Stock Code:6496

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

EXCELSIOR BIOPHARMA INC.
AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: **14F-6, No.3, Park Street, Nangang District, Taipei 11503, R.O.C.**
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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, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. 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 its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Excelsior Biopharma Inc.

Chairman: Chen Tse Ming

Date: February 5, 2018

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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 subsidiaries (collectively referred to as the "Consolidated Company"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016, 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 at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years 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"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the 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.

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, 2017. 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 receivables

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

Description of key audit matter:

The trade receivable constituted 21% of the total consolidated assets of the Consolidated Company as of December 31, 2017, and the impairment of trade receivable depends on the evaluation of the management based on the evidence of 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 ageing report of trade receivables and verifying them; sampling evidence to ensure the accounts are properly categorized by periods; confirming the trade receivables by issuing notifications; reviewing the recorded history of cash collection; analyzing the industry and its economic environment; evaluating the concentration of customer credit risk; assessing the collectability of accounts receivable during the subsequent periods. Evaluating whether the allowance of impairment for trade receivables and impairment losses are reasonably recognized by the Consolidated Company. Obtaining the documents regarding the allowance of impairment for trade receivables in order to verify whether they are in compliance with the Consolidated Company's accounting policies; reviewing whether the disclosure of impairment on trade receivables made by the management is appropriate.

2. Inventory measurement

Please refer to note 4(h), note 5 and 6(c) 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, 2017 and 2016, on which we have issued an unqualified 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 audit resulting in this independent auditors' report are Po-Shu Huang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 5, 2018

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2017 and 2016

(All amounts expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 882,951	53	758,033	50
1150	Notes receivable, net (note 6(b))	5,373	-	4,748	-
1170	Accounts receivable, net (note 6(b))	339,832	20	340,009	22
1200	Other receivable (note 6(b))	69	-	38	-
130x	Inventories (note 6(c))	248,823	15	222,162	15
1476	Other financial assets—current (note 8)	34	-	10,617	1
1479	Other current assets	5,538	-	3,663	-
	Total current assets	1,482,620	88	1,339,270	88
	Non-current assets:				
1600	Property, plant and equipment (notes 6(d), 7 and 8)	149,606	9	165,120	10
1780	Intangible assets (note 6(e))	125	-	-	-
1840	Deferred tax assets (note 6(i))	13,932	1	15,160	1
1915	Prepayments for equipment	1,596	-	-	-
1920	Refundable deposits	20,506	1	10,991	1
1980	Other financial assets—non-current (note 8)	10,799	1	-	-
	Total non-current assets	196,564	12	191,271	12
	Total assets	$ 1,679,184	100	1,530,541	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term loans (notes 6(f) and 8)	$ 40,000	2	50,000	3
2151	Notes payable	10,475	1	3,474	-
2152	Other notes payable	10,960	1	12,691	1
2170	Accounts payable	101,070	6	87,673	6
2200	Other payables (notes 6(h) and (m))	109,749	6	89,049	6
2230	Current tax liabilities	37,242	2	24,718	2
2300	Other current liabilities	17,281	1	1,873	-
	Total current liabilities	326,777	19	269,478	18
	Non-Current liabilities:				
2640	Net defined benefit liability (note 6(h))	12,589	1	13,673	1
	Total non-current liabilities	12,589	1	13,673	1
	Total liabilities	339,366	20	283,151	19
	Equity attributable to shareholders of the Company (notes 6(h), (i) and (j)):				
	Share capital:				
3110	Common stock	466,670	28	466,670	30
3200	Capital surplus	345,418	20	392,085	26
	Retained earnings:				
3310	Legal reserve	112,759	7	94,713	6
3350	Unappropriated earnings	414,971	25	293,922	19
		527,730	32	388,635	25
	Total equity	1,339,818	80	1,247,390	81
	Total liabilities and equity	$ 1,679,184	100	1,530,541	100

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(All amounts expressed in thousands of New Taiwan dollars)

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (note 6(l))	$ 1,715,539	100	1,535,099	100
5000	Operating costs (notes 6(c), (g) and (h))	1,047,752	61	983,164	64
5910	Gross profit	667,787	39	551,935	36
6000	Operating expenses (notes 6(b), (e), (g), (h), (m) and 7):				
6100	Selling expenses	166,005	10	163,014	11
6200	Administrative expenses	115,584	7	107,431	7
6300	Research and development expenses	60,418	3	65,982	4
	Total operating expenses	342,007	20	336,427	22
6900	Net operating income	325,780	19	215,508	14
7000	Non-operating income and expenses (note 6(n)):				
7010	Other income	7,330	1	1,437	-
7020	Other gains and losses	4,329	-	2,547	-
7050	Finance costs	(713)	-	(859)	-
	Total non-operating income and expenses	10,946	1	3,125	-
7900	Net income before tax	336,726	20	218,633	14
7950	Less: income tax expenses (note 6(i))	57,043	4	38,173	2
	Net income	279,683	16	180,460	12
8300	Other comprehensive income (loss) (note 6(h)):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Remeasurements of defined benefit plans	(587)	-	(859)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(587)	-	(859)	-
8300	Other comprehensive income (loss), net of tax	(587)	-	(859)	-
8500	Total comprehensive income	$ 279,096	16	179,601	12
9750	Basic earnings per share (expressed in New Taiwan dollars) (note 6(k))	$	5.99		3.87
9850	Diluted earnings per share (expressed in New Taiwan dollars) (note 6(k))	$	5.96		3.85

See accompanying notes to the consolidated financial statements.

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EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company							
	Share capital				Retained earnings			
	Common stock	Advance receipts for share capital	Subtotal	Capital surplus	Legal reserve	Unappropriated retained earnings	Subtotal	Total equity
Balance at January 1, 2016	$ 425,000	33,345	458,345	37,890	80,382	245,333	325,715	821,950
Appropriation and distributions:								
Legal reserve	-	-	-	-	14,331	(14,331)	-	-
Cash dividends	-	-	-	-	-	(116,667)	(116,667)	(116,667)
Net income for the year	-	-	-	-	-	180,460	180,460	180,460
Other comprehensive income for the year	-	-	-	-	-	(873)	(873)	(873)
Total comprehensive income for the year	-	-	-	-	-	179,587	179,587	179,587
Capital increase by cash	41,670	(33,345)	8,325	354,195	-	-	-	362,520
Balance at December 31, 2016	466,670	-	466,670	392,085	94,713	293,922	388,635	1,247,390
Appropriation and distributions:								
Legal reserve	-	-	-	-	18,046	(18,046)	-	-
Cash dividends	-	-	-	(46,667)	-	(140,001)	(140,001)	(186,668)
Net income for the year	-	-	-	-	-	279,683	279,683	279,683
Other comprehensive income for the year	-	-	-	-	-	(587)	(587)	(587)
Total comprehensive income for the year	-	-	-	-	-	279,096	279,096	279,096
Balance at December 31, 2017	$ 466,670	-	466,670	345,418	112,759	414,971	527,730	1,339,818

See accompanying notes to the consolidated financial statements.

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EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(All amounts expressed in thousands of New Taiwan dollars)

		2017	2016
Cash flows from operating activities:			
Income before tax	$	336,726	218,633
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		25,227	23,891
Amortization expense		13	-
Provision (reversal of provision) for bad debt expense		(5,011)	3,562
Interest expense		713	859
Interest income		(1,068)	(821)
Loss (gain) on disposal of property, plant and equipment		20	(314)
Total adjustments to reconcile profit and loss		19,894	27,177
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		(625)	596
Accounts receivable		5,188	(114,206)
Other receivables		(1)	1
Inventories		(26,661)	9,437
Other current assets		(1,875)	29,659
Total net changes in operating assets		(23,974)	(74,513)
Net changes in operating liabilities:			
Notes payable (included other notes payable)		5,270	(2,199)
Accounts payable		13,397	29,319
Other payables		27,383	22,821
Other current liabilities		15,408	(183)
Net defined benefit liability		(1,671)	(4,933)
Total net changes in operating liabilities		59,787	44,825
Total net changes in operating assets and liabilities		35,813	(29,688)
Total adjustments		55,707	(2,511)
Cash inflow generated from operations		392,433	216,122
Interest income received		1,038	821
Interest paid		(713)	(859)
Income tax paid		(43,291)	(23,047)
Net cash flows from operating activities		349,467	193,037
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(16,505)	(15,037)
Proceeds from disposal of property, plant and equipment		89	314
Decrease (increase) in refundable deposits		(9,515)	1,362
Acquisition of intangible assets		(138)	-
Decrease (increase) in other financial assets—current and non-current		(216)	6,116
Decrease (increase) in prepayments for equipment		(1,596)	127
Net cash flows used in investing activities		(27,881)	(7,118)
Cash flows from financing activities::			
Increase in short-term loans		40,000	-
Decrease in short-term loans		(50,000)	-
Cash dividends paid		(186,668)	(116,667)
Capital increase by cash		-	362,520
Net cash flows from (used in) financing activities		(196,668)	245,853
Net increase in cash and cash equivalents		124,918	431,772
Cash and cash equivalents at beginning of year		758,033	326,261
Cash and cash equivalents at end of year	$	882,951	758,033

See accompanying notes to the consolidated financial statements.

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EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(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

The Company' s stock was listed in Taipei Exchange as an emerging stock since December 19, 2014. However, starting January 7, 2016, it has been classified and listed as general stock.

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

The consolidated financial statements were approved and authorized for issue by the board of directors on February 5, 2018.

(3) New standards, amendments and interpretations adopted:

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

In preparing the accompanying consolidated financial statements, the Consolidated Company has adopted the following International Financial Reporting Standards ("IFRSs") endorsed by the FSC, with effective date from January 1, 2017. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by the Internation Accounting Standards Board (IASB)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

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EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date issued by the Internation Accounting Standards Board (IASB)
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Consolidated Company assessed that the initial adoption of aforementioned IFRSs endorsed by the FSC would not have any material impact on the consolidated financial statements.

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

According to Ruling No. 1060025773 issued by the FSC on July 14, 2017, public entities are required to adopt IFRSs that have been endorsed by the FSC with effective date from January 1, 2018. The related new, revised or amended standards and interpretations are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

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EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Consolidated Company assessed that the initial adoption of aforementioned IFRSs endorsed by the FSC would not have any material impact on the consolidated financial statements. The related extent and impact are as follows:

(i) IFRS 9, Financial Instruments

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

1) Classification and measurement of Financial assets

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

The Consolidated Company does not believe that the new classification requirements would not have significant impact on its accounting for trade receivables. Also, the Consolidated Company estimated the aforementioned amendments would not have significant impact on its assets, liabilities and equities as at January 1, 2018.

2) Impairment of Financial assets

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

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

(Continued)

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

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

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

The Consolidated Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Consolidated Company estimated the application of IFRS 9's impairment requirements would not have significant impact on its assets, liabilities and equities as at January 1, 2018.

3) Disclosures

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

4) Transition

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

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

(Continued)

(ii) IFRS 15 Revenue from Contracts with Customers

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

1) Sales of goods

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customers accepts the goods and the related risks and rewards of ownership transfer, the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Consolidated Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. Based on its assessment, the Consolidated Company does not expect the application of IFRS 15 to have significant impact on the consolidated financial statements.

2) Transition

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

The Consolidated Company estimated the aforementioned amendments would not have significant impact on its assets, liabilities and equities as at January 1, 2018.

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

(Continued)

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

The new standards and amendments issued by the IASB but not yet endorsed by the FSC are summarized as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Those which may be relevant to the Consolidated Company are set out below:

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Consolidated Company is still in the process of evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the 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

The 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).

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(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 its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Company.

Changes in the Consolidated Company's ownership interests 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 is recognized directly in equity and attributed to shareholders 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, 2017**	**December 31, 2016**	**Remarks**
EXCELSIOR BIOPHARMA INC.	Ke Jin Phamaceutical Co., Ltd. (Ke Jin)	Manufacture, inspection and research and development of western Medicine	100.00 %	100.00 %	

There is no subsidiaries excluded from the consolidated financial statements.

(Continued)

(d) Foreign currency

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

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

(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) It 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 the issue of equity instruments do not affect its classification.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are classified as cash and cash equivalents only when they satisfy the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Financial instruments

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

(i) Financial assets

1) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Trade-date accounting is used when purchasing or selling of these financial assets.

Interest income is recognized in profit or loss and it is recorded in non-operating income and expenses.

2) Impairment of financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor (such as delay in payment of interest or principal or default on payments), restructuring of an amount due to the Consolidated Company on terms that the Consolidated Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

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

(Continued)

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

Impairment losses and recoveries of trade receivables are recognized in operating expenses.

3) Derecognition of financial assets

The Consolidated Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities

1) Other financial liabilities

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

2) Derecognition of financial liabilities

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

3) Offsetting of financial assets and liabilities

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

(Continued)

(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 less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

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

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

Buildings	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. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Leases — lessee

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.

(l) Impairment — non-derivative financial assets

With regard to non-financial assets (other than inventories and deferred tax assets), the Consolidated Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Consolidated Company will have to determine the recoverable amount for the asset's cash-generating unit.

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

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The Consolidated Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(m) Revenue

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); The Consolidated Company recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

(iii) Short-term employee benefits

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

(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.

(p) Income taxes

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

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

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

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

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

(iii) Initial recognition of goodwill.

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

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

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

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

1) levied by the same taxing authority; or

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

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

(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.

In accordance with the amendments to the Company Act in May, 2015, the employee bonuses mentioned above shall be amended as employee compensation. According to Rule No. 1050001900 issued by the FSC, if the employee bonuses as are distributed using the Company's stock, the closing price of the day before the Board of Director's meeting would be used as a basis to calculate as to how many shares can be distributed.

(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.

(Continued)

(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.

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 trade receivables

When there is an objective evidence of impairment loss, the Consolidated Company will take into consideration the ageing report of trade receivables and recorded history of cash collection, . The amount of impairment loss was measured as the difference between their carrying amount and the present value of the estimated future cash flows from the delinquency discounted at the current market rate of return for a similar financial asset. Please refer to 6(b) for the impairment of trade receivables.

(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(c) for the inventory measurement.

(6) Description of significant accounts

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 257	227
Demand deposits	855,258	730,026
Checking deposits	616	960
Time deposits	26,820	26,820
Cash and cash equivalents per statements of cash flow	$ 882,951	758,033

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Please refer to note 6(o) for the disclosure for the interest rate risk and the sensitivity analysis for the Consolidated Company's financial assets and liabilities.

(b) Notes receivable and accounts receivable and other receivable

	December 31, 2017	December 31, 2016
Notes receivable	$ 5,373	4,748
Accounts receivable	342,067	347,341
Overdue receivable	122	57
Other receivable	69	38
Less: allowance for doubtful accounts (included overdue receivable)	2,357	7,389
	$ 345,274	344,795

An aging analysis of past due but not impaired notes receivable and accounts receivable and other receivable of the Consolidated Company were as follows:

	December 31, 2017	December 31, 2016
Past due 181~365 days	$ 1,488	1,281
Past due over 365 days	83	-
	$ 1,571	1,281

The movements in the allowance for impairment with respect to notes and accounts receivables and other receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 7,389	-	7,389
Impairment loss reversed	(5,011)	-	(5,011)
Written off	(21)	-	(21)
Balance at December 31, 2017	$ 2,357	-	2,357

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 3,830	-	3,830
Impairment loss recognized	3,562	-	3,562
Written off	(3)	-	(3)
Balance at December 31, 2016	$ 7,389	-	7,389

Impairment loss recognized for individually assessed impairment is the difference between the carrying amount and the amount expected to be collected. The Consolidated Company did not hold any collateral for the collectible amounts.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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As of December 31, 2017 and 2016, the Consolidated Company did not provided the notes and accounts receivable as collateral or factored them for cash.

(c) Inventories

		December 31, 2017	December 31, 2016
Merchandise	$	205,162	184,553
Finished goods		3,494	1,500
Work in progress		3,167	1,573
Semi-finished products		151	424
Raw material		34,395	31,728
Materials		2,454	2,384
Total	$	248,823	222,162

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:

		2017	2016
Reversal of decline in market value of inventory	$	(1,537)	(1,274)
Loss (gain) on physical inventory, net		44	(92)
Loss on scrapping of inventory		6,099	2,219
Loss on idle capacity		26,834	31,607
Total	$	31,440	32,460

The Consolidated Company reversed the allowance for loss on inventory for the years ended December 31, 2017 and 2016, when the Consolidated Company sold or used the inventories for which an allowance had been provided for the years ended December 31, 2016 and 2015.

As of December 31, 2017 and 2016, the Consolidated Company did not pledge its inventories as collateral.

(d) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2017 and 2016 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, 2017	$	37,261	72,748	28,806	17,879	564	93,897	13,743	264,898
Additions		-	-	4,053	496	-	731	4,542	9,822
Disposals		-	-	(272)	-	-	(88)	(3)	(363)
Balance at December 31, 2017	$	37,261	72,748	32,587	18,375	564	94,540	18,282	274,357
Balance at January 1, 2016	$	37,261	72,748	27,528	9,973	1,453	90,998	3,076	243,037
Additions		-	-	1,278	7,124	-	2,899	10,667	21,968
Disposals		-	-	-	-	(889)	-	-	(889)
Reclassification		-	-	-	782	-	-	-	782
Balance at December 31, 2016	$	37,261	72,748	28,806	17,879	564	93,897	13,743	264,898

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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	Land	Buildings	Office equipment	Research and development equipment	Transportation equipment	Machinery equipment	Other equipment	Total
Depreciation and impairment loss:								
Balance at January 1, 2017	$ -	20,564	20,538	6,400	564	50,206	1,506	99,778
Depreciation	-	1,438	3,563	2,941	-	14,885	2,400	25,227
Disposal	-	-	(218)	-	-	(35)	(1)	(254)
Balance at December 31, 2017	$ -	22,002	23,883	9,341	564	65,056	3,905	124,751
Balance at January 1, 2016	$ -	19,125	16,260	4,072	1,403	35,572	344	76,776
Depreciation	-	1,439	4,278	2,328	50	14,634	1,162	23,891
Disposals	-	-	-	-	(889)	-	-	(889)
Balance at December 31, 2016	$ -	20,564	20,538	6,400	564	50,206	1,506	99,778
Carrying amount:								
Balance at December 31, 2017	$ 37,261	50,746	8,704	9,034	-	29,484	14,377	149,606
Balance at December 31, 2016	$ 37,261	52,184	8,268	11,479	-	43,691	12,237	165,120
Balance at January 1, 2016	$ 37,261	53,623	11,268	5,901	50	55,426	2,732	166,261

As of December 31, 2017 and 2016, the Consolidated Company pledged its property, plant and equipment as collateral for short-term loans, pleas refer to note 8.

(e) Intangible assets

The cost and amortization of the intangible assets of the Consolidated Company for the years ended December 31, 2017 and 2016 were as follows:

	Royalty
Cost:	
Balance at January 1, 2017	$ 4,552
Additions	138
Balance at December 31, 2017	$ 4,690
Balance at December 31, 2016 (Balance at January 1, 2016)	$ 4,552
Amortization:	
Balance at January 1, 2017	$ 4,552
Amortization for the year	13
Balance at December 31, 2017	$ 4,565
Balance at December 31, 2016 (Balance at January 1, 2016)	$ 4,552
Carrying amounts:	
Balance at December 31, 2017	$ 125
Balance at December 31, 2016 (Balance at January 1, 2016)	$ -

The amortization of intangible assets are recorded under operating expenses of the consolidated statements of comprehensive income.

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(f) Short-term loans

The details of the Consolidated Company's short-term loans were as follows:

	December 31, 2017			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	TWD	1.67	2018	$ 25,000
Unsecured loans	TWD	1.35~1.559	2018	15,000
Total				$ 40,000

	December 31, 2016			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	TWD	1.67~1.82	2017	$ 25,000
Unsecured loans	TWD	1.35~1.585	2017	25,000
Total				$ 50,000

The abovementioned short-term borrowings were to mature within one year.

As of December 31, 2017 and 2016, the unused credit facilities of the Consolidated Company's short-term loans amounted to $490,000 thousand, and $480,000 thousand, respectively.

The Consolidated Company pledged its assets as collateral of loans, please refer to note 8.

(g) Operating leases

Non-cancellable rental payables of operating leases were as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 13,024	8,368
Between two and five years	12,015	12,693
	$ 25,039	21,061

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 years ended December 31, 2017 and 2016, lease expenses were $10,044 thousand and $8,635 thousand, respectively.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(h) 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, 2017	December 31, 2016
Present value of the defined benefit obligations	$ 22,117	23,684
Fair value of plan assets	(9,528)	(10,011)
Net defined benefit liability	$ **12,589**	**13,673**

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 $9,528 thousand as of December 31, 2017. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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, 2017 and 2016 were as follows:

	2017	2016
Defined benefit obligation at January 1	$ 23,684	24,583
Current service costs and interest	441	908
Remeasurements of the net defined benefit liability		
—Return on plan assets (excluding current interest expense)	-	268
—Actuarial gains and losses arising from changes in financial assumptions	580	548
Contributions paid by the employer	72	10
Benefits paid	(2,660)	(2,633)
Defined benefit obligation at December 31	$ **22,117**	**23,684**

(Continued)

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, 2017 and 2016 were as follows:

	2017	2016
Fair value of plan assets at January 1	$ 10,011	6,850
Interest income	106	87
Remeasurements of the net defined benefit liability		
—The return on plan assets (excluding current interest income)	(8)	(58)
Contributions paid by the employer	2,079	5,765
Benefits paid	(2,660)	(2,633)
Fair value of plan assets at December 31	$ 9,528	10,011

4) Expenses recognized in profit or loss

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

	2017	2016
Current service costs	$ 210	609
Net interest on the defined benefit liability	125	212
	$ 335	821

	2017	2016
Operating costs	$ 124	351
Selling expenses	106	232
Administration expenses	68	133
Research and development expenses	37	105
	$ 335	821

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, 2017 and 2016 were as follows:

	2017	2016
Cumulative amount at January 1	$ 3,334	4,207
Recognized during the period	(587)	(873)
Cumulative amount at December 31	$ 2,747	3,334

(Continued)

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:

	2017.12.31	**2016.12.31**
Discount rate	1.25 %	1.25 %
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 2017 is $1,904 thousand.

The weighted average duration of the defined benefit plan is 11.20 years.

7) Sensitivity analysis

As of December 31, 2017 and 2016, 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, 2017			
Discount rate (changes 0.25%)	$	(533)	555
Future salary increase rate (changes 0.25%)		540	(522)
December 31, 2016			
Discount rate (changes 0.25%)		(548)	572
Future salary increase rate (changes 0.25%)		557	(537)

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
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The Consolidated Company's pension costs under the defined contribution method were $7,499 thousand and $7,055 thousand for the years ended December 31, 2017 and 2016, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit

	December 31, 2017	December 31, 2016
Compensated absence liabilities (recorded under other payables)	$ 2,067	2,981

(i) Income taxes

(i) Income tax expense

The amount of the Consolidated Company's income tax for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Current tax expense		
Current period	$ 53,890	37,682
10% surtax on unappropriated retained earnings	2,154	1,241
Adjustment for prior periods	(229)	(296)
	55,815	38,627
Deferred tax expense		
Origination and reversal of temporary differences	1,228	(454)
Income tax expenses from continuing operations	$ 57,043	38,173

The Consolidated Company had not recognize income tax in equity and other comprehensive income for 2017 and 2016.

Reconciliations of the Consolidated Company's income tax expense and income before tax for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Income before tax	$ 336,726	218,633
Income tax using the Company's domestic tax rate	$ 57,243	37,168
Under estimated of prior year's income tax	(229)	(296)
Loss from investment using equity method	-	63
10% surtax on unappropriated retained earnings	2,154	1,241
Under estimated of prior year's deferred tax assets	184	-
Current-year losses for which no deferred tax asset was recognized	(2,309)	-
Others	-	(3)
Total	$ 57,043	38,173

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

The Consolidated Company's deferred tax assets have not been recognized in respect of the following items:

		December 31, 2017	December 31, 2016
The carryforward of unused tax losses	$	3,695	6,138

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the Consolidated Company can utilize the benefits therefrom.

The Consolidated Company's estimated unused loss carry-forwards up to December 31, 2017 was as follows:

Year of loss		Unused amount	Year of expiry
2013	$	1,747	2023
2014		36,252	2024
2016		359	2026
	$	38,358	

2) Recognized deferred tax assets

Changes in the amount of recognized deferred tax assets for 2017 and 2016 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, 2017	$	651	2,826	3,138	2,325	5,565	655	15,160
Recognized in profit or loss		(260)	-	-	(185)	(128)	(655)	(1,228)
Balance at December 31, 2017	$	391	2,826	3,138	2,140	5,437	-	13,932
Balance at January 1, 2016	$	868	2,826	2,254	3,015	5,502	241	14,706
Recognized in profit or loss		(217)	-	884	(690)	63	414	454
Balance at December 31, 2016	$	651	2,826	3,138	2,325	5,565	655	15,160

(iii) Examination and approval

The ROC income tax authorities have examined the income tax returns of the Company and its subsidiaries through 2016.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(iv) Imputation tax information

Information related to the Company's unappropriated earnings and tax deduction ratio were summarized below:

		December 31, 2017	December 31, 2016
Unappropriated earnings of 1997 and before	$	-	-
Unappropriated earnings of 1998 and after		414,971	293,922
	$	414,971	293,922

		December 31, 2017	December 31, 2016
Balance of imputation credit account (ICA)	$	52,172	47,682

After the Company filed the income tax return to the tax authorities, the imputation tax credit ratio of earnings to be distributed in 2018 is estimated at 21.55%. The actual imputation tax credit ratio of earnings distributed in 2017 was 24.55%.

Effective from January 1, 2015, the tax deduction ratio for earnings distribution to R.O.C. residents is reduced to half of the previously allowable ratio. Meanwhile, the 10% profit-seeking income tax surcharge paid by the Company could only offset half the amount of income tax for individual shareholders resident outside the R.O.C. which should be withheld from the payment of the net amount of such dividends.

On January 18, 2018, the Legislative Yuan passed an amendment to the Income Tax Act with a three reading procedures, including the abolition of imputation system. Therefore, the aforementioned estimated imputation tax credit ratio for 2017 had been listed only for reference because it was incompliant with the Income Tax Act that took effect beginning January 1, 2018.

(j) Share capital and other equity

As of December 31, 2017 and 2016, 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.

A reconciliation of the Company's outstanding shares for the years ended December 31, 2017 and 2016 was as follows:

Unit: thousand shares

	2017	2016
Balance at January 1	46,667	42,500
Capital increase by cash	-	4,167
Balance at December 31	46,667	46,667

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(i) Common stock

The Board's meeting of the Company on December 30, 2015 passed the capital increase by cash, issuing 4,167 thousand shares of common stocks, with a face value of $10 dollars per share. The price of issuance is $95 per share, with January 6, 2016 recognized as the date of capital increase. The aforementioned capital increase has completed registration procedures with authority. Total paid-in capital amounted to $466,670 thousand, of which 46,667 thousand shares were issued after amendment of register and recognized $354,195 thousand as capital surplus for shares issued at premium of capital increase by cash.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2017	December 31, 2016
Paid-in capital in excess of par value	$ 344,343	391,010
Employee share options	1,075	1,075
	$ 345,418	392,085

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.

(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.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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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.

The appropriations of 2016 and 2015 earnings and capital surplus as dividends approved by the Company's shareholders in its meetings held on May 26, 2017, and June 21, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	2016		2015	
	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	2.50	116,667
Cash－Capital surplus	1.00	46,667	-	-
Total		$ 186,668		116,667

(k) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2017 and 2016 were as follows:

(i) Basic EPS

	2017	2016
Net income attributable to common shareholders of the Company	$ 279,683	180,460
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,591
Basic EPS (New Taiwan dollars)	$ 5.99	3.87

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(ii) Diluted EPS

	2017	2016
Net income attributable to common shareholders of the Company	$ 279,683	180,460
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,610
Influence of potentially dilutive shares—		
Remuneration to employees	270	221
Weighted-average number of shares outstanding— diluted (thousand shares)	46,937	46,831
Diluted EPS (New Taiwan dollars)	$ 5.96	3.85

(l) Revenue

The details of the Consolidated Company's revenue for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Sale of goods	$ 1,715,539	1,535,099

(m) 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, 2017 and 2016, the Company estimated the remuneration to employee amounting to $18,301 thousand and $11,882 thousand, respectively, and directors and supervisors amounting to $10,981 thousand and $7,129 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 2017 and 2016. 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 2017 and 2016.

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(n) Non-operating income and expenses

(i) Other income

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

	2017	2016
Interest income	$ 1,068	821
Others	6,262	616
	$ 7,330	1,437

(ii) Other gains and losses

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

	2017	2016
Net on foreign exchange gain	$ 4,352	2,283
Loss (gain) on disposal of property, plant and equipment	(20)	314
Others	(3)	(50)
	$ 4,329	2,547

(iii) Finance costs

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

	2017	2016
Bank loan	$ 713	859

(o) 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, 2017 and 2016, the maximum amount exposed to credit risk amounted to $1,259,564 thousand and $1,124,436 thousand, respectively.

2) Concentration of credit risk

Approximately, 62% and 60%, of the Consolidated Company's notes and accounts receivable (included related-party) were there major customers as of December 31, 2017 and 2016, 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.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(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, 2017						
Non-derivative financial liabilities						
Secured loans	$ 25,000	25,000	25,000	-	-	-
Unsecured loans	15,000	15,000	15,000	-	-	-
Notes payable	10,475	10,475	10,475	-	-	-
Other notes payable	10,960	10,960	10,960	-	-	-
Accounts payable	101,070	101,070	101,070	-	-	-
Other payables	37,479	37,479	37,479	-	-	-
	$ 199,984	199,984	199,984	-	-	-
December 31, 2016						
Non-derivative financial liabilities						
Secured loans	$ 25,000	25,000	25,000	-	-	-
Unsecured loans	25,000	25,000	25,000	-	-	-
Notes payable	3,474	3,474	3,474	-	-	-
Other notes payable	12,691	12,691	12,691	-	-	-
Accounts payable	87,673	87,636	87,636	-	-	-
Other payables	42,119	42,119	42,119	-	-	-
	$ 195,957	195,920	195,920	-	-	-

The Consolidated Company does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Currency risk exposure

The Consolidated Company's financial liabilities exposure to significant foreign currency risk was as follows:

	Foreign currency	Exchange rate	NTD
December 31, 2017			
Financial liabilities:			
Monetary items:			
USD	$ 2,869	29.760	85,378
EUR	$ 270	35.570	9,620
CHF	$ 165	30.455	5,019

		Foreign currency	Exchange rate	NTD
December 31, 2016				
Financial assets:				
Monetary items:				
USD	$	796	32.250	25,682
Financial liabilities:				
Monetary items:				
USD	$	1,882	32.250	60,668
EUR	$	113	33.900	3,837
GBP	$	559	39.610	22,129

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 TWD against the USD, EUR, GBP and CHF as of December 31, 2017 and 2016, would have increased or decreased the net profit after tax by $830 thousand and $506 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 type 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 $4,352 thousand and $2,283 thousand for the years ended December 31, 2017 and 2016, respectively.

(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, 2017 and 2016 with variable interest rates.

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(v) Fair value information — Categories and fair value of financial instruments

Except for the followings, carrying amount of the Consolidated Company's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 882,951	-	-	-	-
Notes, accounts receivable and other receivables	345,274	-	-	-	-
Other financial assets — current and non-current	20,540	-	-	-	-
Total	$ 1,248,765	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	$ 40,000	-	-	-	-
Notes payable	10,475	-	-	-	-
Other notes payable	10,960	-	-	-	-
Accounts payable	101,070	-	-	-	-
Other payables	37,479	-	-	-	-
Total	$ 199,984	-	-	-	-

	December 31, 2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 758,033	-	-	-	-
Notes, accounts receivable and other receivables	344,795	-	-	-	-
Other financial assets — current and non-current	10,617	-	-	-	-
Total	$ 1,113,445	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	$ 50,000	-	-	-	-
Notes payable	3,474	-	-	-	-
Other notes payable	12,691	-	-	-	-
Accounts payable	87,673	-	-	-	-
Other payables	42,119	-	-	-	-
Total	$ 195,957	-	-	-	-

(Continued)

(p) 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 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)

(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) Trade 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.

The Consolidated Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

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, 2017 and 2016, 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.

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. The Consolidated Company has unused short term bank facilities of $490,000 thousand and $480,000 thousand, respectively, as of December 31, 2017 and 2016.

(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, GBP 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 have significant variation in the future cash flow if there is no significant change in market rate.

(q) 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.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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As of December 31, 2017 and 2016, the Consolidated Company's debt-to-capital ratio at the end of the reporting period were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 339,366	283,151
Less: cash and cash equivalents	882,951	758,033
Net debt	$ (543,585)	(474,882)
Total equity	$ 1,339,818	1,247,390
Debt-to-capital ratio	- %	- %

As of December 31, 2017, 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:

	2017	2016
Short-term employee benefits	$ 15,207	18,975

In 2016, the Consolidated Company provided a vehicle at cost of $889 thousand for key management personnel.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2017	December 31, 2016
Restricted deposit (recorded under other financial assets—current and non-current)			
Time deposits	Bid Bond in hospital	$ 10,799	10,583
Property, plant and equipment			
Land	Short-term loans	13,902	13,902
Buildings	Short-term loans	23,706	24,228
		$ 48,407	48,713

(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

According to the amendments to the "Income Tax Act" passed by the Legislative Yuan of the Republic of China (Taiwan) on three-reading procedure on January 18, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets would increase by $24,594 thousand.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	Years ended December 31 2017			Years ended December 31 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	21,557	182,727	204,284	21,000	156,132	177,132
Labor and health insurance	1,868	10,866	12,734	1,797	9,999	11,796
Pension	1,215	6,619	7,834	1,417	6,459	7,876
Others	739	7,282	8,021	795	5,492	6,287
Depreciation	15,913	9,314	25,227	15,642	8,249	23,891
Amortization	-	13	13	-	-	-

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidated Company in 2017:

(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 endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / 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	401,945	170,000	170,000	40,000	-	12.69 %	1,339,818	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:
- (1) Ordinary business relationship.
- (2) A subsidiary whose common stock is more than 50% directly owned by the guarantor.
- (3) An investee whose common stock is more than 50% owned by the guarantor.
- (4) The parent company owns, directly or indirectly via subsidiaries, more than 50% of the guarantor's common stock.
- (5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.
- (6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.

Note 2: The total amount of guarantee provided by the Company and its subsidiaries shall not exceed the Company's net worth. The total amount of guarantee provided by the Company to any individual entity shall not exceed 30% of the Company's net worth.

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures): None.

(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	154,956	14 %	Note 1	-	Note 1	(43,610)	(30) %	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.

(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	154,185 (note 4)	No significant differences from third parties	8.99 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Research and development	7,100	No significant differences from third parties	0.41 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Rental expense	2,339	No significant differences from third parties	0.14 %

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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	Accounts payable	43,610	No significant differences from third parties	2.60 %

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 $154,971 thousand and unrealized loss from inter-affiliated accounts $786 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 2017 (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 2016	Net income of investee (Note 1)	Investment income (losses) (Notes 1 and 3)	Remarks
				December 31, 2017	December 31, 2016	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	16,500	100.00 %	112,307	160,711	14,270	13,484	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 $14,270 thousand and unrealized loss from inter-affiliate account $786 thousand.

(c) Information on investment in mainland China: None.

(14) Segment information:

(a) General informatio

The Consolidated Company is mainly engage in western medicines, importing and exporting of Active Pharmaceutical Ingredients, research of technologies, pharmaceutical technologies transfer and cooperative development and improvement.

Management reviews the 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.

(b) Geographical information

The 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 in for the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
Name of Customer	Amount	%	Amount	%
A	$ 606,093	35	525,063	34
B	243,061	14	215,378	14
Total	$ 849,154	49	740,441	48