it often causes the patients to delay the opportunity in drug accessibility or to lose treatment. According to the provisions under the "Regulations Governing the Price Adjustments Deduction and Payment of Supplementary Premium for the National Health Insurance Drugs", the payment price of the medicine for rare diseases that have applied for NHI drug prices shall be reviewed and adjusted once every two years. In the event of the imbalance between NHI revenue and expenses of the government, it also makes the payment price for the medicine of rare diseases also face the drug price adjustment policy.

③ Dedicated Antidote Agents Products

Since the dedicated antidote agents has its urgency, inventory, and drug safety considerations, there is a need for antidote types and appropriate and appropriate stocks. However, because medicines with a certain validity period for inventory, which is common to see the expired antidote agents causes waste and management inconvenience, how to provide the dedicated antidote agents to the user unit more accurately and quickly can make the patients receiving the best and the fastest medical treatment.

④ Rapid Test Kit

The standard of living has been increasing, and the modern medical model has undergone a fundamental change. "The sooner the disease is diagnosed, the better the treatment efficacy, the lower the medical expenses of patients, and the lower the social cost." The concept will gradually become “preventive medicine”. Preventive medicine has become an important policy promoted by the government in order to reduce the medical expenditure of government, and improve the health of people in an aging society and developed countries. With the development of preventive medicine, the public pays attention to prevention beforehand rather than treatment afterward. Because the results of such treatment can cure the disease, but whether the body function can fully recover to the original function is unpredictable and unobtainable in the view of the disease treatment. The development of medical laboratory equipment and advanced testing kit has improved the quality of various disease diagnosis methods and also improved the medical trends of preventive medicine in the future. After the overall investment environment returns to the commercial fundamentals, the expectation of domestic biotechnology industry for the biotechnology industry has gradually shifted from the high-risk and high-tech biotechnology pharmaceutical industry to the global market, second only to the biotech pharmaceutical industry, but the payback period is short and Easy access to the market for medical device design and testing kits and other industries.

Based on the demand for medical laboratory services, Excelsior Biopharma Inc. introduced a series of monoclonal antibody rapid test kits from the international test company-Medix Biochemica. In addition to the following products with high market demand in advance, we will successively introduce related rapid test kits according to the market demand or the future development situation of the Company:

Disease	Ingredient name of product
Rapid test kit for influenza virus	Actim Influenza A&B Test Kit
Rapid test kit to detect inflected C-reactive protein	Actim CRP Test Kit

Disease	Ingredient name of product
Rapid test kit for detecting colorectal cancer	Actim Fecal blood Kit
Detect whether Patients with acute abdominal pain have a risk of acute pancreatitis	Actim Pancreatitis Test Kit
Pregnancy assessment rapid test kit to detect the risk of preterm birth	Actim PARTUS Test Kit
Pregnancy rapid test kit to detect the risk of early water-breaking	Actim PROM Test Kit

⑤ OTC Consumer Products

Regard to the pharmaceutical market in Taiwan, in recent years, due to the measures that are actively promoted by NHI Administration, such as referral among medical institutions and the release of chronic prescriptions, and due to stress on financial loss, the self-funded healthcare is encouraged. It is expected that the proportion of self-funded products in the clinics and pharmacies will gradually increase in the future. Due to the progress with the times and the improvement of living standards, people in Taiwan pay more and more attention to the demand of cosmetics products. In addition, because Taiwan officially entered an aged society at the end of March 2018, the demand of health products and medical supplies is increasing. The average annual growth rate for the turnover of cosmedica retail industry in the past 10 years is 2.9%, which is higher than 2.4% for that of the overall retail industry.

According to laws and regulated related to medicine, it can be roughly divided into: One can be purchased only with the instruction of physician or pharmacist, such as instruction drugs and Class A OTC drugs in Taiwan; the other one can be sold in any channel, including pharmacies, supermarkets and general stores, such as Class B medicines in Taiwan. This is because the over-the-counter drugs have relative few side effect and are safe to use over a long period of time. Therefore, they can be sold in general pharmacies or channels on the open shelf without a prescription of physician. This is the key difference from prescription drugs. In addition, in recent years, governments of all nations are facing the pressure on rising burden of healthcare expenditure. One of the strategies to respond such situation is to promote the concept of self-care practice. For OTC Consumer Products, manufacturers can use the layout of the channels and brand marketing of advertisement to establish company’s visibility, and creates the comprehensive effect on operation with prescription drug products.

Competition situation in OTC Consumer Products: The sales volume has grown rapidly at very beginning of OTC consumer products on the market for a while that will immediately lead the distributors and even the chain pharmacies to manufacture or sell in the way of collaborative procurement or creation of their own brands, or contract manufacture by domestic pharmaceutical firms. The Company strategically develops the OTC consumer products which have comprehensive effect with prescription drugs of the Company, or professional products that have the support from evidence-based medical data and continuously conduct clinical development, in the ways of the uniqueness of the product itself to respond the market competition.

The products currently on the market include oral cleansing toothpaste, mouthwash and gel with enzymes imported from the UK. The above products series are available for both adults and children. In addition, the introduction of high strength fish oil from Europe provides healthcare for blood lipids of people in Taiwan. In 2015, it introduced the probiotics health products from Europe, which is a series of probiotics for blood lipids, gastrointestinal and child care.

In 2016, the products for skin aesthetic care and maintenance series developed and manufactured by the large pharmaceutical firms in Europe were introduced. The whole series uses natural high-quality raw materials. The pure natural extraction - rosehip oil series is extracted from high-concentration essential fatty acids, whose characteristics are similar to human sebum. The general skin cream can only moisturize the skin surface, while the rosehip oil can deeply penetrate and nourish the skin, prevent skin moisture loss, can be used for daily skin care or postoperative promotion of wound healing, reduce scar tissue proliferation. In oversea, it has been used in burns and post-scarred skin care clinically. Linoleic acid and α-Linolenic acid can stimulate the production of collagen, and there is a certain degree of satisfaction in anti-aging and brightening.

For patients with atopic and dry-sensitive skin problems, it is necessary to treat them at the special acute onset phase. After the end of the onset period, it is necessary to continue to repair the skin, to give appropriate moisturizers and to gradually reduce the degree and frequency of acute onsets in order to have health skin. The full series of products of the Company that care for the problem skin for all parts and skin conditions, supplement the required skin physiological lipids, enhance the protection, soothe the dry itching caused by sensitivity.

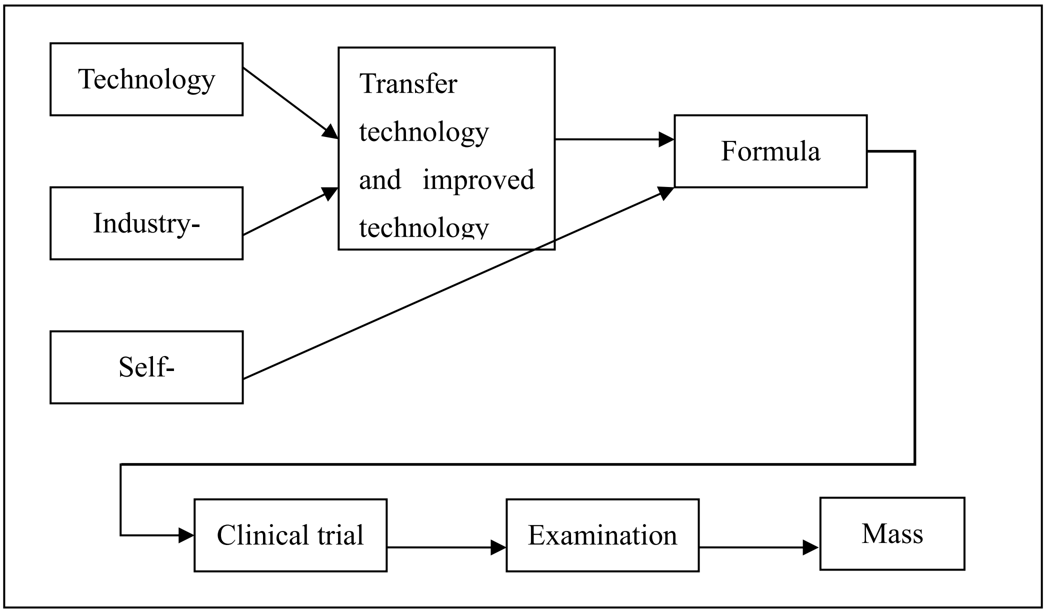
(III) Overview on Technology and Research and Development

(1) Technology level, research and development overview and direction of the business in operation:

Excelsior Biopharma Inc. focuses on searching for special market segments and looking for unique products to meet the treatment demand which is oriented toward supply of special medical products. The technology and R&D business focuses mainly on the development of agency for new branded drug companies and new products and the technology license from branded drug companies, and the implementation of production and manufacture after technology transfer. The Company has a new business development unit, in line with the business unit to manage the demand of medical customers and the trend of drug use in the medical system, pay attention to the development of the new branded drug, professionally to evaluate the potential of the market, and actively to compete to represent and develop new products or new businesses. In 2013, the Company established a foreign business department to expand the foreign market of the existing products of the Company and in 2020, the first oversea branch is established.

In addition, the subsidiary Excelsior Pharmatech Labs. was established in 1985, which enables the Excelsior Biopharma Inc. to gradually participate in the development of new bio pharmaceuticals from traditional agent drug dealers, and establishes the core competence of developing new drugs, expecting to establish a competitive advantage in the highly competitive pharmaceutical market. Such advantage is that the marketing advantages, vertical integration, wider product line, and higher profit margin have been established within the market, and can support the funds needed for new drug research and development.

The research and development aspects of Excelsior Pharmatech Labs. include two parts, such as the drug development and medical laboratory technology development: In terms of drug research and development, at the time that ITRI (Industrial Technology Research Institute) Incubation center was established in July, 1996, Excelsior Pharmatech Labs. filed an application in September and entered into the said center in November. The early development stage of Excelsior Pharmatech Labs. focused on three research and development works, such as manufacture of licensed new drug from oversea and technology transfer, and then cooperation with domestic academic institutions to perform the research and self-development of new drugs. Excelsior Biopharma Inc. has established a new product development, examination and registration and clinical trial department to be responsible in charge of the planning, implementation and management of new drug clinical trials. Excelsior Pharmatech Labs. established a general analytical laboratory in 1996, a external and percutaneous absorption research laboratory, a solid and Controlled release dosage forms laboratory and established a trial-production pharmaceutical firm in 1998. In 1999, the Laboratory of Natural substances and Chinese Medicine was established. In 2000, it entered into the field of biotechnology pharmaceutical. In 2019, it entered into the National Biotechnology Research Park. The following is a description for the R&D activities of the Company and its subsidiaries.



Strategies for Product and technology development have five main directions:

(1) Special Medical Drugs: Regard to the certain specific diseases, the treatment medicines have not been development or the medicines have not been provided by any firm.

(2) The medicines have been in existence at oversea, but is difficult to obtain in the domestic market, or in addition, products that meets market expectations will be developed.

(3) Develop new dosage forms and new route of delivery for medicines that have been developed abroad, and manufacture such medicine in form of such as tablets, capsules, syrups, powders, injections, percutaneous absorption, ointments, sprays, inhalation, etc.

(4) Development of new indications.

(5) Develop compound medicines with medical efficacy and economic value.

From 1996 to 2019, the technology and development fields that have been developed by Excelsior Pharmatech Labs. include:

①Development of New Drugs:

A. Development of New active ingredients, new efficacy, new dosage forms, and new route of delivery.

B. Development of new drugs and new dosage forms of Chinese herbal medicines.

C. Development of biological preparation such as growth factor drugs

②Development of new indications and new dosage forms for generic drugs with advantage.

③Development of solid controlled release pharmaceutical technology.

④Development of special drugs and antidote agents.

⑤Development and transfer of pharmaceutical technology at home and abroad.

Most of the products developed by the R&D unit of the Company are the first prescription drugs in Taiwan, which have new active ingredients, new dosage forms and new drugs with special efficacy. Regard to the product characteristics, they have unique and excellent medicament effects, which are more wide-ranging, effective than that of existing pharmaceutical preparations and have unique mechanism of action (MOA), which has an important position in medical treatment. And because of the protection of safety monitoring period of new drugs, the period for orphan drugs is ten years that for normal prescription drugs is five year. Hence, there will be no the same active ingredient or the same dosage form manufactured by foreign-founded and state-owned pharmaceutic firms to compete with us. Regard to other developed medicine, if products with the same category have the similar efficacy on the market, the medication choice of physician and market competition can be expected. However, the products developed in competition with the products existed in the market can be distinguished from the advantages of clinical efficacy, safety and market price, etc. It is believed under the advantage conditions such as low cost, good efficacy and few side effects, etc., the profit after the products launched is with great potential, and the advance of price and cost is better.

As for special drugs and dedicated antidote agents, due to the usage of relative small dosage, originally, the purpose is to serve customers, but the unmet needs for special medical fields are recognized, and the Company has the advantage of the first entrant, once the product is successfully launched, it is usually a revenue performance with steady or high growth.

Under the influence of NHI system in Taiwan, all products developed by the Company are classified as new drugs, whose prices are overall determined by the National Health Insurance Administration, MOHW with reference to the foreign payment price and whose sales price of the products is subject to considerable restrictions. If the reasonable insurance payment price of the NHI Administration cannot be obtained, the approved price is not be sufficient for R&D and manufacturing costs and thus the balance between profit and loss will not be reached within the expected time. This will result in a serious financial burden of research and development costs, and the funding for continuous research and development will be affected. . Therefore, in addition to the domestic market that is the early primary market, the products developed will actively expand into the international market to increase the turnover of products in foreign markets.

Excelsior Pharmatech Labs. entered into Hsinchu Biomedical Park in 2011 and planned to set up a pharmaceutical firm and pharmaceutical technology R&D center that comply with PIC/S GMP standards, and seeks cooperation with domestic and foreign pharmaceutical research institutions to jointly develop drugs with new active ingredients, new dosage forms, new efficacy and new route of delivery, new complex formulation and research on clinical trials, establish a cooperation channel for research and development, technology exchange, to supply domestic demand and expand the export market. The factory has passed the PIC/S GMP inspection of the Food and Drug Administration of the Ministry of Health and Welfare on October 22, 2014, and was awarded a certificate and officially started the production.

The medium-term goal is to develop a techniques platform and establish patented technology, such as controlled release and techniques for solid dosage forms, transdermal absorption techniques for external preparations, extraction and purification of Chinese herbal medicines, and biological preparations, to continually research and develop new drugs, improve pharmaceutical and biotechnology standards, and to apply such platforms in researching and developing new dosage forms or new usage of delivery, and to collaborate strategically with domestic PIC/S GMP professional pharmaceutical firms in order to establish self-brand and techniques and to expand overseas pharmaceutical market.

The long-term goal is to continue research and development with new drug research institutions at home and abroad. From drug toxicity test, pharmacological test, pharmacokinetics, pre-clinical animal test to human clinical trial, to completely develop “new drug” products with real international competitive potential.

On the one hand, the Company introduces and develops therapeutic drugs, and on the other hand, it also invests in the development of medical laboratory methods and diagnostic techniques. It hopes that through more timely and accurate test and diagnosis, it is expected to treat and control the disease course as soon as possible, and reduce misdiagnosis or delay diagnosis that leads to a lifetime regret that disease can be treated with medicine, but life is ruined or unrecoverable sequelae occur.

In addition, at the time to establish the "Special Disease Research Center" in 2012, Excelsior Pharmatech Labs. continue to develop the platform of medical laboratory techniques for special disease: The establishment of newborn screening methods, disease screening for high-risk group, biological markers research for genetic metabolic diseases, and gene mapping analysis. The current disease projects under development are listed below:

①Fabry Disease
②Hereditary Porphyria
③Phenylketonuria
④Wilson Disease
⑤N-acetylglutamate synthase deficiency

Since 2015, the Company has begun to invest in early research on transforming growth factor antagonistic and stimulating preparations, which have significant effects on skin healing and regenerative hair, especially acute burn wounds and chronic skin ulceration caused by diabetes. After preliminary animal experiments, such preparations have demonstrated a very significant effect. At present, there is no other similar product in the world to compete with, and the domestic and international market has great potential for development. In addition, transforming growth factor antagonists can be used to prevent and treat tissue cell fibrosis, such as lung fibrosis and cirrhosis, etc. and it is expected that there will be a major medical breakthrough for major life-threatening diseases.

(2) Research and development personnel and their academic experience:

①Excelsior Biopharma Inc.：

March 31, 2020

Breakdown by Academic Degree		2018	2019	2020 (till at March 31, 2020)
Number of employees		5	6	6
Average age		39.65	40.83	41.08
Average service years		12.12	11.84	12.21
Distribution by education background	PhD	0	0	0
	Master	3	4	4
	Bachelor	2	2	2
	High School Diploma	0	0	0
	Below the high school diploma	0	0	0

Note: The average length of service listed in the above table is the relevant work service years.

②Excelsior Pharmatech Labs.:

March 31, 2020

Breakdown by Academic Degree		2018	2019	2020 (till at March 31, 2020)
Number of employees		8	10	11
Average age		37.81	38.18	39.15
Average service years		9.87	9.28	9.13
Distribution by education background	PhD	2	4	4
	Master	6	6	6
	Bachelor	0	0	0
	High School Diploma	0	0	1
	Below the high school diploma	0	0	0

Note: The average length of service listed in the above table is the relevant work service years.

(3) Research and development expenses in the past five Years:

①Excelsior Biopharma Inc.

Unit: In Thousands of New Taiwan Dollars; %

Year of / Item	2015	2016	2017	2018	2019
Research and development expenses	32,667	58,187	39,016	30,025	31,782

②Excelsior Pharmatech Labs.

Unit: In Thousands of New Taiwan Dollars; %

Year of / Item	2015	2016	2017	2018	2019
Research and development expenses	9,191	15,869	21,401	9,411	29,132

(4) Technology or products that have been successfully developed in the past five years:

①Excelsior Biopharma Inc.：

Excelsior Biopharma Inc. focuses on searching for special market segments and looking for unique products to meet the treatment demand. The focus of technology and R&D is mainly on the development of new agents of the branded drug firms and the acquirement of the technology license from the branded drug firms, the implementation of technology transfer and contracted manufacturing, and the supply of appropriate drugs to meet market demand.

(IV) Long-Term and Short-Term Business Development Plans

(1)Short-term business development plans

Normal prescription drugs: Although the existing sales products are affected by the reduction by adjustment in NHI prices, they must maintain stable growth, and other departments will be explored for usage of such drugs, the number of clients, such as hospitals, clinics, pharmacies, etc. will be increased. After the prescription drug Zalain External 2% 30 mg Gel is received the NHI price, it is actively promoted as the latest treatment of scalp seborrheic dermatitis and anti-fungal dandruff preparations at the hospital and dermatology clinics. After Omacor Soft Capsules 1000 mg is received drug permit license, it can be introduced into the hospital system and be expanded to the pharmacy self-funded market.

Special Disease Medication: The number of patient and diseases cases are very rare and the promotion shall be continuously performed so that patients have opportunities to acquire the accurate treatment medicine.

OTC Consumer Products: Including oral healthcare, fish oil healthcare products, probiotics, skin aesthetic care products, gastrointestinal instruction drugs etc. The related products existed on the market will increase the number of customers, and continue to develop chain channels and Internet marketing as the main point. The new items of the rosehip oil series of skin care products will be launched, which will create more revenue and profit for the Company.

(2) Long-term business development plans

Drugs: Continue to pay attention to market demand and changes in various diseases related to the field of the Company, perform the routine and ad-hoc market assessment and new product development operations, and coordinate with the R&D center and pharmaceutical firm of the subsidiaries Excelsior Pharmatech Labs. to develop new products.

OTC Consumer Products: In the future, agented products and self-manufactured items will be continually expanded.

Because the operation of the Company operates in the special medical care is different from in the normal traditional prescription drugs, and its core is the disease management to establish the business model focused on the social care for patients, the Company continues to cooperate with various medical institutions to encourage diseases of high-risk groups to accept the disease screening, as well as the screening for newborns.

A. Corporate with the healthcare units at the national level: In respond to the Company enveloping the market for orphan drugs and antidote agents in Asia, and providing and developing the most suitable test and diagnostic techniques and genetic tests for Asia, we aims to be the referral center for rare disease within Asian region to perform the development of new test techniques and the talents incubation and exchanges.

B. Enter the target country region to conduct clinical trials of rare diseases in a multi-country multi-center clinical trial model and develop new drugs.

II. OVERVIEW ON MARKET AND PRODUCTION AND SALES

(I) Market Analysis:

(1) Key production sales regions:

Unit: In Thousands of New Taiwan Dollars; %

Year of / By Region	2016		2017		2018	
	Revenue from sale of goods	Percentage (%)	Revenue from sale of goods	Percentage (%)	Revenue from sale of goods	Percentage (%)
Domestic Sales	1,682,971	98.10	1,658,369	98.18	1,503,191	97.61
Export Sales	32,568	1.90	30,755	1.82	36,873	2.39
Total	1,715,539	100.00	1,689,124	100.00	1,540,064	100.00

(2) Market Share:

The main suppliers of Taiwan pharmaceutical market are mainly foreign-funded firms. According to the 2018 Taiwan Biotechnology Industry White Paper, the turnover of biotechnology industry in Taiwan in 2018 reached NT$514.8 billion. The annual turnover of the Company in 2019 was 1.54 billion, accounting for 0.3% of the market share. As of the end of 2018, the biotechnology industry had totally 120 companies listed on the stock/OTC markets and the consolidated revenues reached NT$252.5 billion. The share of Company was accounting for approximately 0.61%.

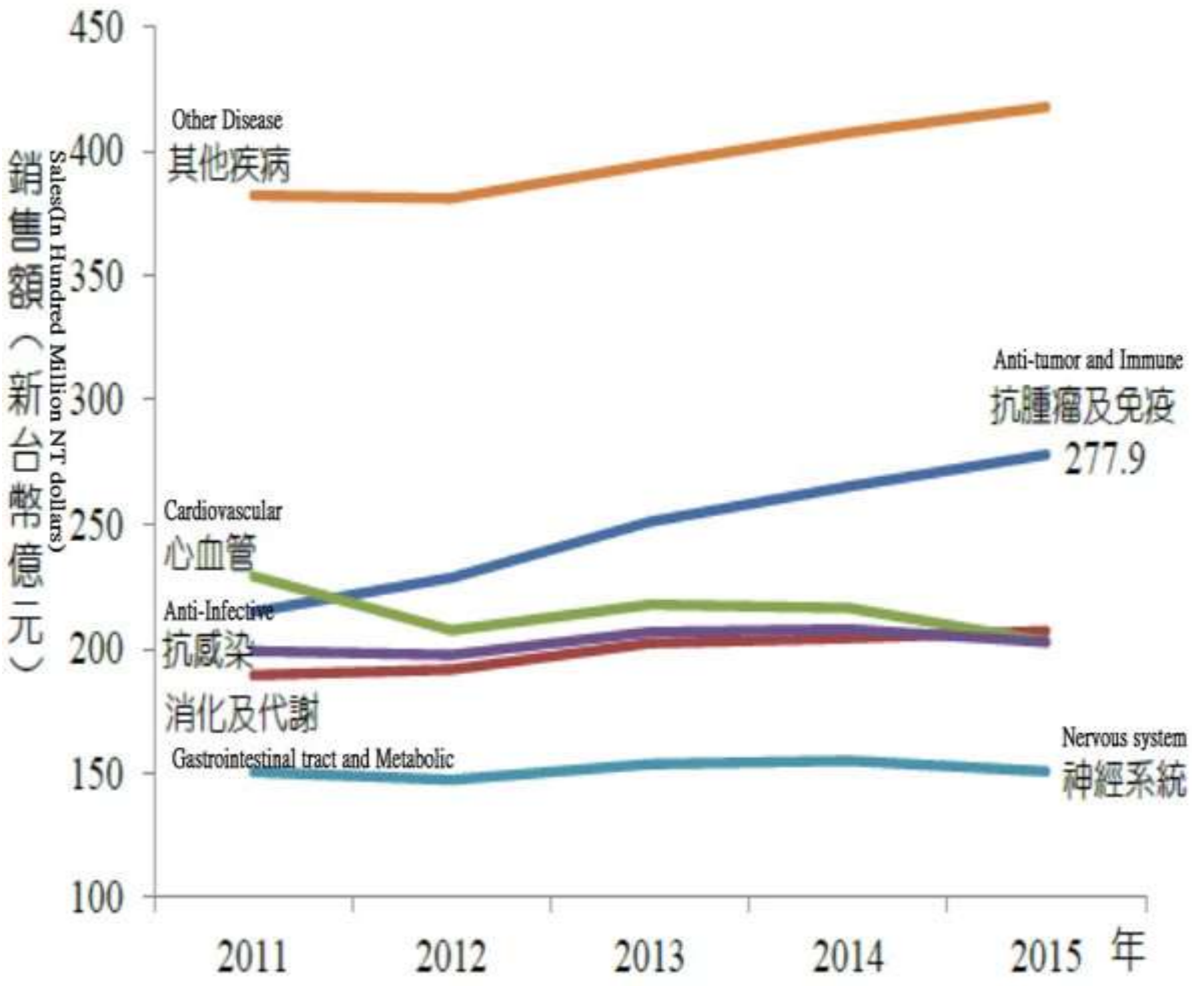
(3) The future supply and demand situation and growth of the market:

Prescription Drugs:

In the past five years, the top ten medicine categories in Taiwan pharmaceutical market have not been changed, but the rankings have been changed. In 2015 the drug markets for top five disease categories in Taiwan were anti-tumor and immune, cardiovascular, anti-infective, gastrointestinal tract and metabolic and nervous system medication. The sales of such top five totaled NT$104.13 billion, with a market share of 71.4%.

Cancer is the top ten causes of death in Taiwan. The number of cancer patients in Taiwan continues to increase, the price of anticancer medicine is high, and new anticancer drugs are continuously launching. The anticancer drug market in Taiwan are ranks as the largest drug category whose growth rate also has a large lead in all categories of drugs and is the largest and fastest growing drug market in Taiwan. The Company focuses on special cancer drugs with a fewer number of patients and medical devices or healthcare products that are beneficial to the quality of life of cancer patients. This market demand is dispersed, and fewer manufacturers are willing to invest in the development or introduction of products, but the market does have the demand.

Regard to the cardiovascular medication, due to the expiration of patents for many best-selling drugs, the substitution effect and the market share of generic drugs is decreasing year by year. However, the aging of the population and the advancement of healthcare makes the medication period for chronic diseases for a longer period. Hence, the demand for medicines will continue to grow, especially the considerations, in addition to the drug efficacy, such as drug safety and medication adherence of patients are expected to play more important roles. The new drug against triglyceride of the Company that has been launched brings better treatment options for physicians and better quality of life for patients. This is the competitive advantage of the Company.



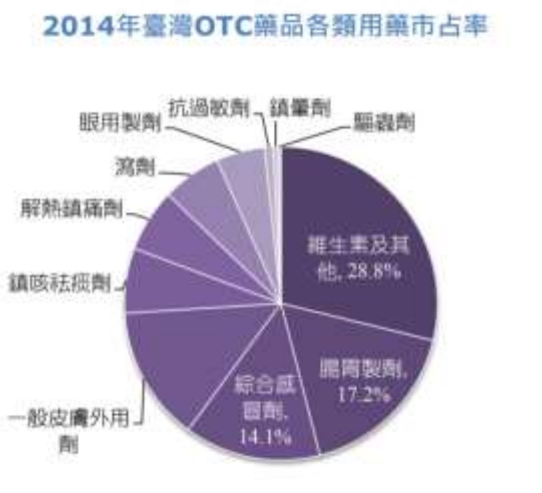
Source: IMS Health; ITIS Plan reorganized by DCB Industrial Information Division

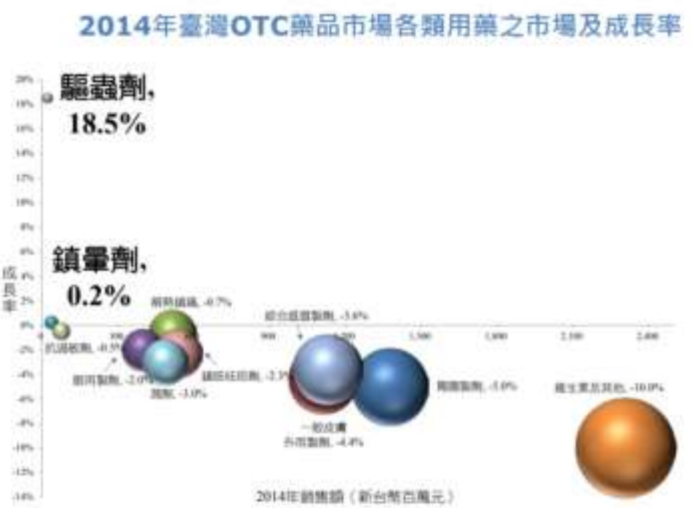
Regard to the market for special medical drugs such as orphan drugs and antidote agents, due to the dispersion of the market and the higher level of professionalism required, as early as 1998, the Company has been investing in the marketing and supplying for the special medical field that is the inherited expertise of the Company; for some of the necessary products that are difficultly acquired due to cessation of production with the cost-effective considerations of the branded company or cessation of importing are planned to be developed, manufactured, and supplied by the pharmaceutical firm of the subsidiary Excelsior Pharmatech Labs. Hence, the growth in the special medical drug market of the Company is expected.

OTC non-prescription drugs or OTC consumer products

Under the premise of medication safety, the over-the-counter (OTC) refers to drugs that consumers can purchase for the purpose of self-medication without the prescription from a physician (medicines designated by pharmacists and/or assistant pharmacists, over-the-counter drugs). Because the safety requirement of OTC drugs is higher than that of prescription drugs, they can be sold on the open shelf in general pharmacies or channel, thus enabling manufacturers use the layout of the channel and the brand marketing of advertising to increase the OTC drug competitiveness of the Company. In addition, due to the rise of self-medical awareness, the future prospects of OTC drugs as a part of the healthcare industry will be considerable.

The OTC drugs are divided into two classes, as of instruction drugs and OTC drugs (Class A and Class B drugs). The instruction drugs and Class A drugs in Taiwan can be purchased only with the instruction of pharmacist; Class B drugs are sold in any channel (including supermarkets, pharmacies, and general stores). The OTC drug market in Taiwan does not changed much. In 2014, the market size was about NT$8 billion, down 5.3% from the previous year, accounted for 5.5% of overall pharmaceutical market in Taiwan. After the implementation of NHI system, the drug prices cut down by Taiwan NHI Administration has limited the growth of prescription drug market in Taiwan, and as a result, more and more pharmaceutical firms are looking for growth opportunities from OTC drugs.





Source: IMS Health (2015)； ITIS Plan reorganized by DCB Industrial Information Division

驅蟲劑	Pesticides
鎮暈劑	Sickness drugs

抗過敏劑	Antiallergic agents
眼用製劑	Ophthalmic preparations
瀉劑	Lacative
解熱鎮痛劑	Fever and pain relief prepations
鎮咳祛痰劑	Antitussive and expectorants prepartions
一般皮膚外用劑	Skin external preparations
綜合感冒劑	Comprehensive cold prepations
腸胃製劑	Gastroenterology preparations
維生素及其他	Vitmins and others

Among Taiwan OTC drug category, the vitamins and other categories are accounting for 28.8% of the market which is the biggest market share, the gastrointestinal preparations are accounting for 17.2%, integrated cold preparations are accounting for 14.1%, and such three category of products are accounting for 60% of the market. And the product with the highest growth rate in 2014 was the insect repellent with 18.5%, and the product with the most decline one was the vitamins and other types (-10%).

The current product items of the Company contain two instruction drugs, and there is no OTC drugs. In addition, the natural enzyme oral healthcare product line and the probiotic product line and the Omega-3 product line are highly competitive in the healthcare product market, but the demand is huge. The product operation strategy of the Company is based on special and continuous evidence-based medical research and development. If the ability of the Company to operate in the field of healthcare products can be successfully established on the basis of existing prescription drugs and special medical fields, it is expected to generate synergies with the current existing expertise and bring about performance growth.

(4) Competitive Advantage:

High barriers to entry in the professional field

In the product selection strategy, the Company has always met the development principle as of special medical needs and indispensability. For example, the Company has deeply involved in the intestinal diseases, intestine inflammation, gastrointestinal diseases and other professional fields of digestive system and departments for many years, and continually has an advantage with 50% of the market share. In addition, in the special medical field, we dominate one part of the market due to a grasp of the supply and demand structure and market conditions, and understand relevant policies, such as the supply of rare disease drugs and antidote and special disease drugs.

Wide and deep pharmaceutical sales channel network

The Company has wide and deep medical sales networks covering each medical center, regional hospital, district hospital, clinic, chain pharmacy, community pharmacy, chain distributors, etc., providing strong channel coverage of the branded company and our factory that is very efficient to sell all products on the market quickly. In response to new products launched, such as: Increasing online marketing platform and advertising promotion model for the Repavar aesthetic care products, Om3gafort fish oil healthcare products, and AB Biotics-probiotic series products.

Excellent marketing, business, information, R&D team to master product information capabilities and new market trends

Combine the talents of the various teams in the Company, integrate strong and rapid information to response and feedback the market demand, and through the sensitive marketing planning strategy, ally with the sales channels established by the business team, and increase the operation of the network and physical stores to increase the safety and confidence of medical institutions and the public in purchasing products of the Company. It is not only beneficial to the increase in sales volume, but also contributes to the establishment of brand management and the positive reputation of the Company.

Future development opportunities in the Asian market

Talented people in the Company come forward in the large number, and continue to give professional training and participate in various conferences at home and abroad to enhance the scholarship and self-cultivation in various fields and international visions, and will potentially continue to enhance the quality of talents in the Company. After that, it combines domestic product development with foreign authorized agents or distribution in Asian markets.

(5) Advantages, disadvantages and countermeasures for the prospect development:

Advantage elements

A. Operation Aspects:

(a) With the PIC / S GMP and GDP policies implemented by the government, the pharmaceutical quality in Taiwan has been smoothly in line with the international standards, accelerating the pace of pharmaceutical biotechnology industry in Taiwan to enter the international market.

(b) Combine the strength of the manufacture and R&D teams of the subsidiary, Excelsior Pharmatech Labs., to create a comprehensive series of products to increase market share and profitability.

(c) Continually cultivate and improve the capabilities of the personnel on marketing, research and development, business, and informatics.

B. General Prescription Drugs:

(a) Product with good quality, high satisfaction feedback from patients after using the products, and the performance is steady.

(b) The emphasis on population aging and health maintenance will increase the growth of the self-funded market.

(c) Develop the prescription drugs with particularity.

(d) The Asian markets is being developed, and the market potential will expand in the future.

C. Special Medical Drugs:

(a) Understand relevant policies and social development condition.

(b) Improve disease cognition and diagnosis technology to help physicians diagnose and treat at earlier stage.

Disadvantage elements

A. Operation Aspects:

(a) As well as inflation, the temperature control requirements for the equipment, plant, personnel and transportation processes that are in line with PIC/S GMP and the GDP policies implemented by the Government will lead to an increase in operating costs.

(b) It takes time and has risks in developing new drugs, and the investment in research and development costs is high.

Response measures:

(a) Accelerate the development process for the international market by applying the international standards of quality complice. Focus on the awareness and the improvement on various operating costs to increase the efficiency so that the costs are reduced without affecting the quality of each item.

(b) Because new drug R&D is based on the milestones of the R&D schedule, developing the sharing R&D work by different phases and launch modes can be monetized through the fund-raising process. The royalties can be acquired by selling them, and the operation revenue from the products sales of the Company supports the R&D expenses.

B. General Drugs

(a) NHI prescription drugs are influenced by the policy of National Health Insurance Administration, MOHW. Since 1999, the survey and adjustment of drug price been carried out. The drug price adjustment has been carried out every two years to narrow the drug price difference between the NHI price and the market transaction price. This is a key factor affecting the growth of the pharmaceutical market in Taiwan. The amount of the drug reduction by adjustment in 2014 was NT$5.67 billion (adjusted by 3.9%), and the amount in 2015 was NT$8.21 billion (adjusted is 5.3%), the amount in 2016 was NT$3.18 billion (adjusted 2.1%). It has been trial run for four years by the end of 2016. After reviewing, a new revised plan has been trial run for three years starting from 2017. The amount of drug reduction by adjustment in 2017 was NT$5.71 billion (adjusted by 3.5%). The amount in 2018 is NT$7.3 billion and the amount in 2019 is NT$5.83 billion (adjusted by 3.5%). DET (Drug Expenditure Target) has been trial run for eight years. Under this policy, the overall NHI drugs expenditure continually restricted every year will limit the profit growth of pharmaceutical firms.

(b) Regard to the adverse factors on the operation of pharmaceuticals, as mentioned above, the policy on NHI price of the NHI Administration has a great impact. The strong bargaining of client's sides such as hospitals, clinics and pharmacies will also affect the product revenue and growth and profits of the Company.

Response measures:

(a) Develop and screen suitable products for market launch, adjust sales product mix and expand self-funded drug market to reduce dependence on NHI.

(b) Choose the right customer (insist on the quality of the drug, not the clients who always ask for a low price).

B. Special medical drugs

(a) The product is near at maturity phase and the growth rate is slowing down.

(b) Reduce the profitability of products: Increased sales expenses, increased labor costs, and increased import costs.

(c) The policy of the rare disease is tightening; the adjustment of the NHI drug price for rare diseases (the special budget for the special disease is the focus of discussion and revision of the national health insurance medical expenses in recent years), and the pre-review standard for NHI benefits is higher.

(d) The perception of society is polarized with different opinion on the expenditure and burden of high medical expenses.

Response measures:

(a) Accelerate the new product development.

(b) Enhance the management capabilities of the Company so that the profitability rate will be increased.

(c) Enhance the ability to control the information from the policy aspects.

(d) Establish appropriate communication plans to gain the care and recognition of medical care for specific diseases from the society.

(II) Important uses and production processes of key products:

Major Product	Purpose	Imported from the foreign branded drugs firms; licensed by the branded companies, and manufactured domestically; Self-development and manufacture
Prescription Drugs	The indications cover gastroenterology, rectal Surgery, pediatrics, obstetrics & gynecology, dermatology, neurology, etc.	Imported from foreign branded companies, licensed by the branded companies, and manufactured domestically, developed by subsidiary Excelsior Pharmatech Labs. on its own and manufactured by the domestic contract-manufacturers or itself.
Over-the-Counter (OTC) Drugs	1.A natural laxative is from high-purity active ingredients isolated from Senna for temporary relief of constipation 2.Granular activated carbon for emergency treatment of drugs or chemical poisoning patients	Laxative products are manufactured domestically Activated carbon products are imported products
Medical Device	Monoclonal antibody rapid test kit for flu, prelabor rupture of membranes, preterm birth, acute pancreatitis Relieve dry mouth and thus improve mucositis pain caused by radiation therapy or high dose chemotherapy	Imported Product
Healthcare Food	Fish oil product series Probiotic product series	imported from foreign branded companies, licensed by the branded companies, and manufactured domestically
Medical Supplies	Oral healthcare product series	Imported Product
Skin care product	Skin care products series	Imported Product

(III) Supply situation of Key APIs：

(1)Excelsior Biopharma Inc.: The Company acts as a distributor for the foreign partners and market the products domestically. However, due to the high proportion of imports from a single supplier and the concentration of procurement incurred, the Company has signed distribution agreements with the supplier and has been in the long-term and close cooperation relationship and there has been no product shortage in supply. Hence, there is no significant impact.

(2) Excelsior Pharmatech Labs.:

key APIs	Key Suppliers	Supply situation
Sennosides A+B	S1/S7	Stable
Sertaconazole Nitrate	S2	Stable
Mesalamine	S3	Stable
Zinc Acetate	S1	Stable
Glycopyrrolate	S1	Stable
S1	S3	Stable
Zinc Acetate	S4	Stable
Sodium benzoate	S5	Stable
BH4	S6	Stable

(IV) List of Key Suppliers and Buyers:

(1)The name of the supplier who had accounted for more than 10% of the total purchase amount in any of the previous two years, and the amount of the procurement, the proportion and the reasons for increasing or decreasing variation

Unit: In Thousands of New Taiwan Dollars; %

2018				2019				2020 Q1			
Name	Value	percentage of annual net purchase	Relationship with the issuer	Name	Value	percentage of annual net purchase	Relationship with the issuer	Name	Value	percentage of annual net purchase	Relationship with the issuer
A	864,570	75.33	Nil.	A	887,323	75.68	Nil.	A	171,378	74.14	Nil.
B	90,595	7.89	Nil.	B	100,619	8.58	Nil.	B	23,967	10.37	Nil.
Other	192,569	16.78	Nil.	Other	184,513	15.74	Nil.	Other	35,819	15.49	Nil.
Net Purchase	1,147,734	100.00			1,172,455	100.00			231,164	100.00	

Reasons for changes in 2019, due to the increase in revenue, the procurement amount has also increased relatively, but there is no significant difference in the proportion of procurement.

(2) The name of the clients who had accounted for more than 10% of the total sales in any of the previous two years and the amount and proportion of the sales

Unit: In Thousands of New Taiwan Dollars; %

	2018				2019				Q1 of 2020			
Item	Name	Value	percentage of annual net purchase	Relationship with the issuer	Name	Value	percentage of annual net purchase	Relationship with the issuer	Name	Value	percentage of annual net purchase	Relationship with the issuer
1	Taipei Veterans General Hospital	610,576	36.15	Nil.	Taipei Veterans General Hospital	540,353	35.09	Nil.	Taipei Veterans General Hospital	110,092	31.82	Nil.
2	Taichung Veterans General Hospital	258,340	15.29	Nil.	Taichung Veterans General Hospital	156,999	10.19	Nil.	Taichung Veterans General Hospital	34,454	9.96	Nil.
	Other	820,208	48.56	Nil.	Other	842,712	54.72	Nil.	Other	201,392	58.22	Nil.
	Net sales	1,689,124	100.00		Net sales	1,540,064	100.00		Net sales	345,938	100.00	

Reasons for changes There was no significant change in the number of key sales clients in 2019 because the impact on the price reduction by adjustment of NHI benefits caused the changes in the amount and ratio of key sales clients.

(V) Quantity and Value of Production in the Past Two Years:

The key operation activities of the Company are importing and distributing as a pharmaceutical agents and manufacturing and selling by license. The products distributed by the agency that are mainly imported from the branded company, and licensed to manufacture and sell are contracted manufacturing to subsidiaries and other manufacturers. Therefore, the company does not need to fill in the quantity and value of production table.

(VI) Table for Quantity and Value of Sales in the last two years:

Unit: Sales Unit; In Thousands of New Taiwan Dollars

Year / Sales Quantity Value / Main Products (or by Department)	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Prescription Drugs	597,122	1,590,364	2,856	30,755	668,269	1,434,550	3,266	36,873
Over-the-Counter (OTC) Drugs	77,558	55,574	-	-	79,008	55,023	-	-
Medical Device	826	1,281	-	-	837	993	-	-
Healthcare Food	10,606	4,778	-	-	10,957	4,955	-	-
Medical Supplies	5,177	1,319	-	-	4,810	1,135	-	-
Other	11,479	5,053	-	-	33,950	6,535	-	-
Total	702,768	1,658,369	2,856	30,755	797,831	1,503,191	3,266	36,873

III. The number of employees, average service years, average age and the distribution ratio for academic backgrounds in the past two years of the year

Unit: Person

Year		2018	2019	Up to March 31, 2020 (Note)
Number of employees	Direct employee	0	0	0
	Indirect employee	116	113	110
	Total	116	113	110
Average age		39.76	40.35	40.42
Average Service years		5.79	6.02	6.27
Distribution ratio for academic back grounds	PhD	0	0	0
	Master	21.55%	24.78%	23.64%
	College	76.72%	72.57%	74.55%
	Senior high school	1.72%	2.65%	1.82%
	Lower than senior high school	0%	0%	0%

Note: Shall fill in the annual data at the date of publication of the annual report.

IV. Environmental expenditure information

(I) The total amount of damage and disciplinary action due to environmental pollution in the most recent year and at the date of publication of the annual report: Nil.

(II) Future response measures and possible expenditures: Nil.

V. Employee-Employer Relationships

(I) List the employee welfare measures, continuing education, training, retirement system of the Company and its implementation situation, as well as the agreement between employees and employers and the maintenance measures conditions of various employee rights.

1. Employee welfare measures

The one of the important operation concept of Company that it has always been concerned with the physical and mental balance of employees and the work-family balance. In order to enable employees to maintain physical and mental health and worry-free when they are working in the Company, we have provided a number of welfare measures and established a staff welfare committee to promote various employee welfare matters. Various employee welfare policies of the Company are summarized as follows:

1-1. Insurance Coverage

(1) Statutory Insurance: National Health Insurance, Labor Insurance, Labor Pension, Occupational Injury Insurance, etc.

(2) Insurance coverage provided by the Company: Employee group insurance and travel insurance, etc.

1-2. Employee benefits and corresponding employee welfare organizations and measures

(1) Statutory Employee Welfare Organization: Establish an employee welfare committee to coordinate the supervision and allocation of welfare funds.

(2) Employee Benefits items: Holiday bonus, monetary gifts of birthday, company trip, department outing, monetary gifts for wedding, funeral or banquet, scholarship for the children of employees.

1-3. Allowance and Bonus

(1) Allowance and Bonus of Employees traveling allowances, board alliances, year-end bonus, year-end performance bonus, compensation distribution to employees (formerly called as employees bonus) and various bonuses related to work performance.

1-4. Education and Training

(1) Employee Orientation Training: In order for new employees who quickly become familiar with the knowledge and skills required for their duties, the Company regularly holds orientation trainings including common subjects and professional subjects.

(2) On-the-job Education Training: In order to enhance the professional skills of the employees in various duties and abilities, and to meet the learning ambition of employees, the Company not only organizes internal training from time to time, but also encourages employees to apply for external training to enrich their abilities and enhance their work skills.

1-5. Safety and Health

(1) Physical and mental health promotion lectures and activities: In 2019, the Company was planning a series of activities tailored for the colleagues of the Company through the internal intent surveys. Such activities are expected to be held in 2020, including the topics, such as fitness, stress relief, etc.

(2) Physical Examination In addition to carrying out the physical examination of new employees according to law, the Company regularly holds group physical examination to take care of the health of its employees. In addition to raising the high subsidy, the examination items are also widely covered and better than the requirements under the law. The latest one is held in 2018.

(3) Disaster Prevention Exercise: In order to reinforce the employees' knowledge in disaster prevention, we cooperate with the local park committee to plan and implement the annual fire safety evacuation drill.

1-6. Other Benefits

(1) Breastfeeding (Breast Milk Collection) Facilities (Measures): The Company cooperates with the local park committee to handle the employee breastfeeding (breast Milk Collection) room service, and employees who have this requirement can apply for use of such room.

(2) Childcare Measures: Since 2018, the Company has cooperated with two legitimate child care centers in Nangang District, Taipei City, to provide employee child care services and enjoy preferential measures.

(3) Parental Leave without Pay: In compliance with the Act of Gender Equality in Employment and the policy on encouraging fertility from government, between 2016 and December 2019, the Company received 14 applications for parental leave without pay, 6 of whom were reinstated and were employed as of December 31, 2019 and the other 3 of whom are still at the parental leave.

(4) Types of leaves and rights of the gender equality in employment： After review, in 2019, there are 12 employees applying for the menstrual leaves; there are 3 applying for the maternity Leaves leaves and 4 employees on the maternity Leaves; there is 1 employee applying for the accompanying maternity Leaves.

(5) Employee Satisfaction Survey: The Company conducts employee satisfaction surveys annually, covering employees' attitudes toward the system, personnel management, and cross-departmental cooperation and communication of the Company, so as to comprehensively understand employees' satisfaction with the Company and improve expectations, as the important reference for the future development of the Company.

The Company heads toward enhancing the comprehensive welfare for its employees and hopes to fully implement the social responsibility of caring for employees by providing various benefits, and to enhance the employees' recognition to the Company's values and create a bright future for the Company and its employees.

2. Employees Continuing Education and Training

In order to improve the professionalism of employees and consider the long-term development of the Company, the Company actively invests in various training resources and removes any restriction on the training channels, so that it is expected that the Company and its employees can keep pace with the times, enrich work-related skills, and reinforce their career development. The summary of the various continuing education and training guidelines of the Company are as follows:

2-1. Employee Orientation Training

Include the trainings, such as common subjects and professional subjects, etc. The Company plans different training subjects for new employees according to different types of job responsibility. For example, the common subjects are designed to assist new employees to familiarize themselves with the management guidelines and work areas; professional subjects, in addition to providing professional knowledge for each position, include practical training in practical supervised traineeships. To ensure that new employees can be familiar with the work content more quickly. In 2019, a total of 12 orientation sessions were held, of which 16 hours for the common subjects and 12 hours for the professional subjects.

2-2. On-the-job education training:

The Company will hold on-the-job training from time to time to enrich the skills of current employees. In addition to the internal lecturer group, the lecturer group also invites well-known domestic consulting companies, professors in universities or colleges or experts from various fields. The purpose is to enable employees to enhance their knowledge and skills in the aspects of profession, management functions, and even interpersonal communication, teamwork, and emotional management, etc. and hope that the colleagues can absorb and use them practically in the workplace and family. In 2019, the average number of hours of training for on-job training was 13.2 hours, and the total number of attendees was 1594.

The Company provides internal and external multi-training channels, and even provides opportunities for domestic and international industry field research, continuing education or further internships or further studies. In addition, the individual functions of employees are enhanced to incubate and explore internal professionals by incubating seed lecturers.

3. Employee retirement system and its implementation status

The Company establishes and implements the employee retirement-related guidelines in accordance with the Labor Standards Act and relevant laws and regulations, and monthly appropriates workers' retirement reserve funds in accordance with laws, and regularly holds the supervisory committee of business entities' labor retirement reserve to supervise its allocation. The relevant handling situation of the Company are summarized, as follows:

3-1. Employees who have been employed before December 31, 1997 apply to the "Guideline for the severance payment and workers' pension payment for years of service before promulgation of Labor Standards Act”.

3-2. Since January 1998, the Company has established and implemented employee retirement-related relevant guidelines in accordance with the Labor Standards Act and related laws and regulations, and the current retirement pension payments standards are as follows:

(1) Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months. The Company appropriates the reserve fund for old labor retirement system on a monthly basis according to the actuarial report which is deposited in the designated account of Taiwan Bank and will be fully appropriated to the pension amount of the employee who will satisfy with the retirement condition at the end of each year in accordance with the provisions of the newly-amended Labor Standards Act and to protect the rights of employees under old labor retirement system.

(2) If an employee is eligible for retiring in accordance with Article 53 of the Labor Standards Act, s/he may make the retirement application to the personnel unit of the Company. If an employees who meet the criteria of Article 54 of the Labor Standards Act, s/he shall make the retirement application to the Human Resource department in accordance with the relevant guidelines governing the retirements of the Company.

(3) The Company established the supervisory committee of business entities’ labor retirement reserve in July 2005, and holds regular meetings every quarter. In addition to reviewing the balance of designated accounts, the use of the reserves is also reviewed. In 2019, a total of four supervisory committee of business entities’ labor retirement reserve were held, each of which will be held in February, May, August and November for the corresponding year.

3-3. Since July 1, 1994, in response to the implementation of the "Labor Pension Act", the pension payment standard is as follows:

(1) If the employees choose to continuity apply the pension requirements under "Labor Standards Act", their pension shall be paid in accordance with the provisions of the "Years of service after the application of the Labor Standards Act and the employees’ pensions payment and standards".

(2) The years of service after the employees choose the applicable to the "Labor Pension Act" adopt the "Employee's Individual Account of Labor Pension System", the Company will appropriate 6% of each employee’s salary to the Individual Labor Pension Account of the Bureau of Labor Insurance on a monthly basis.

3-4. There is no employees of the Company who applied for retirement in 2019.

4. Agreements of the relation between labor and management

The Company established the labor-management meeting in accordance with the law, and the representatives from the labor side in the labor-management meeting are elected elected directly by all employees. The routine meetings are held at least once every quarter to discuss various agenda related to labor and management, and the thoughtful communication between representatives of employers and employees are encouraged to be a communication bridge between the company and colleagues. The Company has also established a human resources management department to govern the employee-related matters devotedly and promote the harmonious labor-management relations. After review, in 2019, 4 sessions of labor-management meetings were held.

5. The protection measures for the employees rights

Excelsior Biopharma Inc. takes the working environment and rights and interests of employees serious. In addition to promulgation of the “Safety and Health Code of Practice” to ensure the life safety and property protection and health of employees, each protective measure for the working environment and personal safety is as follows:

5-1. The measures, responses, equipment maintenance and inspection for the disaster prevention

The Company cooperates with the Management Committee of Nankang Software Park where the office area is located and the building regulations to implements the safety inspections and disaster prevention plans, and perform the fire safety drills. The location of the Headquarters in Taipei held a total of 1 fire drill and 2 fire equipment inspections in 2019.

5-2. Health Examination

In addition to the health examinations for new employees, the group health examinations are held regularly. The coverage items of the health examinations include the items required under the Occupational Safety and Health Act, and the high subsides are provided to employees for other health examinations items to take care of the health of all employees. The participation rate of employee group health examination reached 93.04% for the most recent year (2018).

5-3. Workplace Hygiene

In addition to keeping the basic hygiene of the workplace by colleagues, the designated personnel are also assigned to clean and disinfect the public areas and the overall workplace within the area governed by the Company, and cooperate with the local park management committee to plan the regular hygiene and disinfection of the public areas of the park.

5-4. Psychological Health and Gender Equity at workplace:

(1) Friendly workplace, gender equality and sexual harassment prevention

The Company has the "Guidelines governing the Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace", has a dedicated complaint channel, and regularly holds the sexual harassment prevention promotion and education training. In 2019, a total of 12 orientation sessions for sexual harassment prevention was held, and the company-wide legal training was implemented in May 2019, covering topics such as gender equality and sexual harassment prevention.

(2) Gender Equity at workplace

The Company handle the labor affairs in compliance with the laws, such as “Labor Standards Act” and “Enforcement Rules of the Labor Standards Act”, “Regulations of Leave-Taking of Workers”, “Act of Gender Equality in Employment”, etc. to provide the leaves, such as the (accompanying) maternity Leaves, menstrual leaves, unpaid parental leave for raising children, family care leaves, etc., to establish a thoughtful proxy system and to promotes the gender equality employment policy from time to time so that a gender-friendly workplace environment is maintained. After review, in 2019, there are 12 employees applying for the menstrual leaves; there are 3 applying for the maternity Leaves leaves and 4 employees on the maternity Leaves; there is 1 employee applying for the accompanying maternity Leaves.

(3) Employee Satisfaction Survey:

The Employee Satisfaction Survey is performed annually by performing multi-faceted satisfaction surveys to understand the satisfaction of colleagues regard to their positions and responsibilities, working environment and communication among various departments.

(4) Labor-management meeting and labor affairs handling

The labor-management meetings are held by the Company regularly in accordance with the law and the needs of employees will be understood through the meetings. 4 sessions were held in 2019. In addition, the human resources management department is established to govern the operations related to labor affairs, and channels such as the general manager's mailbox are set up in order to extensively receive employees' opinions.

5-5. Insurance and Medical Care

Insure the labor insurance and national health insurance in accordance with the law, and provide comprehensive and thoughtful employee group insurance.

5-6. Access Control

(1) The access control systems are installed at the buildings and office areas of the Company to ensure the personal safety of employees.

(2) The company executed a contract with the security company to strengthen and maintain the office area safety.

(II) List any losses suffered by the company in the most recent year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible amount that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided. The Company has no incident of loss due to labor disputes.

VI. MAJOR CONTRACTS

Currently, the contracts have the effective validity and the supply and sales contract, technology cooperation contract, construction contract, long-term loan contract and other important contracts that affect the rights and interests of investors will be due within the most recent year.

Contract Nature	Party	Contract Date (From/To)	Main Content	Restriction Provisions
Import Agent and Sales	Takeda Pharmaceuticals Taiwan, Ltd. (Note 1)	January 1, 2020 ~ December 31, 2021	Product sales agent in Taiwan market	Confidentiality Provisions
Cooperative Development, License for Manufacturing Domestically and Sales Agency	Grupo Ferrer Internacional S.A.	November 10, 2006 ~ 10 years from the launch date of products, if there is no objection within 6 months before the expiration of the contract, it will automatically extend for 1 year	Product Cooperation Development, Manufacturing, Marketing and Sales in the Taiwan market	Confidentiality Provisions
Industry-Academia Cooperation Research and Development	Taipei Veterans General Hospital	December 25, 2010 ~ December 24, 2020 The survival period of this contract is from the effective date until the expiration of the patent period for the technology due to the cooperative R&D project and the acquisition of the technology from the result of such project. The survival period of this cooperative R&D period is estimated to be ten years from the effective date. Upon expiration, the this contract may be extended upon agreement of both party after the implementation status of the contract and the R&D plan requirements are reviewed by both parties.	Rare disease diagnosis, treatment research and genetic counseling service plan	Confidentiality Provisions
Contract Research Development	Excelsior Pharmatech Labs.	From January 1, 2012 ~ Until the date of the drug permit license for this product that is approved and issued by the central competent health authority	Drug development	Confidentiality Provisions

Note 1: In January 2019, Takeda Pharmaceutical Company Limited (TSE:4502) and Shire Plc (LON:SHP) have completed the merger plan between them and Takeda undertakes the rights of the products. Originally, the distribution contract executed by Company and Shire Human Genetic Therapies, Inc.(a Takeda entity, “Shire” (hereinafter referred to as “Original Distribution Contract”) will be expired by December 31, 2019. (The original contract period is between July 1, 2015 and September 1, 2018 and the extension was made in August 2018 so that the new contract period is between September 12,

2018 and December 31, 2019).

VI. FINANCE OVERVIEW

1. Condensed Financial Information for the past five years

(I) Condensed Consolidated Income Statement and Consolidated Income Statement - IFRS

1. Condensed Balance Sheet

Unit: In Thousands of New Taiwan Dollars

Items \ Year		The Financial Information for the past five years (Note 1)					As of the year March 31, 2020 Financial Date (Note 2)
		2015	2016	2017	2018	2019	
Current Assets		842,663	1,339,270	1,482,620	1,453,754	1,199,129	1,391,802
Property, Plant and Equipment		166,261	165,120	149,606	135,300	137,113	133,949
Intangible Assets		-	-	125	111	98	94
Other Assets		27,968	26,151	46,833	54,959	162,537	157,506
Total Assets		1,036,892	1,530,541	1,679,184	1,644,124	1,498,877	1,683,351
Current Liability	Before Distribution	197,209	269,478	326,777	259,906	159,879	333,242
	After Distribution	313,877	456,146	513,445	446,574	346,547	333,242
Non-Current Liability		21,981	17,733	12,589	10,976	84,182	82,127
Total Liabilities	Before Distribution	214,942	283,151	339,366	270,882	244,061	415,369
	After Distribution	331,610	469,819	526,034	457,550	430,729 (Note 3)	415,369
Attributable to Shareholders of the Parent Company		-	-	-	-	-	-
Share Capital		425,000	466,670	466,670	466,670	466,670	466,670
Capital collected in advance		33,345	-	-	-	-	-
Paid-in Capital Capital	Before Distribution	37,890	392,085	345,418	298,751	252,084	252,084
	After Distribution	-	345,418	298,751	252,084	205,417 (Note 3)	252,084

Retained Earnings	Before Distribution	325,715	388,635	527,730	609,324	540,612	553,228
	After Distribution	209,047	248,634	387,729	469,323	400,611 (Note 3)	553,228
Other Equity		-	-	-	(1,503)	(4,550)	(4,000)
Treasury Shares		-	-	-	-	-	-
Non-Control Interest		-	-	-	-	-	-
Equity Total	Before Distribution	821,950	1,247,390	1,339,818	1,373,242	1,254,816	1,267,982
	After Distribution	705,282	1,060,722	1,153,150	1,186,574	1,068,148 (Note 3)	1,267,982

Note 1: Financial information has been audited by independent auditors.
Note 2: Financial information has been verified by independent auditors.
Note 3: Still pending resolution of the shareholders' meeting.

2. Condensed Income Statement:

Unit: In Thousands of New Taiwan Dollars

Year / Item	The Financial Information for the past five years (Note 1)					As of the year March 31, 2020 Financial Information (Note 2)
	2015	2016	2017	2018	2019	
Operating Revenue	1,238,087	1,535,099	1,715,539	1,689,124	1,540,064	345,938
Gross Profit	436,719	551,935	667,787	585,729	353,585	86,898
Operating (Loss) Profit	175,111	215,508	325,780	282,086	85,799	16,298
Non-Operating Income (Expenses)	2,063	3,125	10,946	3,835	6,019	490
Net Income Before Tax	177,174	218,633	336,726	285,921	91,818	16,788
Net Income from Continuing Operations Net Income	177,174	218,633	279,683	221,827	71,012	12,616
Income from Discontinued Operations	0	-	-	-	-	-

Net Income (Loss)	143,317	180,460	279,683	221,827	71,012	12,616
Other Comprehensive Profit or Loss for Current Period (After-Tax)	87	(873)	(587)	(1,735)	(2,770)	550
Total Comprehensive Profit or Loss for Current Period	143,404	179,587	279,096	220,092	68,242	13,166
Net Income Attributable to the Parent	143,317	179,587	279,096	220,092	68,242	13,166
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-	-
Total Comprehensive Income Attributable to the Parent	143,404	179,587	279,096	220,092	68,242	13,166
Total Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-	-
Earnings per share (in one dollar of New Taiwan Dollar)	3.37	3.87	5.99	4.75	1.52	0.27

＊If the Company prepares non-consolidated financial reports, it should prepare a condensed non-consolidated balance sheet and a consolidated income statement for the past five years.

＊If the preparation of financial statements in conformity with IFRSs is less than 5 years, the following table (2) should be prepared in conformity with the TIFRS.

Note 1: Financial information has been audited by independent auditors.

Note 2: Financial information has been verified by independent auditors.

Condensed Non-Consolidated Income Statement and Non-Consolidated Income Statement - IFRS

1. Condensed Balance Sheet

Unit: In Thousands of New Taiwan Dollars

Year of / Items		Financial Information for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		799,262	1,306,425	1,434,281	1,391,529	1,116,713
Funds and Investments		104,394		112,307	163,250	167,398
Non-Current Assets (Note 2)		61,606	68,162	70,087	67,757	73,635
Intangible Assets		0	-	125	111	98
Other Assets		23,166	121,001	41,245	20,447	101,349
Total Assets		988,428	1,495,588	1,658,045	1,643,094	1,459,193
Current Liabilities	Before Distribution	151,462	237,242	308,355	261,593	150,342
	After Distribution	268,130	423,909	495,023	448,261	337,010
Long-Term Liabilities		15,016	10,956	9,872	8,259	54,035
Other Liabilities		-	-	-	-	-
Total Liabilities	Before Distribution	166,478	248,198	318,227	269,852	204,377
	After Distribution	283,146	434,866	504,895	456,520	391,045 (Note 2)
Share Capital		425,000	425,000	466,670	466,670	466,670
Paid-in Capital	Before Distribution	37,890	392,085	345,418	298,751	252,084
	After Distribution	-	345,418	298,751	252,084	205,417 (Note 2)
Retained Earnings	Before Distribution	325,715	388,635	527,730	609,324	540,612
	After Distribution	209,047	248,634	387,729	469,323	400,611 (Note 2)
Unrealized Gain or Loss on Financial Instrument		-	-	-	(1,503)	(4,550)
Cumulative Translation Adjustment		-	-	-	-	-
Net loss not recognized as pension cost		-	-	-	-	-
Total Equity	Before Distribution	821,950	1,247,390	1,339,818	1,373,242	1,254,816

	After Distribution	705,282	1,060,722	1,153,150	1,186,574	1,068,148 (Note 2)

Note 1: Financial information has been audited by independent auditors.
Note 2: Still pending resolution of the shareholders' meeting.

2. Condensed Income Statement:

Unit: In Thousands of New Taiwan Dollars

Year of / Item	Financial Information for the past five years（Note1）				
	2015	2016	2017	2018	2019
Operating Revenue	1,238,020	1,535,078	1,715,517	1,689,027	1,540,525
Gross Profit	434,394	544,309	635,709	547,646	315,481
Operating Profit	178,187	220,340	314,306	261,010	77,095
Non-Operating Income (Expenses)	-1,521	-1,704	22,441	24,933	10,268
Net Income Before Tax	176,666	218,636	336,747	285,943	87,363
Net Income from Continuing Operations	176,666	218,636	279,683	221,827	71,012
Loss from Discontinued Operations	0	-	-	-	-
Net Income (Loss)	143,317	180,460	279,683	221,827	71,012
Other Comprehensive Profit or Loss for Current Period (Net After Tax)	87	-873	(587)	(1,735)	(2,770)
Total Comprehensive Profit or Loss	143,404	179,587	279,096	220,092	68,242

for Current Period					
Earnings per share (in one dollar of New Taiwan Dollar)	3.37	3.87	5.99	4.75	1.52

Note 1: Financial information has been audited by independent auditors.

(II) Condensed Consolidated Income Statement and Consolidated Income Statement - TIFRS

Not Applicable.

(III) Names and review opinions of independent auditor in the past five year

1. (III) Names and review opinions of independent auditor in the past five year:

Year of	Auditing Firm	Name of Independent Auditors	Audited Opinion
2014	KPMG Taiwan	Bo-Shu Huang Ya-Lin Chen	Unqualified Opinion
2015	KPMG Taiwan	Bo-Shu Huang Ya-Lin Chen	Unqualified Opinion
2016	KPMG Taiwan	Bo-Shu Huang Ya-Lin Chen	Unqualified Opinion
2017	KPMG Taiwan	Bo-Shu Huang Ya-Lin Chen	Unqualified Opinion
2018	KPMG Taiwan	Yuan-Sheng Yin Ya-Lin Chen	Unqualified Opinion
2019	KPMG Taiwan	Yuan-Sheng Yin Ya-Lin Chen	Unqualified Opinion

2. Description of the reasons for changing the independent auditor in the past five years

   There is no change in independent auditor.

II. Financial Analysis for the Past Five Years

(I) IFRSs Financial Ratios

1. IFRS Consolidated Financial Ratios

Analysis Items (Note 3) / Year		Financial Analysis for the past five years (Note 1)					As of the year March 31, 2020 (Note 4)
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt to Assets Ratio	20.73%	18.5%	20.21%	16.47%	16.28%	24.67%
	Long-term Fund to Property, Plant and Equipment Ratio	505.04%	763.73%	903.97%	1023.07%	976.56%	1007.92%
Solvency%	Liquidity Ratio	427.29%	496.99%	453.71%	559.33%	750.02%	417.65%
	Quick Ratio	294.06%	413.26%	375.88%	419.27%	486.30%	294.33%
	Interest Coverage Ratio	188.68	255.52	47,327	761.43	74.81	56.22
Operating Performance	Average Collection Turnover (Times)	5.99	5.3	4.97	5.02	4.11	3.74
	Average Collection Days	60.98	68.89	73.44	72.70	88.80	97.59
	Average Inventory Turnover (Times)	4.17	4.33	4.45	3.62	3.06	2.52
	Average Account Payable Turnover (Times)	11.22	10.89	9.26	10.10	16.07	7.44
	Average Days Sales Outstanding	87.58	84.23	82.03	100.75	119.46	144.92
	Property, Plant and Equipment Turnover (Times)	7.12	9.26	11.46	12.48	11.23	10.33
	Total Assets Turnover (Times)	1.24	1.2	1.02	1.03	1.03	0.82
Profitability	Return on Total Assets (%)	14.39%	14.11%	17.46%	13.37%	4.58%	3.23%
	Return on Equity (%)	18.22%	17.44%	21.62%	16.35%	5.40%	4.00%

	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	41.69%	46.85%	72.15%.	61.26%	19.67%	14.38%
	Net Margin (%)	11.58%	11.76%	16.30%	13.13%	4.61%	3.64%
	Earnings per share (in one dollar of New Taiwan Dollar)	3.37	3.87	5.99	4.75	1.52	0.27
Cash flow	Cash Flow Ratio (%)	5.03%	71.63%	106.94%	65.04%	-106.16	90.14%
	Cash Flow Adequacy Ratio (%)	63%	82%	106%	107%	68%	142%
	Cash Flow Reinvestment Ratio (%)	-10.68%	-10.68%	11.22%	-4.01%	-25.77%	21.46%
Leverage	Operating Leverage	1.13	1.13	1.08	1.09	1.33	1.41
	Financial Leverage	1.01	1.01	1.00	1.00	1.01	1.02

Please explain changes in financial ratios over the past 2 fiscal years. (The analysis for the variation (increase or decrease) that is not over 20% is waived) **Solvency:** 1. Liquidity Ratio: The main reason is that the repayment of short-term bank borrowings in 2019 causes the decrease in current liabilities in 2018. 2. Interest Coverage Ratio: The main reason is that the repayment of bank borrowings in 2018 causes the decrease in interest expenses in 2019. **Operating Performance:** 1. Average Days Sales Outstanding: The main reason is that in 2019, in response to the merger operation procedures of the original firms and the demand for the operations of expansion, the inventory was increased. **Profitability:** The priced of NHI benefits for some part of products reduced by adjustment in the Year 2019 causes the decrease in operating revenue. Consequentially, the gross profit margin and the net profit margin for the Year 2019 is decreased in comparison with that for the Year 2018. **Cash Flow:** The price reduction by adjustment for NHI benefit for the Year 2019 causes the decrease in operating revenue. Consequentially, the gross profit margin and the net profit margin of the current period is decreased in comparison with that for the Year 2018. As a result, the cash flow from operating activities are decreased significantly from 2018, and each ratio of cash flows for the Year 2019 is decreased in comparison with that for the Year 2018.

＊ If the Company prepares a non-consolidated financial report, it should prepare the non-consolidated financial ratio analysis.

＊ If the preparation of financial statements in conformity with IFRSs is less than 5 years, the following table (2) should be prepared in conformity with the TIFRS.

Note 1: Financial information has been audited by independent auditors.

Note 2: Financial information has been verified by independent auditors.

Note 3: The formula for each item of the financial ratio is calculated as follows:

1.Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2.Solvency

(1) Liquidity Ration = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Income Before Income Tax and Interest Expenses / Interest Expense for Current Period.

3.Operating Performance

Average Collection Turnover (Including accounts receivable and notes receivable due to business operation) = Net Sales / Average Trade Receivables (Including accounts receivable and notes receivable due to business operation)

(2) Average Collection Days =365 /Average Collection Turnover.

(3) Average Inventory Turnover = Cost of Sales / Average Inventory.

Average Payment Turnover (Including accounts payable and notes payable due to business operation) = Cost of Sales / Average Trade Payables (Including accounts payable and notes payable due to business operation)

(5) Average Days Sales Outstanding/Average Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Net Average Property, Plant and Equipment

(7) Total Assets Turnover (Times) = Net Sales / Average Total Assets.

4.Profitability

(1) Return on total assets (ROA) = {Post-Tax Profit or Loss + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets

Return ratio on stockholders' equity = Post-Tax Profit or Loss / Average Shareholders' Equity

(3) Net Margin ＝ Post-Tax Profit or Loss／Net Sale.

(4) Earnings per share = (Profit and Loss Attributable to the Parent – Preferred Stock Dividend) / Weighted Average Number of Share Outstanding (Note 4)

5.Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities/ current liabilities.

(2) Cash Flow Adequacy Ratio = Five-Year net cash flow from operating activities / Five-Year (capital expenditures + inventory additions + cash dividends).T

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (real estate, plant and equipment gross + long-term investment + other non-current assets + working capital). (Note 5)

6.Leverage:

Degree of Operating Leverage (DOL) = (Net Operating Revenue - Variable Costs and Expense)/ Operating Income (Note 6)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: The formula for calculating the earnings per share should be paid attention to the following matters:

1.This is based on the weighted average number of common shares and is not based on the number of shares outstanding at the end of the year.

2.In the event of capital Increase by cash or transaction in treasury stock, the circulation period should be considered and the weighted average number of shares should be calculated.

3.In the event of capital increase through capitalization of retained earnings or through capitalization of capital reserve, the calculation of the earnings per share for the previous year and the semi-annual period shall be retrospectively adjusted according to the proportion of capital increase, and there is no need to consider the issue period of the capital increase.

4.If the preferred stock is a non-convertible cumulative preferred stock, its annual dividend (whether or not it is appropriated) shall be deducted from net profit after tax, or be added into the net loss after tax.

For the preferred stock that is non-cumulative in nature, if there is a profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if there is a loss, such loss shall not be adjusted.

Note 5: The cash flow analysis shall specially notice the following matters when measuring:

1.Net cash flow from operating activities refers to the net cash inflows from operating activities in the cash flow statement.

2.Capital expenditure refers to the number of cash outflow from capital investment every year.

3.The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.

4.Cash dividends include cash dividends for common shares and preferred shares.

5. Property, Plant and Equipment are the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify each items of various operating costs and operating expenses into fixed and variable according to their nature. If there is any estimation or subjective judgment, the rationality and consistency shall be maintained.

Note 7: The shares of the company have no par value or have the par value with less than NTD10. The aforesaid paid-in capital ratio is calculated based on the equity ratio of the balance sheet attributable to the shareholders of the parent company.

2. Non-Consolidated Financial Analysis - IFRS

Year / Item		Financial Analysis for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Financial Structure (%)	Debt Ratio	16.84%	16.60%	19.19%	16.42%	14.01%
	Long-term Fund to Property, Plant and Equipment Ratio	1362.99%	1846.11%	1945.05%	2038.91%	1777.48%
Solvency (%)	Liquidity Ratio	527.70%	550.67%	465.14%	531.94%	742.78%
	Quick Ratio	386.23%	464.09%	391.27%	399.43%	468.83%
	Interest Coverage Ratio	0.00	11,508.16	-	-	-
Operating Performance	Average Collection Turnover (Times)	5.99	5.30	4.97	5.02	4.11
	Average Collection Days	60.98	68.89	73.40	72.71	88.81
	Average Inventory Turnover (Times)	4.5	4.77	5.05	4.01	3.25
	Average Account Payable Turnover (Times)	9.62	8.83	7.53	8.70	14.29
	Average Days Sales Outstanding	81.15	76.52	72.28	91.02	112.31

	Property, Plant and Equipment Turnover (Times)	20.1	22.52	24.94	24.63	21.79
	Total Assets Turnover (Times)	1.25	1.03	1.09	1.02	0.99
Profitability	Return on total assets (%)	15.15%	14.53%	17.74%	13.44%	4.58%
	Return on Equity (%)	18.22%	17.44%	21.62%	16.35%	5.40%
	Pre-tax Income to Paid-in Capital Ratio	41.57%	46.85%	72.16%	55.93%	18.72%
	Net Margin (%)	11.58%	11.76%	16.30%	13.13%	4.61%
	Earnings per share (in one dollar of New Taiwan Dollar)	3.37	3.87	5.99	4.75	1.52
Cash flow	Cash Flow Ratio (%)	9.55%	81.89%	105.47%	22.07%	0.00%
	Cash Flow Adequacy Ratio (%)	71.00%	93.00%	109.52%	75.11%	34.98%
	Cash Flow Reinvestment Ratio (%)	-12.29%	6.06%	10.13%	-9.33%	-31.81%
Leverage	Operating Leverage	1.02	1.02	1.02	1.02	1.15
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Please explain changes in financial ratios over the past 2 fiscal years. (The analysis for the variation (increase or decrease) that is not over 20% is waived)

Profitability:

The increase in the import cost of some products for the Year 2019 causes the increase in operating cost ratio. Consequentially, the gross profit margin and the net profit margin for the current period is decreased in comparison with that for the Year 2017. As a result, every ratio of cash flows for the Year 2019 is decreased in comparison with that for the Year 2018.

Cash Flow:

The increase in the import cost of some products for the Year 2019 causes the increase in operating cost ratio. Consequentially, the gross profit margin and the net profit margin for the current period is decreased in comparison with that for the Year 2018. As a result, every ratio of cash flows for the Year 2019 is decreased in comparison with that for the Year 2018.

Source: Financial statements have been audited by independent auditors.

(II) Financial Analysis ─ TIFRS Not Applicable. The Company has applied the IFRS to prepare financial statements since 2013.

III. SUPERIORS' AUDIT REPORT FOR THE MOST RECENT ANNUAL FINANCIAL STATEMENT

Please refer to pages 224 to 228.

IV. FINANCIAL STATEMENTS AUDITED AND REVIEWED BY INDEPENDENT AUDITORS

Please refer to pages 229 to 286 for the consolidated financial statements of the Company and its subsidiaries.

Please refer to pages 287 to 290 for the non-consolidated financial statement of the Company.

V. IN THE MOST RECENT AND DURING THE CURRENT YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT, IF THE COMPANY AND AFFILIATED ENTERPRISES HAVE THE EVENT OF FINANCIAL DIFFICULTY, THE IMPACT ON THE FINANCIAL STATUS OF THE COMPANY SHOULD BE STATED: NIL.

VII. REVIEW AND ANALYSIS OF FINANCIAL STATUS AND OPERATION RESULTS AND RISK MATTERS

I. FINANCIAL STATUS

The main reason for the significant changes in the assets, liabilities and shareholders' equity of the Company in the past two years (more than 20% changes in difference between the previous period and current period, and the change amounted to NT$100,000) and its impact and future response plan.

Unit: In Thousands of New Taiwan Dollars

Item \ Year of	2018	2019	Differences	
			Value	%
Current Assets	1,453,754	1,199,129	(254,625)	(17.51)
Property, Plant and Equipment	135,300	137,113	1,813	1.34
Right-of-use asset	0	83,561	83,561	100
Intangible Assets	111	98	(13)	11.71
Other Assets	54,959	78,976	24,017	43.70
Total Assets	1,644,124	1,498,877	(145,247)	(8.83)
Current Liability	259,906	159,879	(100,027)	(38.49)
Non-Current Liability	10,976	84,182	73,206	666.96
Total Liabilities	270,882	244,061	(26,821)	9.90
Capital	466,670	466,670	0	0
Capital collected in advance	0	0	0	0
Additional Paid-in Capital	298,751	252,084	(46,667)	15.62
Retained Earnings	609,324	540,612	(68,712)	11.28
Other Equity	(1,503)	(4,550)	(3,047)	202.73
Total Equity	1,373,242	1,254,816	(118,426)	8.62

Main explanations of significant changes in assets, liabilities and shareholders' equity in the last two years:

Right-of-use assets, non-current liabilities: The main reason is to response the application of IFRSs 16.

Current Liabilities: Mainly due to the advance-purchase at the end of this year, the accounts payable were paid by the end of the year, and at the same time, and due to the decrease in profits

in this year, the compensation payable to employees, directors and supervisors, and the payable bonus decreased in comparison with that in last year.
Paid-in Capital Mainly caused by the distribution of cash dividend from the paid-in capital.
Retained Earnings: This is mainly due to the decrease in profit for current year compared to previous year.
Except for those described above, the variance of the rest of important account codes between the preceding and following periods does not reach the analysis criteria. Hence, no further explanation is required.

II. Financial Performance

The main reason for the significant variance in operating revenue, net operating margin and net operating income before tax in the past two years and the sales volume forecast and its basis, and its possible impact on the future financial operations of the Company and the corresponding plan.

(I) Comparative Analysis of Performance Results in the Past Two Years

Unit: In Thousands of New Taiwan Dollars

Year of / Items	2018	2019	Add (Less) Amount	Variance Percentage(%)
Net Operating Revenue	1,689,124	1,540,064	(149,060)	8.82%
Gross Profit	585,729	353,585	(232,144)	39.63%
Income from Operations (Losses)	282,086	85,799	(196,287)	69.58%
Non-Operating Income (Losses)	3,835	6,019	2,184	56.95%
Net Income Before Tax	285,921	91,818	(194,103)	67.89%
Net profit after tax	221,827	71,012	(150,815)	67.99%
Main reasons for significant changes in operating revenue, net operating margin and income before tax in the past 2 years: The operating revenue, operating gross profit, and operating profit for the Year 2019 were reduced in compared with that for the Year 2018 mainly due to the impact on the sale price of some drugs and on the drug price reduction by adjustment for NHI benefits. At the same time, the net profit before tax and the net profit after tax were also reduced compared with that of previous period.				

(II) The future one-year sales volume forecast and its basis, and its possible impact on and the corresponding plan for the future financial operations of the Company

1. The future one-year sales volume and amount forecast is as follows:
   In 2020, the Company will maintain the sales volume in 2019, and the goal will be to achieve the double-digit growth rate in revenue growth.
2. According to the possible impact on and the corresponding plan for the future financial business of the Company

The Company will continually increase the sales promotion visibility through the launch of new products in 2020 and products that obtained the drug permit license within recent years. At the same time, the Company enhances the layout of foreign markets and the progress of the development and expansion of local pharmaceutical firm thereof to continually maintain the growth engine of such products. Through such activities, the impact of the price reduction by adjustment for NHI benefits on revenue and profit is offset. The Company will be towards maintaining a certain growth rate of revenue and sales level.

III. CASH FLOW

(I) Liquidity Analysis in the Past Two Years

Unit: In Thousands of New Taiwan Dollars; %

Year of Item	2018	2019	Add (Less) Percentage
Cash inflow/(outflow) from operating activities	126,920	(169,737)	(233.74)
Cash inflow/(outflow) from investing activities	(32,097)	(36,711)	(4,614)
Cash inflow/(outflow) from financing activities	(226,668)	(195,260)	31,408

Describe the variation analysis for percentage increase or decrease:
Cash inflow/(outflow) from operating activities:
Both operating revenue and net profit for the Year 2019 were reduced mainly due to the impact on the reduction by adjustment for the sales price for NHI benefits of some drugs, so that the cash flow from operating activities are reduced in comparison with that for the Year 2018.
Cash inflow/(outflow) from financing activities:
The main reason is that the bank borrowings were repaid, so that the net cash flow from financing activities for the Year 2019 was reduced compared with that for the Year 2018.Cash inflow/(outflow) from investing activities: Mainly due to the strategic consideration of strategic cooperation in 2018, the external reinvestment is increased, thus outflow of cash from investment activities is increased
Cash inflow/(outflow) from financing activities:
Mainly due to the repayment of bank loans, the outflow for the net cash flow of financing activities in 2018 was increased compared with that in 2017.

(II)The remedial measures for the shortage of cash liquidity

In the event of the expected cash shortage, the remedial measures and liquidity analysis thereof: The Company estimates the cash flow in the coming year that will be the cash inflows from operating activities to pay the cash outflows therefrom. There is no major expected expenditures that may cause the insufficiency of cash flows except for the R&D expenditures that are carried out according to the plan.

(III) The liquidity analysis for the coming year

Unit: In Thousands of New Taiwan Dollars

Opening balance of cash	Estimated net cash flow from operating activities for the whole year	Estimated net cash outflow from operating activities	Estimated cash Cash Balance	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
349,398	114,673	82,333	546,404	-	300,000

1.Analyze any cash flow changes in the coming year:

Cash Flow from Operating Activities: Mainly from operating revenue, recovery from accounts receivable and profits.

Estimated annual cash outflow: It is mainly caused by the payment of new drug R&D, market development, and business development plans and the payment of cash dividends.

2. In the event of the expected cash shortage, the remedial measures and liquidity analysis thereof :

Although there was no shortage of cash liquidity for the Year 2020 temporarily, in response to the plans for the R&D of sustained product, market development and business expansion, the board of directors resolved the fund-raising plan through the convertible corporate bonds issue in February 2020.

IV. THE IMPACT OF MAJOR CAPITAL EXPENDITURES ON FINANCIAL BUSINESS IN THE MOST RECENT YEAR

In the most recent year, the Company has no estimated major capital expenditures other than the planned research and development expenditure items.

V. THE MOST RECENT ANNUAL REINVESTMENT POLICY, THE MAIN REASON FOR THE PROFITS/LOSSES GENERATED THEREBY, THE IMPROVEMENT PLAN AND THE INVESTMENT PLAN FOR THE COMING YEAR

The reinvestment policy: The reinvestment policy of the Company is mainly based on the investment related to biotechnology and pharmaceuticals industries, to expand the comprehensive operating efficiency of the Company. The investment projects of the

Company in the most recent year has been properly evaluated and resolved by the board of directors.

1. The reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby:

Unit: In Thousands of New Taiwan Dollars

Reinvested company	Profits/losses Recognition for the Year 2019	The main reasons for the profits/losses generated thereby	Improvement Plan	Investment Project in the coming year
Excelsior Pharmatech Labs.	7,195	Since 2016, Excelsior Pharmatech Labs. has start turning a profit and is expected to write the accumulated losses off entirely in 2019.	Continue to increase capacity utilization so that the profitability is increased.	None.

2. Investment plan for the coming year: There are no significant capital expenditure plans other than the ongoing investment in the research and development projects.

VI. Analysis and Assessment of Risk Matters

(I) The impact on and the future response measures for the fluctuation of interest rate , exchange rate, and inflation on the profit and loss of the Company

(1) Effects of change of Interest Rate:

As of the date of publication of the public offering and issuance prospectus, the Company has no external borrowings (including financial institutions and non-financial institutions), and the amount of interest expenses and interest income of the Company for the most recent year, and there is no significant change on the proportion of each of these amounts to the net operating revenue. Hence, as a whole, the change in interest rate has no significant impact on the profit and loss of the Company.

(2) Effects of change of Exchange rate:

The main procurement contract of the Company is settled in foreign currency and is therefore vulnerable to exchange rate fluctuations. The foreign exchange gain of the Company for 2019 and 2018 were NTD1,229,000 and NTD 641,000 respectively, representing a net operating income of 0.08% and 0.04% for each of the respective years, which did not have a material impact on the overall profit for the year. The Company will notice on exchange rate-related international financial information and maintain close contact with financial institutions to fully control the trend of exchange rate fluctuations at all times. At the same time, the Company will adjust the open position of foreign exchange in a timely manner in response to the exchange rate fluctuation to reduce the impact of exchange rate fluctuations on profit and loss.

(3) Inflation effects:

According to the Consumer Price Index (CPI) for March 2019 issued by Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan was 101.73%, up 0.01% from the same period of last year. The annual growth rate for 2019 is forecast to be 0.62%. The change in recent annual inflation is no significant impact on the profit and loss of the Company. In the future, the Company will continue to closely observe changes in price index, and timely reflects the impact of price fluctuations in response to the increase in costs depending on the impact of inflation on the Company.

(II) Policies for engaging in high-risk, high-leverage investment, loaning funds to others, making endorsements /guarantees and engaging in derivatives trading, the main reasons for the profits/losses generated thereby and future response measures

The financial operations of the Company are based on the Conservatism principle, and the Company is not engaged in high-risk, high-leverage investment. The Company establishes the “Procedures for the Acquisition or Disposal of Assets”, “Operational Procedures for Loaning Funds to Others”, “Operational Procedures for Endorsements/Guarantees”, and relevant operational procedures resolved by the shareholders’ meetings as the guideline for the Company to execute related transactions. In the most recent year and during the current year up to the date of publication of the prospect, the Company does not load any fund to others were not loaned to others, and does not play as endorsement/guarantee provider for others except for the subsidiaries, and does not conduct any trading in derivative commodities.

If the Company is the endorsement/guarantee provider for the subsidiaries it conducts such matters in line with the relevant regulations set by the Company, and also has made declarations in accordance with the relevant laws and regulations.

(III) Future Research and Development Plan and Estimated Investment in Research and Development Expenses

(1) Future Research and Development Plan:

Excelsior Biopharma Inc. will continue to develop the agency for new products and new market in Asia, as well as negotiate technology licensing to jointly develop new products for domestic manufacture and sales rights as a agent in Asia.

The strategy for product R&D and technology development of Excelsior Pharmatech Labs. has five major directions: ΦSpecial medical drugs: Medicines that have not been developed for treatment or not been supplied for particular diseases; (2) drugs have been launched in foreign countries, but have been acquired difficultly in the domestic market, or the development of another products that meet market expectations; (3) foreign countries have developed drugs, the new dosage forms and new usage of delivery are developed, such as tablets, capsules, syrups, powders, injections, percutaneous absorption, ointments, sprays, inhalation, etc.; (4) new indications are developed; 5) compound drugs with therapeutic and economic value are developed.

Invest research and development projects related to transforming growth factor antagonists and agonists, use drug candidates licensed from foreign companies to conduct drug research and efficacy, safety analysis; establish drug screening platforms, animal disease models, and study the transforming growth factor antagonists and agonists of natural substance to develop new products.

(2) Estimated Investment in Research and Development Expenses:

The research and development expenses as a percentage of net revenues of the Company and its subsidiaries in the past three years (from 2017 to 2019) were 3.52% (2017), 2.33% (2018) and 3.35% (2019) respectively. It is expected that the amount of no less than 3% of the operating income will be maintained at the level of research and development expenditure as that in the preview years. The main new research and development expenses in the future will be the royalty for industry-academia cooperation for neuropsychiatric drug EX039, patent application and maintenance, and the testing disease development project for the special disease research center, the operation and technology royalty of the Transforming Growth Factor Research Center, and the development of new products will continue to be invested in development expense depending on the development progress and results.

On the one hand, in order to effectively develop product of each item, Excelsior Pharmatech Labs. will cooperate with research institutions and clinical trial centers at home and abroad, and plan and implement the patent mapping of products and technology. Afterwards, it will evaluate and adjust relevant research and development expenses according to the research and development process in order to maintain market differentiation strategies and ensure competitive advantage.

(IV) The impact of important policies and legal changes at home and abroad on the financial business of the Company and the response measures

The operating activities of the Company are in compliance with relevant domestic and international laws and regulations. The relevant business personnel are also paying attention to the changes in the laws and regulations, and provide instant information for the management level of the Company for reference. Therefore, in the event of any change of important domestic and foreign policies and laws, the Company can master and respond effectively. In the most recent year and during the current year up to the date of publication of the prospect, the Company has no material adverse impact on its finances and business due to changes in domestic and foreign policies and regulations.

(V) The impact of technological changes and industrial changes on the financial business of the Company and the response measures

The biotechnology industry in which the Company is engaged is characterized as an industry with a high technical threshold and high added value, and a long product development cycle. Therefore, it takes several years for the developed product or technology to be productized. Therefore, there will be no major changes in a short period of time, and the Company will notice to the technology development trend of related industries at any time, and the management team will fully master the future market direction and adjust the technology development strategy in time to reduce the impact on the technological or industrial changes to the company. In the most recent year and during the current year up to the date of publication of the prospect, the changes in technology and changes in the industry have not had a significant impact on the finance and business of the Company.

(VI) The impact of corporate image changes on corporate crisis management and the response measures

Since the establishment, the Company has been committed to maintaining the image of the Company and there has been no behavior that has caused the image of the Company to be damaged or incurred any crisis. In addition to being awarded the National Award of Outstanding SMEs in 2017, the Company has twice obtained the MOHW/MOEA Pharmaceutical Technology Research and Development Award and Orphan Drug Supply, Manufacture and Research and Development Award and were awarded to the excellent manufacturers in the first year of the promotion and implementation of the Pharmaceuticals Good Distribution Practice Regulations, Department of Health, Executive Yuan. In the most recent year and during the current year up to the date of publication of the prospect, the Company has no significant impact on the Company due to corporate image changes.

(VII) Expected benefits, potential risks and the response measures for Merger and Acquisition

In the most recent year and during the current year up to the publication date of this annual report, the Company has merged and acquired Excelsior Pharmatech Labs. as the 100% owned subsidiary of the company, and the drug licenses of related products have been controlled and held by the Company. In addition, in the future, if the Company has a plan for mergers and acquisitions, the Company will continue to adhere to the attitude of prudent evaluation, while fully considering the comprehensive effect of the merger, and fully implement the relevant operational practices to ensure the protection of shareholders' rights.

(VIII) Expected benefits, potential risks and the response measures for the expansion of the plant

Since 2012, the subsidiary of the Company had built the factory which was completed in 2013, and applied to the TFDA for PIC/S GMP inspection in 2013. In December 2013, such factory had accepted the TFDA inspection and in July 2014, had accepted the TFDA mobile inspection without major deficiencies in its audit results and it was approved as PIC/S GMP factory in October 2014. Since the second quarter of 2015, the products have been successively transferred back to Excelsior Pharmatech Labs. For self-manufacturing production. At present, the products of mass production manufactured on its own has fulfilled the scale of turnover, and then the profit has been realized. The enhancement of internal management and the improvement of production line efficiency successively makes the risk due to the expansion of plant be reduced to minimization. There has been no expansion of the factory in the past two years.

(IX) Risks and response measures for the procurement or sales concentration

(1) Risks and response measures for procurement concentration

The Company is the agent of foreign branded drugs which are sold to domestic medical centers and major hospitals. In 2019, the procurement amount of a single supplier is accounted for 75.68% of the total annual net procurement, and there is a situation of procurement concentration. The Company has acted as the agency for and signed the agency contract with a number of pharmaceutical companies to sell within Taiwan and has completed procedures for statutory product licenses or other approval. The product line is diversified, which can appropriately reduce the risk of concentrated procurement. In addition, the domestic-made products are contracted to Excelsior Pharmatech Labs. which performs development or contracted manufacturing business. Excelsior Pharmatech Labs. has signed contracted manufacturing contracts with several contract-manufacturers. After obtaining PIC/S GMP certification in October, 2014, Excelsior Pharmatech Labs. has successively commerced production from the second quarter of

2015 and has established its own production capacity. Hence, the supply condition has been good so far, and there has been no supply shortage or disruption that has affected the business of the Company.

(2) Risks and response measures for the sales concentration:

The sales target of the Company for the year of 2019 is mainly concentrated in large medical centers, accounting for 77.51% of the net sales of goods, of which Taipei Veterans General Hospital accounted for 35.09% of the net sales of good in 2019. Hence, there is a sales concentration situation. The Company will continue to launch new drug products and OTC consumer products and develop new market at home and abroad as a response.

①New Product Launch:

EX028 the new drugs used for dyslipidemia	Has completed the clinical trials of the four major medical centers for application of drug registration in Taiwan, and the new drugs application was approved. In April 2016, the drug permit license for "Omac-3-Acid Ethyl Esters 90" Soft Capsules 1000 mg was issued. In July of the same year, it launched large-scale production.
Five major types of healthcare products	There are currently five major types of products: There are five categories of the natural enzyme oral healthcare product series, fish old product series, and the probiotic product series, and the Omega-3 product line, pharmaceutical grade activated carbon and skin care products series, and new series of products are gradually introduced according to the needs of the market.
Rare disease medications and other special medical drugs	The Company has developed a mature operating mode in this core area, which is beneficial for the Company to obtain the agent and sales rights of more new products in Asia and Taiwan from the market demand side or the supplier side of the branded drug firms.
The development of other new products	Cooperate with subsidiary Excelsior Pharmatech Labs. to develop new drugs such as EX039, EX40, EX041 and EX042, etc. and expand the future market and performance growth.

② The Development of New Domestic and Foreign Market:

The Development of New Domestic Market	Since the beginning of 2011, the Company started to enter the domestic public market of healthcare food and medical supplies, continually expanded the new agent items and increased the product visibility and sales channels by marketing on internet and MediCon chain stores.
The Development of New Foreign Market	Since 2012, there have been overseas market sales (mainly in mainland China and Asia) and the Company also has obtained the new market development and sales agency contract with the branded drug firm. The revenue of the Southeast Asian market from March to December in 2013 was NTD13,457,000 and the revenue in 2018 grew steadily to NTD 30,755,000. In 2018, the Company will continue to expand new markets and increase product items sold and turnover in foreign market.

(X) Impact and risk on the Company for transfer or exchange of large amount of shares by the directors, supervisors or majority shareholders holding more than 10% of the shares of the Company.

In the most recent and during the current year up to the date of publication of the annual report, there is no transfer or exchange of large amount of shares by the directors, supervisors or majority shareholders holding more than 10% of the shares of the Company.

(XI) Impacts and risks of changes in management rights on the Company

In the most recent and during the current year up to the date of publication of the annual report, the Company has no transfer of operation.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes involve the Company and/or any director, any supervisor, the general manager of the Company, any person with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

(1) If there has been any substantial impact upon 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 was finalized or remained pending in the past 2 years or during the current year up to the publication date of the annual report: Nil.

(2) 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 a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the past 2 years or during the current fiscal year up to the printing date of the prospectus: Nil.

(XIII) Other important risks and response measures: Nil.

XII. OTHER IMPORTANT MATTERS: NIL.

VIII. THE MATTERS OF SPECIAL NOTE

I. Affiliated Companies Information

(I) Consolidated Business Report of Affiliated Companies

1. Organization Structure of Affiliated Companies

Excelsior Biopharma Inc.

100%

Excelsior Pharmatech Labs.

2. Basic Information of Affiliated Companies

Unit: In Thousands of New Taiwan Dollars

Name of associate company	Establishment Date	Address	Paid-in Capital	Main Business or Production Item
Excelsior Pharmatech Labs.	December 7, 1996	14F.-7, No.3, Park Street., Nangang District, Taipei City	165,000	Drug development, production and sales; biotechnology services, other consultancy services

(II) Consolidated Financial Statements of Affiliated Companies

(III) Affiliation Reports: Not Applicable.

II. Private placement of securities condition in the most recent year and during the current year up to the date of publication of the annual report: Nil.

III. Holding or disposal of shares by the subsidiaries of the Company in the most recent and during the current year up to the date of publication of the annual report: Nil.

Unit: In Thousands of New Taiwan Dollars; shares; %

Name of subsidiaries	Paid-in Capital	Source Of Fund	Shareholding of the Company	Acquisition or Disposal Date	Number of shares and amount acquired	Number of shares and amount disposed	Gains or Losses on Investment	Shareholdings and Amount up to the date of publication of the annual report	Pledged Status	The Company as the Endorsement/Guarantee Provider for the subsidiaries	Loaning Funds to subsidiaries
Excelsior Pharmatech Labs.	165,000	Owned Capital	100%	The current year up to the date of publication of the annual report	-	-	-	-	-	170,000	-

IV. Other necessary supplementary explanations: Nil.

V. In the most recent year and during the current year up to the date of publication of the annual report, there are matters that have a significant impact on shareholders' equity or securities prices regulated under Article 36.3.2 of Securities and Exchange Act: Nil.

Supervisors' Auditing Report

The Board of Directors presented the year 2019 Business Report, Financial Statement (including the consolidated financial statement). The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Supervisors. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 219 of the Company Act.

Submitted to: 2020 Annual Meeting of Shareholders of the Company

Supervisor: TSAI, BEE-CHU

February 11, 2020

Supervisors' Auditing Report

The Board of Directors presented the year 2019 profit distribution proposal. The aforementioned reports and statements were audited and found satisfactory by the Supervisors. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 219 of the Company Act.

Submitted to: 2020 Annual Meeting of Shareholders of the Company

Supervisor: TSAI, BEE-CHU

March 3, 2020

Supervisors' Auditing Report

The Board of Directors presented the year 2019 Business Report, Financial Statement (including the consolidated financial statement). The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Supervisors. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 219 of the Company Act.

Submitted to: 2020 Annual Meeting of Shareholders of the Company

Supervisor: WANG, HSI-CHIEH

February 11, 2020

Supervisors' Auditing Report

The Board of Directors presented the year 2019 Business Report, Financial Statement (including the consolidated financial statement). The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Supervisors. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 219 of the Company Act.

Submitted to: 2020 Annual Meeting of Shareholders of the Company

Supervisor:

HUANG, HSIANG-MIN, Legal Representative of Fortune Construction Group

February 11, 2020

Supervisors' Auditing Report

The Board of Directors presented the year 2019 profit distribution proposal. The aforementioned reports and statements were audited and found satisfactory by the Supervisors. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 219 of the Company Act.

Submitted to: 2020 Annual Meeting of Shareholders of the Company

Supervisor:

HUANG, HSIANG-MIN, Legal Representative of Fortune Construction Group

March 3, 2020

Stock Code:6496

EXCELSIOR BIOPHARMA INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: 14F-6, No.3, Park Street, Nangang District, Taipei 11503, R.O.C.
Telephone: (02)2655-7568

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

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Excelsior Biopharma Inc. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endosed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Excelsior Biopharma Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Excelsior Biopharma Inc.

Chairman: Chen Tse Ming

Date: February 11, 2020

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
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Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

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Independent Auditors' Report

To the Board of Directors of Excelsior Biopharma Inc.:

Opinion

We have audited the consolidated financial statements of Excelsior Biopharma Inc. (the "Company") and its subsidiaries (collectively referred to as the "Consolidated Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the 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 Consolidated Company as of December 31, 2019 and 2018, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Internationals developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis of Matter

As stated in Note 3(a) to the consolidated financial statements, the Consolidated Company has initially adopted the IFRS 16, "Leases" commencing January 1, 2019 and applied the modified retrospective approach with no restatement of comparative period amounts. Our conclusion is not modified in respect of this matter.

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 year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of trade receivable

   Please refer to note 4(g), note 5, and note 6(d) for the disclosures related to impairment of trade receivable of the consolidated financial statements.

   Description of key audit matter:

   The notes receivable and accounts receivable constituted 28% of the total consolidated assets of the Consolidated Company as of December 31, 2019, and the impairment of notes and accounts receivable depend on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider it as a key audit matter.

   How the matter was addressed in our audit:

   Obtaining the report on notes and accounts receivable, and confirming the notes and accounts receivable by issuing notifications; obtaining the calculation of impairment loss rate for notes and accounts receivable, and examining its accuracy of calculation; obtaining the ageing report of notes and accounts receivable, sampling and examining the relevant documents to ensure the accounts are properly categorized by periods, as well as reviewing whether the allowance of impairment for notes and accounts receivable were recognized based on loss rate. Evaluating whether the allowance of impairment for notes and accounts receivable and impairment losses are reasonably recognized by the Consolidated Company. Obtaining the documents regarding the allowance of impairment for notes and accounts receivable in order to verify whether they are in compliance with the Consolidated Company's accounting policies; reviewing whether the disclosure of impairment on trade receivable made by the management is appropriate.

2. Inventory measurement

   Please refer to note 4(h), note 5 and 6(f) for the disclosures related to inventory measurement of the consolidated financial statements.

   Description of key audit matter:

   The inventories of the Consolidated Company are measured at the lower of cost and net realizable value due to the rapid development in the research study on pharmaceutical industry and the advance of new pharmaceutical products which may significantly change the market demand leading to product expiration and obsolescence, resulting in the cost of inventory to be higher than the net realizable value. Therefore, we consider it as a key audit matter.

   How the matter was addressed in our audit:

   Obtaining the report on net realizable value of inventories in order to assess their reasonability; understanding the selling prices for inventory valuation after the reporting date and sampling proof of transactions to assess their reasonableness; conducting and analyzing the inventory ageing report to ensure they are properly categorized by periods; monitoring the inventory write downs and gains from price fluctuation for the past 3 years to evaluate the appropriateness of the inventory measurement conducted by the management. Obtaining the documents regarding the inventory measurement in order to verify whether they are in compliance with the Consolidated Company's accounting policies; reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

Excelsior Biopharma Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Company'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 Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisors) are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company'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 Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Consolidated Company 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company 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.

The engagement partners on the audits resulting in this independent auditors' report are Yuan-Sheng Yin and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 11, 2020

Notes to Readers

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

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

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 349,396	23	751,106	46
1150	Notes receivable, net (note 6(d))	6,927	-	5,207	-
1170	Accounts receivable, net (note 6(d))	414,481	28	322,345	20
1200	Other receivable (note 6(e))	70	-	185	-
1220	Current income tax assets	8,409	1	-	-
130x	Inventories (note 6(f))	416,360	28	360,326	22
1476	Other financial assets—current (notes 6(c) and 8)	-	-	10,799	-
1479	Other current assets	3,484	-	3,786	-
	Total current assets	1,199,129	80	1,453,754	88
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	27,430	2	30,497	2
1600	Property, plant and equipment (notes 6(g) and 8)	137,113	9	135,300	8
1755	Right-of-use assets (note 6(h))	83,501	5	-	-
1780	Intangible assets (note 6(i))	98	-	111	-
1840	Deferred tax assets (note 6(n))	13,104	1	13,264	1
1920	Refundable deposits	27,411	2	11,198	1
1980	Other financial assets—non-current (note 6(c))	11,011	1	-	-
	Total non-current assets	299,748	20	190,370	12
	Total assets	$ 1,498,877	100	1,644,124	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2151	Notes payable	7,293	-	9,976	-
2152	Other notes payable	13,409	1	3,545	-
2170	Accounts payable	30,905	2	82,453	5
2200	Other payables (notes 6(m) and (r))	78,356	5	107,353	7
2230	Current tax liabilities	1,928	-	38,589	2
2280	Lease liabilities—current (note 6(k))	9,874	1	-	-
2300	Other current liabilities	18,034	1	17,990	1
	Total current liabilities	159,879	10	259,906	15
	Non-Current liabilities:				
2580	Lease liabilities—non-current (note 6(k))	75,143	5	-	-
2640	Net defined benefit liability (note 6(m))	9,039	1	10,976	1
	Total non-current liabilities	84,182	6	10,976	1
	Total liabilities	244,061	16	270,882	16
	Equity attributable to shareholders of the Company (notes 6(o) and (s)):				
3110	Common stock	466,670	31	466,670	28
3200	Capital surplus	252,084	17	298,751	18
	Retained earnings:				
3310	Legal reserve	162,910	11	140,727	9
3320	Special reserve	1,503	-	-	-
3350	Unappropriated earnings	376,199	25	468,597	29
		540,612	36	609,324	38
	Other equity:				
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(4,550)	-	(1,503)	-
	Total equity	1,254,816	84	1,373,242	84
	Total liabilities and equity	$ 1,498,877	100	1,644,124	100

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019		2018	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (note 6(q))**	$ 1,540,064	100	1,689,124	100
5000	**Operating costs (notes 6(f), (g), (h), (k), (l) and (m))**	1,186,479	77	1,103,395	65
5910	**Gross profit**	353,585	23	585,729	35
6000	**Operating expenses (notes 6(d), (g), (h), (i), (k), (l), (m), (r) and 7):**				
6100	Selling expenses	122,222	8	147,261	9
6200	Administrative expenses	95,022	6	117,112	7
6300	Research and development expenses	51,524	3	39,436	2
6450	Reversal of impairment for expected credit loss	(982)	-	(166)	-
	Total operating expenses	267,786	17	303,643	18
6900	**Net operating income**	85,799	6	282,086	17
7000	**Non-operating income and expenses (notes 6(k) and (s)):**				
7010	Other income	5,990	-	3,477	-
7020	Other gains and losses	1,273	-	734	-
7050	Finance costs	(1,244)	-	(376)	-
	Total non-operating income and expenses	6,019	-	3,835	-
	Net income before tax	91,818	6	285,921	17
7950	**Less: Income tax expenses (note 6(n))**	20,806	1	64,094	4
	Net income	71,012	5	221,827	13
8300	**Other comprehensive income (loss) (note 6(m)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	277	-	(232)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,047)	-	(1,503)	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will not be reclassified to profit or loss	(2,770)	-	(1,735)	-
8300	**Other comprehensive income (loss), net of tax**	(2,770)	-	(1,735)	-
8500	**Total comprehensive income**	$ 68,242	5	220,092	13
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	1.52		4.75
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	1.52		4.71

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company							
			Retained earnings				Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total		Total equity
Balance at January 1, 2018	$ 466,670	345,418	112,759	-	414,971	527,730	-	1,339,818
Appropriation and distributions:								
Legal reserve	-	-	27,968	-	(27,968)	-	-	-
Cash dividends	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	-	-	-	-	221,827	221,827	-	221,827
Other comprehensive income for the year	-	-	-	-	(232)	(232)	(1,503)	(1,735)
Total comprehensive income for the year	-	-	-	-	221,595	221,595	(1,503)	220,092
Balance at December 31, 2018	466,670	298,751	140,727	-	468,597	609,324	(1,503)	1,373,242
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	22,183	-	(22,183)	-	-	-
Special reserve appropriated	-	-	-	1,503	(1,503)	-	-	-
Cash dividends	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	-	-	-	-	71,012	71,012	-	71,012
Other comprehensive income for the year	-	-	-	-	277	277	(3,047)	(2,770)
Total comprehensive income for the year	-	-	-	-	71,289	71,289	(3,047)	68,242
Balance at December 31, 2019	$ 466,670	252,084	162,910	1,503	376,199	540,612	(4,550)	1,254,816

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019	2018
Cash flows from operating activities:			
Income before tax	$	91,818	285,921
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		28,565	25,445
Amortization expense		13	14
Reversal of impairment for expected credit loss		(982)	(166)
Interest expense		1,244	376
Interest income		(854)	(975)
Gain on disposal of property, plant and equipment		(44)	(104)
Total adjustments to reconcile profit and loss		27,942	24,590
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		(1,720)	166
Accounts receivable		(91,154)	17,653
Other receivables		(2)	1
Inventories		(56,034)	(111,503)
Other current assets		302	1,752
Total net changes in operating assets		(148,608)	(91,931)
Net changes in operating liabilities:			
Notes payable (included other notes payable)		7,261	(7,914)
Accounts payable		(51,548)	(18,617)
Other payables		(28,997)	(2,396)
Other current liabilities		44	709
Net defined benefit liability－non-current		(1,660)	(1,845)
Total net changes in operating liabilities		(74,900)	(30,063)
Total net changes in operating assets and liabilities		(223,508)	(121,994)
Total adjustments		(195,566)	(97,404)
Cash inflow (out flow) generated from operations		(103,748)	188,517
Interest income received		971	858
Interest paid		(1,244)	(376)
Income tax paid		(65,716)	(62,079)
Net cash flows (used in) from operating activities		(169,737)	126,920
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		-	(32,000)
Acquisition of property, plant and equipment		(20,373)	(9,543)
Proceeds from disposal of property, plant and equipment		87	104
(Increase) decrease in refundable deposits		(16,213)	9,308
(Increase) decrease in other financial assets－non-current		(212)	34
Net cash flows used in investing activities		(36,711)	(32,097)
Cash flows from financing activities::			
Increase in short-term loans		-	25,000
Decrease in short-term loans		-	(65,000)
Payment of lease liabilities		(8,592)	-
Cash dividends paid		(186,668)	(186,668)
Net cash flows used in financing activities		(195,260)	(226,668)
Net decrease in cash and cash equivalents		(401,708)	(131,845)
Cash and cash equivalents at beginning of period		751,106	882,951
Cash and cash equivalents at end of period	$	349,398	751,106

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization

EXCELSIOR BIOPHARMA INC. (the "Company") was incorporated on July 1, 1988 as a company limited by shares under the laws of the Republic of China (ROC). The consolidated entities in the consolidated financial statements include the Company and its subsidiaries (the "Consolidated Company"). The Consolidated Company's major business includes:

(a) Western medicines

(b) Importing and exporting of Active Pharmaceutical Ingredients

(c) Food

(d) Cosmeceuticals and development of cosmetics (excluded toxicity)

(e) Research, importing and exporting of technologies

(f) Pharmaceutical technologies transfer and cooperative development and improvement

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

These consolidated financial statements were approved and authorized for issue by the board of directors on February 11, 2020.

(3) New standards, amendments and interpretations adopted:

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

In preparing the accompanying consolidated financial statements, the Consolidated Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except IFRS 16"Leases", the Consolidated Company believes that the adoption of abovementioned standards or interpretations would not have any material impact on its consolidated financial statements. The extent and impact of are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Consolidated Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized at the date of initial application. The details of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Consolidated Company determined, at contract inception, whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Consolidated Company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in note 4(j) of the Consolidated Company's accounting policies.

On transition to IFRS 16, the Consolidated Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Consolidated Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed on, after, January 1, 2019.

(ii) As a lessee

As a lessee, the Consolidated Company previously classified leases as operating or finance leases based on its assessment on whether the lease transferred significantly all of the risks and rewards incidental to ownership on the underlying asset to the Consolidated Company. Under IFRS 16, the Consolidated Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Consolidated Company decided to apply the recognition exemptions to the short-term or low-value leases of its office equipment and leases of office space.

At transition, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Consolidated Company applies to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Consolidated Company applies to all other lease.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In addition, the Consolidated Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize the right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on financial statements

On transition to IFRS 16, the Consolidated Company recognized its right-of-use assets and lease liabilities amounting to $86,333 thousands at the date of initial application. When measuring lease liabilities, the Consolidated Company discounted lease payments using its incremental borrowing rate at January 1, 2019, wherein the weighted-average rate applied is 1.428%.

An explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed, is as follows:

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	$	32,119
Recognition exemption for:		
short-term leases		(675)
leases of low-value assets		(116)
Extension and termination options reasonably certain to be exercised		61,606
	$	92,934
Discounted using the incremental borrowing rate at January 1, 2019	$	86,333
Finance lease liabilities recognized as at December 31, 2018		-
Lease liabilities recognized at January 1, 2019	$	86,333

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Consolidated Company assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Consolidated Company. The Consolidated Company 'controls' an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Consolidated Company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Consolidated Company will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

			Percentage of ownership		
Name of investor	**Name of subsidiary**	**Main activities**	**December 31, 2019**	**December 31, 2018**	**Remarks**
EXCELSIOR BIOPHARMA INC.	Ke Jin Pharmaceutical Co., Ltd. (Ke Jin)	Manufacture, inspection and research and development of western Medicine	100.00 %	100.00 %	

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(e) Classification of current and non-current assets and liabilities

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

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

2) It is held primarily for the purpose of trading;

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

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

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

1) It is expected to be settled in the normal operating cycle;

2) It is held primarily for the purpose of trading;

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

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Dividend income is recognized in profit or loss on the date on which the Consolidated Company's right to receive payment is established.

3) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The Consolidated Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes and accounts receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Consolidated Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Consolidated Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

At each reporting date, the Consolidated Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Consolidated Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Consolidated Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities

1) Other financial liabilities

Other financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The Consolidated Company's cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment, for current and comparative periods are as follows:

Buildings	50 years
Office equipment	1~10 years
Research and development equipment	5~10 years
Transportation	5 years
Machinery	2~10 years
Other equipment	1~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

Policy applicable commencing January 1, 2019

(i) Identifying a lease

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Consolidated Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) the Consolidated Company has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Consolidated Company has the right to direct the use of an asset if either:

   — the Consolidated Company has the right to operate the asset; or

   — the Consolidated Company designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Consolidated Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a leasee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined the Consolidated Company's incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Consolidated Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Consolidated Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Consolidated Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of its low-value assets, including its transportation and office space. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

Leases are operating leases and are not recognized in the Consolidated Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Intangible assets

The intangible assets is the royalty of distribution rights to medicine and be measured at cost, less accumulated amortization and any accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of five and ten years.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Impairment of non-financial assets

At each reporting date, the Consolidated Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company's main types of revenue are explained below.

(i) Sale of goods

The Consolidated Company's major business includes western medicines, importing and exporting of active pharmaceutical ingredients. The Consolidated Company recognizes revenue when control of the goods has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Consolidated Company has a right to an amount of consideration that is unconditional.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Consolidated Company' s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Consolidated Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Consolidated Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized expect for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Consolidated Company discloses the Company' s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Employee bonuses are settled by issuing shares that are yet to be approved at the shareholder's meeting.

(r) Segment information

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

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

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

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

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

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

(a) Impairment of accounts receivable

The Consolidated Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Consolidated Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For the relevant assumptions and input values, please refer to note 6(d).

(b) Inventory measurment

Since inventories are measured at the lower of cost and net realizable value, the Consolidated Company evaluated its inventories based on the expiration and price adjustment of its pharmaceutical products then write down their costs to net realizable value at the end of the reporting date. Please refer to note 6(f) for the inventory measurement.

(6) Description of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 311	243
Demand deposits	321,948	723,461
Checking deposits	319	582
Time deposits	26,820	26,820
Cash and cash equivalents per consolidated statements of cash flows	$ 349,398	751,106

Please refer to note 6(t) for the disclosure of the interest rate risks and the sensitivity analysis of the Consolidated Company's financial assets and liabilities.

Please refer to note 6(c) for the disclosure of the Consolidated Company's time deposits with a maturity of three months and above one year were recorded under other financial assets－current and other financial assets－non-current.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets measured at fair value through other comprehensive income—non-current

	December 31, 2019	December 31, 2018
Equity investment measured at fair value through other comprehensive income:		
Stocks listed on domestic markets	$ 27,450	-
Stocks unlisted on domestic markets	-	30,497
	$ 27,450	30,497

(i) Equity investments measured at fair value through other comprehensive income

The Consolidated Company held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

For the year ended December 31, 2019, the Consolidated Company did not dispose the aforementioned equity investment, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(ii) For the information of credit risk and market risk, please refer to note 6(t).

(iii) The aforesaid equity investment was not pledged as collateral.

(c) Other financial assets

	December 31, 2019	December 31, 2018
Current:		
Bank's time deposits	$ -	10,799
Non-current:		
Bank's time deposits	11,011	-
Total	$ 11,011	10,799

As of December 31, 2019, the Consolidated Company did not pledge its other financial assets as collateral. As of December 31, 2018, the Consolidated Company pledged its other financial assets as collateral, please refer to note 8.

(d) Notes receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 6,927	5,207
Accounts receivable—measured as amortized cost	415,544	324,414
Overdue receivable—measured as amortized cost	15	122
Less: Loss allowance (included overdue receivable)	1,078	2,191
	$ 421,408	327,552

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all notes receivable and accounts receivable. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The Consolidated Company's loss allowance for expected credit losses of notes and accounts receivable was determined as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 420,117	0.0425%	179
Past due 181~365 days	1,541	4.5915%	71
Past due over 365 days	828	100.00%	828
	$ 422,486		1,078

	December 31, 2018		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 325,894	0.00%	-
Past due 181~365 days	3,838	56.79%	2,180
Past due over 365 days	11	100.00%	11
	$ 329,743		2,191

The movement in the allowance for impairment with respect to notes and accounts receivable of the Consolidated Company was as follows:

	2019	2018
Balance at beginning of the period	$ 2,191	2,357
Impairment loss reversed	(982)	(166)
Amounts written off	(131)	-
Balance at end of the period	$ 1,078	2,191

As of December 31, 2019 and 2018, the Consolidated Company did not provided its notes and accounts receivable as collateral or factored them for cash.

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	$ 70	185

As of December 31, 2019 and 2018, the Consolidated Company had no other receivables that were past due. Therefore, no loss allowance for impairment were required after the management's assessment.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Inventories

		December 31, 2019	December 31, 2018
Merchandise	$	374,253	320,660
Finished goods		2,364	3,116
Work in progress		3,782	2,651
Semi-finished products		1,726	818
Raw material		31,537	30,272
Materials		2,698	2,809
Total	$	416,360	360,326

Due to the decrease in the net realizable value of inventories, the Consolidated Company recognized the inventory pricing loss as cost of goods sold. The amounts were as follows:

		2019	2018
Loss on decline in market value of inventory	$	401	4,616
Gain on physical inventory, net		(12)	(21)
Loss on scrapping of inventory		4,748	4,735
Loss on idle capacity		20,009	18,604
Total	$	25,146	27,934

As of December 31, 2019 and 2018, the Consolidated Company did not pledge its inventories as collateral.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

		Land	Buildings	Office equipment	Research and development equipment	Transportation equipment	Machinery equipment	Other equipment	Total
Cost or deemed cost:									
Balance at January 1, 2019	$	37,261	72,748	33,707	20,343	564	101,630	18,815	285,068
Additions		-	-	9,341	5,980	-	2,579	2,473	20,373
Disposals		-	-	(226)	-	-	-	(13)	(239)
Reclassification		-	-	55	(55)	-	-	-	-
Balance at December 31, 2019	$	37,261	72,748	42,877	26,268	564	104,209	21,275	305,202
Balance at January 1, 2018	$	37,261	72,748	32,587	18,375	564	94,540	18,282	274,357
Additions		-	-	1,470	1,968	-	5,572	533	9,543
Disposals		-	-	(350)	-	-	(78)	-	(428)
Reclassification		-	-	-	-	-	1,596	-	1,596
Balance at December 31, 2018	$	37,261	72,748	33,707	20,343	564	101,630	18,815	285,068

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		Land	Buildings	Office equipment	Research and development equipment	Transportation equipment	Machinery equipment	Other equipment	Total
Depreciation:									
Balance at January 1, 2019	$	-	23,441	26,735	12,137	564	80,542	6,349	149,768
Depreciation		-	1,438	3,167	2,398	-	8,925	2,589	18,517
Disposal		-	-	(56)	-	-	-	(140)	(196)
Reclassification		-	-	144	(13)	-	-	(131)	-
Balance at December 31, 2019	$	-	24,879	29,990	14,522	564	89,467	8,667	168,089
Balance at January 1, 2018	$	-	22,002	23,883	9,341	564	65,056	3,905	124,751
Depreciation		-	1,439	3,202	2,796	-	15,564	2,444	25,445
Disposals		-	-	(350)	-	-	(78)	-	(428)
Balance at December 31, 2018	$	-	23,441	26,735	12,137	564	80,542	6,349	149,768
Carrying amount:									
Balance at December 31, 2019	$	37,261	47,369	12,887	12,746	-	14,742	12,688	137,113
Balance at December 31, 2018	$	37,261	49,307	6,972	8,206	-	21,088	12,466	135,300
Balance at January 1, 2018	$	37,261	50,746	8,704	9,854	-	25,484	14,377	146,696

As of December 31, 2019 and 2018, the Consolidated Company pledged its property, plant and equipment as collateral for short-term loans, please refer to note 8.

(h) Right-of-use assets

The Consolidated Company leases assets including buildings. Information about leases, for which the Consolidated Company is the lessee, is presented below:

		Building
Cost:		
Balance at January 1, 2019	$	-
Effects of retrospective application		86,333
Balance at January 1, 2019		86,333
Additions		7,276
Balance at December 31, 2019	$	93,609
Accumulated depreciation:		
Balance at January 1, 2019	$	-
Depreciation for the year		10,048
Balance at December 31, 2019	$	10,048
Carrying amount:		
Balance at December 31, 2019	$	83,561

The Consolidated Company leased factory and office space under operating leases for the year ended December 31, 2018, please refer to note 6(l).

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Intangible assets

The cost and amortization of the intangible assets of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

	Royalty
Cost:	
Balance at December 31, 2019 (Balance at January 1, 2019)	$ 4,690
Balance at December 31, 2018 (Balance at January 1, 2018)	$ 4,690
Amortization:	
Balance at January 1, 2019	$ 4,579
Amortization for the year	13
Balance at December 31, 2019	$ 4,592
Balance at January 1, 2018	$ 4,565
Amortization for the year	14
Balance at December 31, 2018	$ 4,579
Carrying amount:	
Balance at December 31, 2019	$ 98
Balance at December 31, 2018	$ 111
Balance at January 1, 2018	$ 125

For the years ended December 31, 2019 and 2018, the amortization of intangible assets are recorded under operating expenses of the consolidated statements of comprehensive income.

(j) Short-term loans

For the years ended December 31, 2019 and 2018, the Consolidated Company did not use the bank's credit facilities.

As of December 31, 2019 and 2018, the unused credit facilities of the Consolidated Company's short-term loans amounted to $370,000 thousand.

The Consolidated Company pledged its assets as collateral of loans, please refer to note 8.

(k) Lease liabilities

The carrying amounts of lease liabilities for the Consolidated Company were as follows:

	December 31, 2019
Current	$ 9,874
Non-current	$ 75,143

For the maturity analysis, please refer to note 6(t).

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 1,244
Expenses relating to short-term leases	$ 643
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,671

The amount recognized in the statement of cash flows for the Consolidated Company was as follows:

	2019
Total cash outflow for leases	$ 12,150

(i) Real estate leases

As of December 31, 2019, the Consolidated Company leases buildings for its office space and factory. The leases of its office space and factory typically run for a period of 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Consolidated Company also leases office equipment and office with lease terms of one year. These leases are short-term or leases of low-value items. The Consolidated Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(l) Operating leases

As of December 31, 2018, the Consolidated Company's non-cancellable rental payables of operating lease was as follows:

	December 31, 2018
Less than one year	$ 9,614
Between two and five years	22,505
	$ 32,119

The Consolidated Company leases factory facilities, office and parking space under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the year ended December 31, 2018, operating lease recognized in profit or loss was $10,490 thousand.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Consolidated Company were as follows:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	23,123	22,821
Fair value of plan assets		(14,084)	(11,845)
Net defined benefit liability	$	9,039	10,976

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

1) Composition of plan assets

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

The Consolidated Company's Bank of Taiwan labor pension reserve account balance amounted to $14,084 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Consolidated Company's defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligation at January 1	$	22,821	22,117
Current service costs and interest		201	243
Remeasurements of the net defined benefit liability			
—Actuarial losses arising from changes in demographic assumptions		(364)	14
—Actuarial losses arising from changes in financial assumptions		465	447
Defined benefit obligation at December 31	$	23,123	22,821

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

The movements in the fair value of the Consolidated Company's plan assets for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Fair value of plan assets at January 1	$	11,845	9,528
Interest income		128	131
Remeasurements of the net defined benefit liability and asset			
– The return on plan assets (excluding current interest income)		378	229
Contributions paid by the employer		1,733	1,957
Fair value of plan assets at December 31	$	14,084	11,845

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Net interest on the defined benefit liability	$	73	112

		2019	2018
Selling expenses	$	45	69
Administration expenses		26	39
Research and development expenses		2	4
	$	73	112

5) Remeasurement of the net defined benefit liability recognized in other comprehensive income

The Consolidated Company's remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Cumulative amount at January 1	$	2,515	2,747
Recognized during the period		277	(232)
Cumulative amount at December 31	$	2,792	2,515

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The Consolidated Company's assumptions used on calculating the present value of the defined benefit obligation at reporting date were as follows:

	2019.12.31	2018.12.31
Discount rate	0.75 %	1.00 %
Future salary increases rate	2.25 %	2.25 %

The expected contribution to be made by the Consolidated Company to the defined benefit plans in the next year starting from the reporting date of 2019 is $1,748 thousand.

The weighted average duration of the defined benefit plan is 9.20 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	The impact of defined benefit obligation	
	Increase	Decrease
December 31, 2019		
Discount rate (changes 0.25%)	$ (464)	483
Future salary increase rate (changes 0.25%)	467	(452)
December 31, 2018		
Discount rate (changes 0.25%)	(510)	530
Future salary increase rate (changes 0.25%)	515	(498)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same.

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

The Consolidated Company contributes an amount equal to 6% of the employee's monthly. The Consolidated Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Consolidated Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Consolidated Company's pension costs under the defined contribution method were $6,987 thousand and $7,956 thousand for the years ended December 31, 2019 and 2018, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit

		December 31, 2019	December 31, 2018
Compensated absence liabilities (recorded under other payables)	$	2,067	2,067

(n) Income taxes

(i) Income tax expense

The amount of the Consolidated Company's income tax for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Current period	$	18,228	53,757
Surtax on unappropriated retained earnings		2,297	11,113
Adjustment for prior periods		121	(1,444)
		20,646	63,426
Deferred tax expense			
Origination and reversal of temporary differences		160	3,126
Adjustment in tax rate		-	(2,458)
		160	668
Income tax expenses from continuing operations	$	20,806	64,094

The Consolidated Company had not recognized income tax in equity and other comprehensive income for the years ended December 31, 2019 and 2018.

Reconciliations of the Consolidated Company's income tax expense and income before tax for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Income before tax	$	91,818	285,921
Income tax using the Company's domestic tax rate	$	18,364	57,184
Adjustment in tax rate		-	(2,458)
(Over) under estimated of prior year's income tax		121	(1,444)
Surtax on unappropriated retained earnings		2,297	11,113
Under estimated of prior year's deferred tax assets		24	4,046
Current-year losses for which no deferred tax asset was recognized		-	(4,347)
Income tax expense	$	20,806	64,094

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets

1) Recognized deferred tax assets

Changes in the amount of recognized deferred tax assets for the years ended December 31, 2019 and 2018 were as follows:

	Allowance for inventory devaluation loss	Loss carry-forwards	Unrealized loss from inter-affiliated accounts	Defined benefit plans	Unrealized from sale returns and discounts	Others	Total
Balance at January 1, 2019	$ 716	2,601	4,676	1,195	3,076	-	12,264
Recognized in profit or loss	78	(2,601)	2,160	(387)	590	-	(160)
Balance at December 31, 2019	$ 794	-	6,836	808	3,666	-	12,104
Balance at January 1, 2018	$ 351	2,826	3,138	1,140	5,437	-	12,892
Recognized in profit or loss	365	(225)	1,538	55	(2,361)	-	(628)
Balance at December 31, 2018	$ 716	2,601	4,676	1,195	3,076	-	12,264

(iii) Examination and approval

The ROC income tax authorities have examined the income tax returns of the Company and its subsidiaries through 2017.

(o) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company issued 80,000 thousand nominal ordinary shares, with a par value of $10 per share, totaling $800,000 thousand; of which, 46,667 thousand common stocks were outstanding. All issued shares were paid upon issuance.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 251,009	297,676
Employee share options	1,075	1,075
	$ 252,084	298,751

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special earnings reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. The remainder, if necessary, is subject to special reserve, and any remaining profit together with any undistributed retained earnings shall then be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's Articles of Incorporation, the Company's dividend policy will consider its operating environment, steady profitability, sufficiency of its cash for future expansion, financial plan and the balance of dividends. The Company stipulated a dividend policy that at least 10% of the total dividend should be distributed by cash.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The appropriations of 2018 and 2017 earnings and capital surplus as dividends approved by the Company's shareholders in its meetings held on May 24, 2019, and May 29, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash－Retained earrings	$ 3.00	140,001	3.00	140,001
Cash－Capital surplus	1.00	46,667	1.00	46,667
Total		$ 186,668		186,668

(p) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

(i) Basic EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 71,012	221,827
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Basic EPS (New Taiwan dollars)	$ 1.52	4.75

(ii) Diluted EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 71,012	221,827
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Influence of potentially dilutive shares－		
Remuneration to employees	184	406
Weighted-average number of shares outstanding－diluted (thousand shares)	46,851	47,073
Diluted EPS (New Taiwan dollars)	$ 1.52	4.71

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Taiwan	$	1,540,064	1,689,124
Primary merchandises lines:			
Western medicines	$	1,540,064	1,689,124

(ii) Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$	415,559	324,536	342,189
Less: loss allowance		1,078	2,191	2,357
Total	$	414,481	322,345	339,832

For the details of disclosure on accounts receivable and allowance for impairment, please refer to note 6(d).

(r) Remuneration to employees, directors and supervisors

In accordance with the Company's articles of incorporation, the Company should contribute no less than 3% of profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated the remuneration to employee amounting to $4,748 thousand and $15,540 thousand, respectively, and directors and supervisors amounting to $2,849 thousand and $9,324 thousand, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating expenses during 2019 and 2018. The related information mentioned above can be accessed on the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Non-operating income and expenses

(i) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income	$ 854	444
Other income − other	5,136	4,918
Total other income	$ 5,990	3,477

(ii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Gain on disposal of property, plant and equipment	$ 44	104
Net on foreign exchange gain	1,229	641
Other gains and losses	-	(11)
Net on other gains and losses	1,273	734

(iii) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense of bank loans	$ -	376
Others	1,244	-
Net on finance costs	$ 1,244	376

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum amount exposed to credit risk amounted to $836,748 thousand and $1,131,337 thousand, respectively.

(Continued)

2) Concentration of credit risk

Approximately, 70% and 62%, of the Consolidated Company's notes and accounts receivable were there major customers as of December 31, 2019 and 2018, respectively. The Consolidated Company manages the total amount of transaction between customers and periodically evaluates their financial positions, thus, the Consolidated Company believes that cash do not have a significant credit risk concentration.

3) Credit risk of receivables and other financial assets at amortized cost

For the information of credit risk exposure for notes and accounts receivable, please refer to note 6(d).

Other financial assets at amortized cost include other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Notes payable	$	7,293	7,293	7,293	-	-	-
Other notes payable		13,489	13,489	13,489	-	-	-
Accounts payable		30,905	30,905	30,905	-	-	-
Other payables		25,974	25,974	25,974	-	-	-
Lease liabilities		85,017	90,138	11,028	-	39,952	39,158
	$	162,678	167,799	88,689	-	39,952	39,158
December 31, 2018							
Non-derivative financial liabilities							
Notes payable	$	9,976	9,976	9,976	-	-	-
Other notes payable		3,545	3,545	3,545	-	-	-
Accounts payable		82,453	82,453	82,453	-	-	-
Other payables		30,410	30,410	30,410	-	-	-
	$	126,384	126,384	126,384	-	-	-

The Consolidated Company does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

The Consolidated Company's financial assets and liabilities exposure to significant foreign currency risk were as follows:

		Foreign currency	Exchange rate	NTD
December 31, 2019				
Financial assets:				
Monetary items:				
USD	$	317	29.980	9,501
Financial liabilities:				
Monetary items:				
USD	$	380	29.980	11,388
EUR	$	235	33.590	7,885
CHF	$	207	30.925	6,396
December 31, 2018				
Financial liabilities:				
Monetary items:				
USD	$	2,205	30.715	67,711
EUR	$	356	35.200	12,546
CHF	$	58	31.185	1,811

2) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on account payables that are denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the NTD against the USD, EUR and CHF for the years ended December 31, 2019 and 2018, would have increased or decreased the net profit after tax by $129 thousand and $657 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Due to the numerous types of functional currency of the Consolidated Company, the Consolidated Company disclose its exchange gains and losses of monetary items aggregately. The Consolidated Company's foreign exchange gain, including realized and unrealized, were $1,229 thousand and $641 thousand for the years ended December 31, 2019 and 2018, respectively.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Consolidated Company's financial assets and liabilities.

There is no significant impact on the Consolidated Company's net income for the years ended December 31, 2019 and 2018 with variable interest rates.

(v) Fair value information

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Consolidated Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks on listed domestic markets	$ 27,450	27,450	-	-	27,450
Subtotal	27,450	27,450	-	-	27,450
Financial assets measured at amortized cost					
Cash and cash equivalents	349,398	-	-	-	-
Notes and accounts receivable and other receivables	421,478	-	-	-	-
Other financial assets —non-current	11,011	-	-	-	-
Refundable deposits	27,411	-	-	-	-
Total	$ 836,748	27,450	-	-	27,450
Financial liabilities measured at amortized cost					
Notes payable	$ 7,293	-	-	-	-
Other notes payable	13,489	-	-	-	-
Accounts payable	30,905	-	-	-	-
Other payables	25,974	-	-	-	-
Lease liabilities	85,017	-	-	-	-
Total	$ 162,678	-	-	-	-

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks on unlisted domestic markets	$ 30,497	-	-	30,497	30,497
Subtotal	30,497	-	-	30,497	30,497
Financial assets measured at amortized cost					
Cash and cash equivalents	751,106	-	-	-	-
Notes and accounts receivable and other receivables	327,737	-	-	-	-
Other financial assets — current	10,799	-	-	-	-
Refundable deposits	11,198	-	-	-	-
Total	$ 1,131,337	-	-	30,497	30,497
Financial liabilities measured at amortized cost					
Notes payable	$ 9,976	-	-	-	-
Other notes payable	3,545	-	-	-	-
Accounts payable	82,453	-	-	-	-
Other payables	30,410	-	-	-	-
Total	$ 126,384	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination — Non-derivative financial instruments

If the quoted prices in active markets are available, the market price is established as the fair value. The market prices amounted by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and liability instruments trading in active markets. The Consolidated Company's stocks of listed and OTC companies are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes.

When the financial instrument of the Consolidated Company is not traded in an active market, its fair value is determined based on the ratio of the quoted market price of the comparative listed company, and the main assumption for the model basis of both the net equity value of the equity of the investee and the equity multiplier derived from the quoted market price of the comparative listed company. The estimated adjustments of the fair value is discounted for its lack of liquidity in the market.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value hierarchy

The Consolidated Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

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

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

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2019 and 2018.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	Bond investments
Balance at January 1, 2019	$ 30,497	-
Transfers out of Level 3	(30,497)	-
Balance at December 31, 2019	$ -	-

The Consolidated Company holds an investment in equity shares of EirGenix, Inc., which is classified as fair value through other comprehensive income, with the fair values of $27,450 thousand and $30,497 thousand at December 31, 2019 and 2018, respectively. The fair values of the investment were categorized as Level 3 at December 31, 2018. This was because the shares were not listed on the stock exchange market and there were no recent observable arm's length transactions in the shares. As at June 28, 2019, EirGenix, Inc. listed its equity shares Over the Counter and currently, they are actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was then transferred from Level 3 to Level 1 of the fair value hierarchy at June 30, 2019.

(Continued)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company law at 20%	· PB ratio (As of December 31, 2018 was 2.34) · PE ratio (As of December 31, 2018 was 6.92) · Market illiquidity discount rate (As of December 31, 2018 was 20%)	The estimated fair value would increase (decrease) if · the PB ratio were higher (lower) · the PE ratio were higher (lower) · the market illiquidity discount were lower (higher)

7) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Consolidated Company's fair value measurements of financial assets was reasonably. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	**Assumptions**	**Favorable**	**Unfavorable**
December 31, 2018				
Financial assets measured at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	10%	1,001	(1,001)

The favorable and unfavorable effects of the Consolidated Company represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

The Consolidated Company has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Consolidated Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective note in the accompanying consolidated financial statements.

(ii) Risk management framework

The Board of Directors of the Consolidated Company is full responsible for the establishment and management of the Consolidated Company's risk management framework and policies. Management is responsible for developing and monitoring the Consolidated Company's risk management policies and report regularly to the Board of Directors on its activities.

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

The Consolidated Company's Board of Directors oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers.

1) Account and other receivables

The Consolidated Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, and these factors may have an influence on credit risk. However, management also considers the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Consolidated Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Consolidated Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Consolidated Company's benchmark creditworthiness may transact with the Consolidated Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits are measured and monitored by the Consolidated Company's finance department. Since those who transact with the Consolidated Company are banks and other external parties with good credit standing and financial institutions with a credit rating above investment grade, there are no non-compliance issues.

Hence, there is no significant credit risk.

3) Guarantees

The Consolidated Company's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the consolidated company, either directly or indirectly. Financial guarantees to subsidiaries provided by the Company as of December 31, 2019 and 2018, please refer to note 13. the Consolidated Company did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Consolidated Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2019 and 2018, the Consolidated Company has unused short-term bank facilities of $370,000 thousand.

(v) Market risk

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

1) Currency risk

The Consolidated Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Consolidated Company's entities, primarily the USD, EUR and CHF.

The interest is denominated in the currency used in the loans. Generally, loans are denominated in currencies that match the cash flows generated by the underlying operations of the Consolidated Company, primarily the NTD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Consolidated Company's loans are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter. However, it is not significant variation in the future cash flow if there is no significant change in market rate.

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity interest of the Consolidated Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company's debt-to-capital ratio at the end of the reporting period were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 244,061	270,882
Less: cash and cash equivalents	349,398	751,106
Net debt	$ (105,337)	(480,224)
Total equity	$ 1,254,816	1,373,242
Debt-to-capital ratio	- %	- %

As of December 31, 2019, there was no changes in the Consolidated Company's approach of capital management.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company.

(b) Management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 14,719	17,417

(8) Pledged assets

The carrying amounts of the assets which the Consolidated Company as collateral were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted deposit (recorded under other financial assets－current)			
Time deposits	Bid Bond in hospital	$ -	10,799
Property, plant and equipment			
Land	Short-term loans	13,902	13,902
Buildings	Short-term loans	22,662	23,184
		$ 36,564	47,885

(9) Significant commitments and contingencies: None.

(10) Significant losses from calamity: None.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(11) Significant subsequent events: None.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	Year ended December 31 2019 Operating costs	Operating expenses	Total	Year ended December 31 2018 Operating costs	Operating expenses	Total
Employee benefits						
Salary	21,920	123,037	144,957	21,463	155,103	176,566
Labor and health insurance	1,970	10,309	12,279	1,803	11,528	13,331
Pension	1,130	5,930	7,060	1,101	6,967	8,068
Directors' remuneration	-	3,279	3,279	-	10,031	10,031
Others	729	4,888	5,617	735	5,456	6,191
Depreciation	12,652	15,913	28,565	16,268	9,177	25,445
Amortization	-	13	13	-	14	14

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidated Company for the year ended December 31, 2019:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

Unit: thousands of New Taiwan dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party (Note 2)	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements (Note 2)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	Ke Jin Pharmaceutical Co., Ltd.	2	776,448	105,000	105,000	-	-	8.37 %	1,314,816	Y	N	N

Note 1: The guarantor's relationship with the guarantee is as follows:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The total amount of guarantees provided by the Company and its subsidiaries shall not exceed the Company's net worth. The total amount of guarantees provided by the Company to any individual entity shall not exceed 50% of the Company's net worth.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousands of New Taiwan dollars / thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2016	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stocks: EirGenix, Inc.	None	Financial assets measured at fair value through other comprehensive income	1,000	27,450	0.39 %	27,450	30,497	

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

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

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

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

Unit: thousands of New Taiwan dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Ke Jin Pharmaceutical Co., Ltd.	Subsidiary	Purchase	189,923	34 %	Note 1	-	Note 1	(77,606)	(50) %	Note 2

Note 1: The terms of payment is not significantly different from those to third parties.

Note 2: The transaction has already been written off in the consolidated financial statements.

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

(ix) Trading in derivative instruments: None.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Notes 3 and 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Cost of goods sold	170,129 (note 4)	No significant differences from third parties	11.05%
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Research and development	8,930	No significant differences from third parties	0.58 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Accounts payable	27,666	No significant differences from third parties	1.85 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Inventories	34,179	No significant differences from third parties	2.28 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Lease liabilities	16,279	No significant differences from third parties	1.09 %
1	Ke Jin Pharmaceutical Co., Ltd	The Company	2	Lease income	1,667	No significant differences from third parties	0.11 %

Note 1: Company numbering is as follows:
(1) Parent company - 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) 1 represents downstream transactions.
(2) 2 represents upstream transactions.
(3) 3 represents sidestream transactions.

Note 3: For balance sheet items, over 0.1% of total consolidated assets, and for profit or loss items, over 0.1% of total consolidated revenues were selected for disclosure.

Note 4: In included the amount of cost of goods sold $180,925 thousand and unrealized gain from inter-affiliated accounts $(10,796) thousand.

Note 5: The transactions have already been written off in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: thousands of New Taiwan dollars / thousand shares

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2019	Net income of investee (Note 1)	Investment income (losses) (Notes 1 and 3)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value (Note 1)				
The Company	Ke Jin Pharmaceutical Co., Ltd	Taiwan	Manufacture, inspection and research and development of western Medicine	160,711	160,711	36,300	100.00 %	116,948	160,711	17,819	7,195	Subsidiary (Note 2)

Note 1: The transaction has already been written off in the consolidated financial statements.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: It included the amount of share of profit of associates accounted for under equity method $17,819 thousand, unrealized gain from inter-affiliate accounts $(10,796) thousand and others $172 thousand.

(c) Information on investment in mainland China: None.

(14) Segment information:

(a) General information

The Consolidated Company is mainly engaging in western medicines, importing and exporting of Active Pharmaceutical Ingredients, research of technologies, pharmaceutical technologies transfer and cooperative development and improvement.

Management reviews the Consolidated Company's overall performance regularly to evaluate the performance of each segment and allocate its resource accordingly, because of single industry, the Consolidated Company is identified as a sole operating segment.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Geographical information

The Consolidated Company does not have foreign segment.

(c) Information about major customers

There were major customers whose revenue was more than 10% of operating revenue of the Consolidated Company for the years ended December 31, 2019 and 2018 were as follows:

	2019		2018	
Name of Customer	**Amount**	**%**	**Amount**	**%**
A Company	$ 540,353	35	610,576	36
B Company	156,999	10	246,038	15
Total	$ 697,352	45	856,614	51

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Parent Company Only Balance Sheets

December 31, 2019 and 2018

(All amounts expressed in **thousands of New Taiwan dollars**)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 274,801	19	706,280	43
1150	Notes receivable, net (note 6(d))	6,927	-	5,207	-
1170	Accounts receivable, net (note 6(d))	414,481	28	322,345	20
1200	Other receivable (note 6(e))	157	-	185	-
1220	Current income tax assets	8,409	1	-	-
130x	Inventories (note 6(f))	409,011	28	344,043	21
1476	Other financial assets－current (notes 6(c) and 8)	-	-	10,799	1
1479	Other current assets	2,927	-	2,670	-
	Total current assets	1,116,713	76	1,391,529	85
	Non-current assets:				
1520	Financial assets measured at fair value through other comprehensive income－non-current (note 6(b))	27,450	2	30,497	2
1550	Investments accounted for under equity method (notes 6(g) and 7)	139,948	9	132,753	8
1600	Property, plant and equipment (notes 6(g) and 8)	73,635	5	67,757	4
1755	Right-of-use assets (note 6(h))	51,904	4	-	-
1780	Intangible assets (note 6(i))	98	-	111	-
1840	Deferred tax assets (note 6(n))	12,278	1	9,912	-
1920	Refundable deposits	26,156	2	10,535	1
1980	Other financial assets－non-current (note 6(c))	11,011	1	-	-
	Total non current assets	342,480	24	251,565	15
	Total assets	$ 1,459,193	100	1,643,094	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2151	Notes payable	1,173	-	826	-
2152	Other notes payable	8,698	1	1,354	-
2170	Accounts payable	25,973	2	75,908	5
2181	Accounts payable-related parties	27,666	2	29,800	2
2200	Other payables (notes 6(m) and (r))	64,126	4	97,437	6
2230	Current tax liabilities	-	-	38,589	2
2280	Lease liabilities－current (note 6(k))	5,061	-	-	-
2300	Other current liabilities	17,641	1	17,679	1
	Total current liabilities	150,342	10	261,593	16
	Non-Current liabilities:				
2580	Lease liabilities－non-current (note 6(k))	47,713	4	-	-
2640	Net defined benefit liability (note 6(m))	6,322	-	8,259	-
	Total non current liabilities	54,035	4	8,259	-
	Total liabilities	204,377	14	269,852	16
	Equity attributable to shareholders of the Company (notes 6(m) and (o)):				
3110	Common stock	466,670	32	466,670	28
3200	Capital surplus	252,084	17	298,751	18
	Retained earnings:				
3310	Legal reserve	162,910	11	140,727	9
3320	Special reserve	1,503	-	-	-
3350	Unappropriated earnings	376,199	26	468,597	29
		540,612	37	609,324	38
	Other equity:				
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(4,550)	-	(1,503)	-
	Total equity	1,254,816	86	1,373,242	84
	Total liabilities and equity	$ 1,459,193	100	1,643,094	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(All amounts expressed in **thousands of New Taiwan dollars**)

		2019 Amount	%	2018 Amount	%
4000	**Operating revenue (note 6(q))**	$ 1,540,525	100	1,689,027	100
5000	**Operating costs (notes 6(f), (g), (h), (k), (l) and (m))**	1,225,044	80	1,141,381	68
5910	**Gross profit**	315,481	20	547,646	32
6000	**Operating expenses (notes 6(d), (g), (h), (i), (k), (l), (m), (r) and 7):**				
6100	Selling expenses	122,211	8	147,258	9
6200	Administrative expenses	85,375	6	109,517	6
6300	Research and development expenses	31,782	2	30,025	1
6450	Reversal of impairment for expected credit loss	(982)	-	(164)	-
	Total operating expenses	238,386	16	286,636	16
6900	**Net operating income**	77,095	4	261,010	16
7000	**Non-operating income and expenses (notes 6(k) and (s)):**				
7010	Other income	2,834	-	3,456	-
7020	Other gains and losses	988	-	1,031	-
7070	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	7,195	-	20,446	1
7050	Finance costs	(749)	-	-	-
	Total non-operating income and expenses	10,268	-	24,933	1
	Net income before tax	87,363	4	285,943	17
7951	**Less: income tax expenses (note 6(n))**	16,351	1	64,116	4
	Net income	71,012	3	221,827	13
8300	**Other comprehensive income (loss) (note 6(m)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	277	-	(232)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,047)	-	(1,503)	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will not be reclassified to profit or loss	(2,770)	-	(1,735)	-
8300	**Other comprehensive income (loss), net of tax**	(2,770)	-	(1,735)	-
8500	**Total comprehensive income**	$ 68,242	3	220,092	13
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	1.52		4.75
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(p))**	$	1.52		4.71

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Parent Company Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		Equity attributable to shareholders of the Company							
				Retained earnings					
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
		3110	3200	3310		3350	3300	3420	3xxx
Balance at January 1, 2018	A1 $	466,670	345,418	112,759	-	414,971	527,730	-	1,339,818
Appropriation and distributions									
Legal reserve	B1	-	-	27,968	-	(27,968)	-	-	-
Cash dividends	B5	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	C15	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	D1	-	-	-	-	221,827	221,827	-	221,827
Other comprehensive income for the year	D3	-	-	-	-	(232)	(232)	(1,503)	(1,735)
Total comprehensive income for the year	D5	-	-	-	-	221,595	221,595	(1,503)	220,092
Balance at December 31, 2018	Z1	466,670	298,751	140,727	-	468,597	609,324	(1,503)	1,373,242
Appropriation and distribution of retained earnings									
Legal reserve	B1	-	-	22,183	-	(22,183)	-	-	-
Special reserve appropriated	B3	-	-	-	1,503	(1,503)	-	-	-
Cash dividends	B5	-	-	-	-	(140,001)	(140,001)	-	(140,001)
Cash dividends from capital surplus	C15	-	(46,667)	-	-	-	-	-	(46,667)
Net income for the year	D1	-	-	-	-	71,012	71,012	-	71,012
Other comprehensive income for the year	D3	-	-	-	-	277	277	(3,047)	(2,770)
Total comprehensive income for the year	D5	-	-	-	-	71,289	71,289	(3,047)	68,242
Balance at December 31, 2019	Z1 $	466,670	252,084	162,910	1,503	376,199	540,612	(4,550)	1,254,816

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(All amounts expressed in **thousands of New Taiwan dollars**)

		2019	2018
Cash flows from operating activities:			
Income before tax	$	87,363	285,943
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		11,357	5,475
Amortization expense		13	14
Reversal of impairment for expected credit loss		(982)	(164)
Interest expense		749	-
Interest income		(810)	(940)
Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method		(7,195)	(20,446)
Gain on disposal of property, plant and equipment		(44)	(103)
Total adjustments to reconcile profit and loss		3,088	(16,164)
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		(1,720)	166
Accounts receivable		(91,154)	17,651
Other receivables		(89)	1
Inventories		(64,968)	(119,481)
Other current assets		(257)	591
Total net changes in operating assets		(158,188)	(101,072)
Net changes in operating liabilities:			
Notes payable (included other notes payable)		7,693	(8,268)
Accounts payable		(49,933)	(24,554)
Accounts payable- related parties		(2,134)	(13,810)
Other payables		(33,311)	(1,944)
Other current liabilities		(38)	694
Net defined benefit liability－non-current		(1,660)	(1,845)
Total net changes in operating liabilities		(79,383)	(49,727)
Total net changes in operating assets and liabilities		(237,571)	(150,799)
Total adjustments		(234,483)	(166,963)
Cash inflow (out flow) generated from operations		(147,120)	118,980
Interest income received		927	823
Interest paid		(749)	-
Income tax paid		(65,715)	(62,079)
Net cash flows (used in) from operating activities		(212,657)	57,724
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		-	(32,000)
Acquisition of property, plant and equipment		(11,511)	(3,373)
Proceeds from disposal of property, plant and equipment		87	103
(Increase) decrease in refundable deposits		(15,621)	9,309
(Increase) decrease in other financial assets－ non-current		(212)	-
Net cash flows used in investing activities		(27,257)	(25,961)
Cash flows from financing activities::			
Payment of lease liabilities		(4,897)	-
Cash dividends paid		(186,668)	(186,668)
Net cash flows used in financing activities		(191,565)	(186,668)
Net decrease in cash and cash equivalents		(431,479)	(154,905)
Cash and cash equivalents at beginning of period		706,280	861,185
Cash and cash equivalents at end of period	$	274,801	706,280

Excelsior Biopharma Inc.

Chairman of the Board：Joseph Chen