Stock Code:6496

EXCELSIOR BIOPHARMA INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **14F-6, No.3, Park Street, Nangang District, Taipei 11503, R.O.C.**
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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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, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements" 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 Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Excelsior Biopharma Inc.

Chairman: Chen Tse Ming

Date: February 27, 2019

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Independent Auditors' Report

To the Board of Directors of Excelsior Biopharma Inc.:

Opinion

We have audited the consolidated financial statements of Excelsior Biopharma Inc. (the "Company") and its subsidiaries (collectively referred to as the "Consolidated Company"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Internationals developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

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, 2018. 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 accounts receivable

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

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Description of key audit matter:

The notes receivable and accounts receivable constituted 20% of the total consolidated assets of the Consolidated Company as of December 31, 2018, and the impairment of notes and accounts receivable depend on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

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

2. Inventory measurement

Please refer to note 4(h), note 5 and 6(e) 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, 2018 and 2017, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yuan-Sheng Yin and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 27, 2019

Notes to Readers

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

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

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 751,106	46	882,951	53
1150	Notes receivable, net (note 6(c))	5,207	-	5,373	-
1170	Accounts receivable, net (note 6(c))	322,345	20	339,832	20
1200	Other receivable (note 6(d))	185	-	69	-
130x	Inventories (note 6(e))	360,326	22	248,823	15
1476	Other financial assets—current (note 8)	10,799	-	34	-
1479	Other current assets	3,786	-	5,538	-
	Total current assets	1,453,754	88	1,482,620	88
	Non-current assets:				
1520	Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	30,497	2	-	-
1600	Property, plant and equipment (notes 6(f) and 8)	135,300	8	149,606	9
1780	Intangible assets (note 6(g))	111	-	125	-
1840	Deferred tax assets (note 6(k))	13,264	1	13,932	1
1915	Prepayments for equipment	-	-	1,596	-
1920	Refundable deposits	11,198	1	20,506	1
1980	Other financial assets—non-current (note 8)	-	-	10,799	1
	Total non-current assets	190,370	12	196,564	12
	Total assets	$ 1,644,124	100	1,679,184	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term loans (notes 6(h) and 8)	$ -	-	40,000	2
2151	Notes payable	9,976	-	10,475	1
2152	Other notes payable	3,545	-	10,960	1
2170	Accounts payable	82,453	5	101,070	6
2200	Other payables (notes 6(j), (p) and 7)	107,353	7	109,749	6
2230	Current tax liabilities	38,589	2	37,242	2
2300	Other current liabilities	17,990	1	17,281	1
	Total current liabilities	259,906	15	326,777	19
	Non-Current liabilities:				
2640	Net defined benefit liability (note 6(j))	10,976	1	12,589	1
	Total non-current liabilities	10,976	1	12,589	1
	Total liabilities	270,882	16	339,366	20
	Equity attributable to shareholders of the Company (notes 6(j), (k) and (l)):				
3110	Common stock	466,670	28	466,670	28
3200	Capital surplus	298,751	18	345,418	20
	Retained earnings:				
3310	Legal reserve	140,727	9	112,759	7
3350	Unappropriated earnings	468,597	29	414,971	25
		609,324	38	527,730	32
	Other equity:				
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(1,503)	-	-	-
	Total equity	1,373,242	84	1,339,818	80
	Total liabilities and equity	$ 1,644,124	100	1,679,184	100

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue (notes 6(n) and (o))**	$ 1,689,124	100	1,715,539	100
5000	**Operating costs (notes 6(e), (f), (i) and (j))**	1,103,395	65	1,047,752	61
5910	**Gross profit**	585,729	35	667,787	39
6000	**Operating expenses (notes 6(c), (f), (g), (i), (j), (p) and 7):**				
6100	Selling expenses	147,261	9	166,005	10
6200	Administrative expenses	117,112	7	115,584	7
6300	Research and development expenses	39,436	2	60,418	3
6450	Reversal of impairment for expected credit loss	(166)	-	-	-
	Total operating expenses	303,643	18	342,007	20
6900	**Net operating income**	282,086	17	325,780	19
7000	**Non-operating income and expenses (note 6(q)):**				
7010	Other income	3,477	-	7,330	1
7020	Other gains and losses	734	-	4,329	-
7050	Finance costs	(376)	-	(713)	-
	Total non-operating income and expenses	3,835	-	10,946	1
7900	**Net income before tax**	285,921	17	336,726	20
7950	**Less: income tax expenses (note 6(k))**	64,094	4	57,043	4
	Net income	221,827	13	279,683	16
8300	**Other comprehensive income (loss) (notes 6(j) and (k)):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(232)	-	(587)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,503)	-	-	-
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	(1,735)	-	(587)	-
8300	**Other comprehensive income (loss), net of tax**	(1,735)	-	(587)	-
8500	**Total comprehensive income**	$ 220,092	13	279,096	16
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(m))**	$	4.75		5.99
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(m))**	$	4.71		5.96

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company						
			Retained earnings				
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2017	$ 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	345,418	112,759	414,971	527,730	-	1,339,818
Appropriation and distributions:							
Legal reserve	-	-	27,968	(27,968)	-	-	-
Cash dividends	-	(46,667)	-	(140,001)	(140,001)	-	(186,668)
Net income for the year	-	-	-	221,827	221,827	-	221,827
Other comprehensive income for the year	-	-	-	(232)	(232)	(1,503)	(1,735)
Total comprehensive income for the year	-	-	-	221,595	221,595	(1,503)	220,092
Balance at December 31, 2018	$ 466,670	298,751	140,727	468,597	609,324	(1,503)	1,373,242

See accompanying notes to the consolidated financial statements.

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

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018	2017
Cash flows from operating activities:			
Income before tax	$	285,921	336,726
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		25,445	25,227
Amortization expense		14	13
Reversal of impairment for expected credit loss / reversal of provision for bad debt expense		(166)	(5,011)
Interest expense		376	713
Interest income		(975)	(1,068)
Loss (gain) on disposal of property, plant and equipment		(104)	20
Total adjustments to reconcile profit and loss		24,590	19,894
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		166	(625)
Accounts receivable		17,653	5,188
Other receivables		1	(1)
Inventories		(111,503)	(26,661)
Other current assets		1,752	(1,875)
Total net changes in operating assets		(91,931)	(23,974)
Net changes in operating liabilities:			
Notes payable (included other notes payable)		(7,914)	5,270
Accounts payable		(18,617)	13,397
Other payables		(2,396)	27,383
Other current liabilities		709	15,408
Net defined benefit liability		(1,845)	(1,671)
Total net changes in operating liabilities		(30,063)	59,787
Total net changes in operating assets and liabilities		(121,994)	35,813
Total adjustments		(97,404)	55,707
Cash inflow generated from operations		188,517	392,433
Interest income received		858	1,038
Interest paid		(376)	(713)
Income tax paid		(62,079)	(43,291)
Net cash flows from operating activities		126,920	349,467
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(32,000)	-
Acquisition of property, plant and equipment		(9,543)	(16,505)
Proceeds from disposal of property, plant and equipment		104	89
Decrease (increase) in refundable deposits		9,308	(9,515)
Acquisition of intangible assets		-	(138)
Decrease (increase) in other financial assets — non-current		34	(216)
Decrease in prepayments for equipment		-	(1,596)
Net cash flows used in investing activities		(32,097)	(27,881)
Cash flows from financing activities::			
Increase in short-term loans		25,000	40,000
Decrease in short-term loans		(65,000)	(50,000)
Cash dividends paid		(186,668)	(186,668)
Net cash flows used in financing activities		(226,668)	(196,668)
Net increase (decrease) in cash and cash equivalents		(131,845)	124,918
Cash and cash equivalents at beginning of period		882,951	758,033
Cash and cash equivalents at end of period	$	751,106	882,951

See accompanying notes to the consolidated financial statements.

(expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization

EXCELSIOR BIOPHARMA INC. (the Company) was incorporated on July 1, 1988 as a company limited by shares under the laws of the Republic of China (ROC). The consolidated entities in the consolidated financial statements include the Company and its subsidiaries (the Consolidated Company). The Consolidated Company's major business includes:

(a) Western medicines

(b) Importing and exporting of Active Pharmaceutical Ingredients

(c) Food

(d) Cosmeceuticals and development of cosmetics (excluded toxicity)

(e) Research, importing and exporting of technologies

(f) Pharmaceutical technologies transfer and cooperative development and improvement

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

The consolidated financial statements were approved and authorized for issue by the board of directors on February 27, 2019.

(3) New standards, amendments and interpretations adopted:

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

In preparing the accompanying consolidated financial statements, the Consolidated Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
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

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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 the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts" . The Consolidated Company applies this standard retrospectively with the cumulative effect. It need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Consolidated Company recognizes the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Consolidated Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The extent and impact of changes on its accounting policies for the Consolidated Company adopting the IFRS 15 are as follows:

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. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position by the Consolidated Company.

(Continued)

2) Impacts on financial statements

The Consolidated Company estimates the adoption of IFRS 15 will not have any significant impact on its consolidated financial statements.

(ii) IFRS 9 "Financial Instruments"

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

As a result of the adoption of IFRS 9, the Consolidated Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Consolidated Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Consolidated Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information".

The significant changes in its resulting from the adoption of IFRS 9 by the Consolidated Company are as follows:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Consolidated Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 by the Consolidated Company did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39; please see note 4(g).

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

3) Transition

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

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Consolidated Company's financial assets as of January 1, 2018 (There are no change in measurement categories and carrying amounts for financial liabilities):

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	882,951	Amortized cost	882,951
Trade receivables, net	Loans and receivables (note 1)	345,274	Amortized cost	345,274
Refundable deposits	Loans and receivables	20,506	Amortized cost	20,506
Other financial assets	Loans and receivables	10,833	Amortized cost	10,833

Note 1: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

To satisfy the new disclosure requirements, the Consolidated Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(u).

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

According to Ruling No. 1070324857 issued by the FSC on July 17, 2018, commencing from 2019, the Consolidated Company is required to adopt IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify the leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Consolidated Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Consolidated Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified them as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Consolidated Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Consolidated Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Consolidated Company plans to apply the following practical expedients after assessment:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review;
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application;
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application;
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Consolidated Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Consolidated Company estimated that its right-of-use assets and lease liabilities to increase by $90,332 thousand as at January 1, 2019 as a result of the above changes.

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Consolidated Company assessed that the above IFRSs may not be relevant to the Consolidated Company.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(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.

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

(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, 2018**	**December 31, 2017**	**Remarks**
EXCELSIOR BIOPHARMA INC.	Ke Jin Phamaceutical Co., Ltd. (Ke Jin)	Manufacture , inspection and research and development of western Medicine	100.00 %	100.00 %	

All subsidiaries the Company are included in the consolidated financial statements.

(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.

(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.

(Continued)

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

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

The Consolidated Company classifies financial assets into measured at amortized cost and fair value through other comprehensive income (FVOCI). The Consolidated Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and dercognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and dercognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Consolidated Company' s right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

(Continued)

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

3) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The Consolidated Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes and accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forward-looking information.

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Consolidated Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Consolidated Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Consolidated Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Consolidated Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

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.

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 its 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.

(iii) 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.

(Continued)

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.

(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.

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.

(Continued)

(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.

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

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company's main types of revenue are explained below.

1) Sale of goods

The Consolidated Company's major business includes western medicines, importing and exporting of active pharmaceutical ingredients. The Consolidated Company recognizes revenue when control of the goods has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Consolidated Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

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.

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.

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

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.

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.

(Continued)

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.

(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 accounts receivable

The Consolidated Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Consolidated Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For the relevant assumptions and input values, please refer to note 6(c).

(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(e) for the inventory measurement.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(6) Description of significant accounts

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	243	257
Demand deposits		723,461	855,258
Checking deposits		582	616
Time deposits		26,820	26,820
Cash and cash equivalents per statements of cash flow	$	751,106	882,951

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

(b) Financial assets at fair value through other comprehensive income—non-current

		December 31, 2018
Equity investment at fair value through other comprehensive income		
Stocks unlisted on domestic markets	$	30,497

(i) Equity investments at fair value through other comprehensive income

The Consolidated Company held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

For the year ended December 31, 2018, the Consolidated Company did not dispose the aforementioned equity investment, and there was no transfer of any cumulative gain or loss within equity relating to these investment.

(ii) For the information of credit risk and market risk, please refer to note 6(s).

(iii) The aforesaid equity investment was not pledged as collateral.

(c) Notes receivable and accounts receivable

		December 31, 2018	December 31, 2017
Notes receivable from operating activities	$	5,207	5,373
Accounts receivable—measured as amortized cost		324,414	342,067
Overdue receivable—measured as amortized cost		122	122
Less: Loss allowance (included overdue receivable)		2,191	2,357
	$	327,552	345,205

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all notes receivable and accounts receivable on December 31, 2018. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The Consolidated Company's loss allowance for expected credit losses of notes and accounts receivable as of December 31, 2018 was determined as follows:

	Carrying amount of notes and accounts receivable	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Current	$ 325,894	0.00%	-
Past due 181~365 days	3,838	56.79%	2,180
Past due over 365 days	11	100.00%	11
	$ 329,743		2,191

As of December 31, 2017, the Consolidated Company measured the allowance for doubtful debts for its notes and accounts receivable using the incurred loss model. As of December 31, 2017, an aging analysis of past due but not impaired notes and accounts receivable of the Consolidated Company were as follows:

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

The movement in the allowance for impairment with respect to notes and accounts receivable of the Consolidated Company for the years ended December 31, 2018 and 2017 were as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Beginning balance (according to IAS 39)	$ 2,357	7,389	-
Adjustment of initial application of IFRS 9	-		
Beginning balance (according to IFRS 9)	2,357		
Impairment loss reversed	(166)	(5,011)	-
Amounts written off	-	(21)	-
Ending balance	$ 2,191	2,357	-

As of December 31, 2017, impairment loss recognized for individually assessed impairment is the difference between the carrying amount and the amount expected to be collected. These were no collaterals pledged for the collectible amounts of the Consolidated Company.

As of December 31, 2018 and 2017, the Consolidated Company did not provided its notes and accounts receivable as collateral or factored them for cash.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(d) Other receivables

		December 31, 2018	December 31, 2017
Other receivables	$	185	69

As of December 31, 2018 and 2017, the Consolidated Company had no other receivables that were past due. Therefore, no loss allowance for impairment were required after the management's assessment.

(e) Inventories

		December 31, 2018	December 31, 2017
Merchandise	$	320,660	205,162
Finished goods		3,116	3,494
Work in progress		2,651	3,167
Semi-finished products		818	151
Raw material		30,272	34,395
Materials		2,809	2,454
Total	$	360,326	248,823

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:

		2018	2017
Loss on (reversal of) decline in market value of inventory	$	4,616	(1,537)
Loss (gain) on physical inventory, net		(21)	44
Loss on scrapping of inventory		4,735	6,099
Loss on idle capacity		18,604	26,834
Total	$	27,934	31,440

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

As of December 31, 2018 and 2017, the Consolidated Company did not pledge its inventories as collateral.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2018 and 2017 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, 2018	$ 37,261	72,748	32,587	18,375	564	94,540	18,282	274,357
Additions	-	-	1,470	1,968	-	5,572	533	9,543
Disposals	-	-	(350)	-	-	(78)	-	(428)
Reclassification	-	-	-	-	-	1,596	-	1,596
Balance at December 31, 2018	$ 37,261	72,748	33,707	20,343	564	101,630	18,815	285,068
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
Depreciation:								
Balance at January 1, 2018	$ -	22,002	23,883	9,341	564	65,056	3,905	124,751
Depreciation	-	1,439	3,202	2,796	-	15,564	2,444	25,445
Disposal	-	-	(350)	-	-	(78)	-	(428)
Balance at December 31, 2018	$ -	23,441	26,735	12,137	564	80,542	6,349	149,768
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
Disposals	-	-	(218)	-	-	(35)	(1)	(254)
Balance at December 31, 2017	$ -	22,002	23,883	9,341	564	65,056	3,905	124,751
Carrying amount:								
Balance at December 31, 2018	$ 37,261	49,307	6,972	8,206	-	21,088	12,466	135,300
Balance at December 31, 2017	$ 37,261	50,746	8,704	9,034	-	29,484	14,377	149,606
Balance at January 1, 2017	$ 37,261	52,184	8,268	11,479	-	43,691	12,237	165,120

As of December 31, 2018 and 2017, the Consolidated Company pledged its property, plant and equipment as collateral for short-term loans, please refer to note 8.

(g) Intangible assets

The cost and amortization of the intangible assets of the Consolidated Company for the years ended December 31, 2018 and 2017 were as follows:

	Royalty
Cost:	
Balance at December 31, 2018 (Balance at January 1, 2018)	$ 4,690
Balance at January 1, 2017	$ 4,552
Additions	138
Balance at December 31, 2017	$ 4,690

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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		Royalty
Amortization:		
Balance at January 1, 2018	$	4,565
Amortization for the year		14
Balance at December 31, 2018	$	**4,579**
Balance at January 1, 2017	$	4,552
Amortization for the year		13
Balance at December 31, 2017	$	**4,565**
Carrying amount:		
Balance at December 31, 2018	$	**111**
Balance at December 31, 2017	$	**125**
Balance at January 1, 2017	$	-

For the years ended December 31, 2018 and 2017, the amortization of intangible assets are recorded under operating expenses of the consolidated statements of comprehensive income.

(h) Short-term loans

The detail of the Consolidated Company's short-term loans was 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**

The abovementioned short-term loans was to mature within one year.

As of December 31, 2018 and 2017, the unused credit facilities of the Consolidated Company's short-term loans amounted to $370,000 thousand, and $490,000 thousand, respectively.

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

(i) Operating leases

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

		December 31, 2018	December 31, 2017
Less than one year	$	9,614	13,024
Between two and five years		22,505	12,015
	$	**32,119**	**25,039**

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.

(Continued)

For the years ended December 31, 2018 and 2017, operating leases recognized in profit or loss were $10,490 thousand and $10,044 thousand, respectively.

(j) 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, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 22,821	22,117
Fair value of plan assets	(11,845)	(9,528)
Net defined benefit liability	$ **10,976**	**12,589**

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 $11,845 thousand as of December 31, 2018. 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, 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 22,117	23,684
Current service costs and interest	243	441
Remeasurements of the net defined benefit liability		
—Actuarial losses arising from changes in demographic assumptions	14	-
—Actuarial losses arising from changes in financial assumptions	447	580
Contributions paid by the employer	-	72
Benefits paid	-	(2,660)
Defined benefit obligation at December 31	$ 22,821	22,117

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, 2018 and 2017 were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 9,528	10,011
Interest income	131	106
Remeasurements of the net defined benefit liability and asset		
—The return on plan assets (excluding current interest income)	229	(8)
Contributions paid by the employer	1,957	2,079
Benefits paid	-	(2,660)
Fair value of plan assets at December 31	$ 11,845	9,528

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current service costs	$ -	210
Net interest on the defined benefit liability	112	125
	$ 112	335

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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		2018	2017
Operating costs	$	-	124
Selling expenses		69	106
Administration expenses		39	68
Research and development expenses		4	37
	$	112	335

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, 2018 and 2017 were as follows:

		2018	2017
Cumulative amount at January 1	$	2,747	3,334
Recognized during the period		(232)	(587)
Cumulative amount at December 31	$	2,515	2,747

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:

	2018.12.31	2017.12.31
Discount rate	1.00 %	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 2018 is $1,839 thousand.

The weighted average duration of the defined benefit plan is 10.30 years.

7) Sensitivity analysis

As of December 31, 2018 and 2017, 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, 2018			
Discount rate (changes 0.25%)	$	(510)	530
Future salary increase rate (changes 0.25%)		515	(498)
December 31, 2017			
Discount rate (changes 0.25%)		(533)	555
Future salary increase rate (changes 0.25%)		540	(522)

(Continued)

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.

The Consolidated Company's pension costs under the defined contribution method were $7,956 thousand and $7,499 thousand for the years ended December 31, 2018 and 2017, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit

	December 31, 2018	December 31, 2017
Compensated absence liabilities (recorded under other payables)	$ 2,067	2,067

(k) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

(i) Income tax expense

The amount of the Consolidated Company's income tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax expense		
Current period	$ 53,757	53,890
10% surtax on unappropriated retained earnings	11,113	2,154
Adjustment for prior periods	(1,444)	(229)
	63,426	55,815
Deferred tax expense		
Origination and reversal of temporary differences	3,126	-
Adjustment in tax rate	(2,458)	1,228
	668	1,228
Income tax expenses from continuing operations	$ 64,094	57,043

(Continued)

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

The Consolidated Company had not recognize income tax in equity and other comprehensive income for 2018 and 2017.

Reconciliations of the Consolidated Company's income tax expense and income before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Income before tax	$ 285,921	336,726
Income tax using the Company's domestic tax rate	$ 57,184	57,243
Adjustment in tax rate	(2,458)	-
Over estimated of prior year's income tax	(1,444)	(229)
10% surtax on unappropriated retained earnings	11,113	2,154
Under estimated of prior year's deferred tax assets	4,046	184
Current-year losses for which no deferred tax asset was recognized	(4,347)	(2,309)
Total	$ 64,094	57,043

(ii) Deferred tax assets

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, 2018	December 31, 2017
The carryforward of unused tax losses	$ -	3,695

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.

2) Recognized deferred tax assets

Changes in the amount of recognized deferred tax assets for 2018 and 2017 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, 2018	$ 391	2,826	3,138	2,140	5,437	-	13,932
Recognized in profit or loss	325	(225)	1,538	55	(2,361)	-	(668)
Balance at December 31, 2018	$ 716	2,601	4,676	2,195	3,076	-	13,264
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

(Continued)

(iii) Examination and approval

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

(l) Share capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the Company issued 80,000 thousand nominal ordinary shares, with a par value of $10 per share, totaling $800,000 thousand; of which, 46,667 thousand common stocks were outstanding. All issued shares were paid upon issuance.

(ii) Capital surplus

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

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$ 297,676	344,343
Employee share options	1,075	1,075
	$ 298,751	345,418

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.

(Continued)

2) Special earnings reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. The remainder, if necessary, is subject to special reserve, and any remaining profit together with any undistributed retained earnings shall then be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's Articles of Incorporation, the Company's dividend policy will consider its operating environment, steady profitability, sufficiency of its cash for future expansion, financial plan and the balance of dividends. The Company stipulated a dividend policy that at least 10% of the total dividend should be distributed by cash.

The appropriations of 2017 and 2016 earnings and capital surplus as dividends approved by the Company's shareholders in its meetings held on May 29, 2018, and May 26, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share (NT dollars)	**Total Amount**	**Amount per share (NT dollars)**	**Total Amount**
Dividends distributed to common stockholders:				
Cash－Retained earrings	$ 3.00	140,001	3.00	140,001
Cash－Capital surplus	1.00	46,667	1.00	46,667
Total		$ 186,668		186,668

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(m) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2018 and 2017 were as follows:

(i) Basic EPS

	2018	2017
Net income attributable to common shareholders of the Company	$ 221,827	279,683
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Basic EPS (New Taiwan dollars)	$ 4.75	5.99

(ii) Diluted EPS

	2018	2017
Net income attributable to common shareholders of the Company	$ 221,827	279,683
Weighted-average number of common shares outstanding (thousand shares)	46,667	46,667
Influence of potentially dilutive shares—		
Remuneration to employees	406	270
Weighted-average number of shares outstanding—diluted (thousand shares)	47,073	46,937
Diluted EPS (New Taiwan dollars)	$ 4.71	5.96

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets:	
Taiwan	$ 1,689,124
Primary merchandises lines:	
Western medicines	$ 1,689,124

For the details on revenue for the year ended December 31, 2017, please refer to note 6(o).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Accounts receivable	$ 324,537	342,189
Less: loss allowance	2,191	2,357
Total	$ 322,346	339,832

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For the details of disclosure on accounts receivable and allowance for impairment, please refer to note 6(c).

(o) Revenue

The detail of the Consolidated Company's revenue for the year ended December 31, 2017 was as follows:

		2017
Sale of goods	$	1,715,539

(p) 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, 2018 and 2017, the Company estimated the remuneration to employee amounting to $15,540 thousand and $18,301 thousand, respectively, and directors and supervisors amounting to $9,324 thousand and $10,981 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 2018 and 2017. 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 2018 and 2017.

(q) Non-operating income and expenses

(i) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest income of loans to related parties	$	975	1,068
Other income—other		2,502	6,262
Total other income	$	3,477	7,330

(ii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Loss (gain) on disposal of property, plant and equipment	$	104	(20)
Net on foreign exchange gain		641	4,352
Other gains and losses		(11)	(3)
Net on other gains and losses	$	734	4,329

(iii) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest expense of bank loans	$	376	713

(r) 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, 2018 and 2017, the maximum amount exposed to credit risk amounted to $1,131,338 thousand and $1,259,564 thousand, respectively.

2) Concentration of credit risk

Approximately, 62%, of the Consolidated Company's notes and accounts receivable were there major customers as of December 31, 2018 and 2017, respectively. The Consolidated Company manages the total amount of transaction between customers and periodically evaluates their financial positions, thus, the Consolidated Company believes that cash do not have a significant credit risk concentration.

3) Credit risk of receivables and other financial assets at amortized cost

For the information of credit risk exposure for notes and accounts receivable, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Notes payable	$	9,976	9,976	9,976	-	-	-
Other notes payable		3,545	3,545	3,545	-	-	-
Accounts payable		82,453	82,453	82,453	-	-	-
Other payables		30,410	30,410	30,410	-	-	-
	$	126,384	126,384	126,384	-	-	-
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	-	-	-

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, 2018				
Financial liabilities:				
Monetary items:				
USD	$	2,205	30.715	67,711
EUR	$	356	35.200	12,546
CHF	$	58	31.185	1,811

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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		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

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, 2018 and 2017, would have increased or decreased the net profit after tax by $657 thousand and $864 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 $641 thousand and $4,352 thousand for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 with variable interest rates.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(v) Fair value information

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. 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, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks on unlisted domestic markets	$ 30,497	-	-	30,497	30,497
Subtotal	30,497	-	-	30,497	30,497
Financial assets measured at amortized cost					
Cash and cash equivalents	751,106	-	-	-	-
Notes and accounts receivable and other receivables	327,737	-	-	-	-
Other financial assets —current	10,799	-	-	-	-
Refundable deposits	11,198	-	-	-	-
Total	$ 1,131,337	-	-	30,497	30,497
Financial liabilities measured at amortized cost					
Notes payable	$ 9,976	-	-	-	-
Other notes payable	3,545	-	-	-	-
Accounts payable	82,453	-	-	-	-
Other payables	30,410	-	-	-	-
Total	$ 126,384	-	-	-	-

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 882,951	-	-	-	-
Notes and accounts receivable and other receivables	345,274	-	-	-	-
Other financial assets — current and non-current	10,833	-	-	-	-
Refundable deposits	20,506	-	-	-	-
Total	$ 1,259,564	-	-	-	-
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	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination — Non-derivative financial instruments

If the quoted prices in active markets are available, the market price is established as the fair value.

When the financial instrument of the Consolidated Company is not traded in an active market, its fair value is determined based on the ratio of the quoted market price of the comparative listed company, and the main assumption for the model basis of both the net equity value of the equity of the investee and the equity multiplier derived from the quoted market price of the comparative listed company. The estimated adjustments of the fair value is discounted for its lack of liquidity in the market.

3) Fair value hierarchy

The Consolidated Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

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

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

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Consolidated Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the year ended December 31, 2018. For the year ended December 31, 2017, the Consolidated Company did not hold the fair value of financial assets.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	**Bond investments**
December 31, 2018	$ 30,497	-

Total gains and losses that were included in unrealizd gains and losses from financial assets measured at fair value through other comprehensive income.

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6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	· PB ratio and PE ratio (As of December 31, 2018 were 2.34 and 6.92) · Market illiquidity discount rate (As of December 31, 2018 was 20%)	The estimated fair value would increase (decrease) if · the multiplier and PE were higher (lower) · the market illiquidity discount were lower (higher)

7) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Consolidated Company's fair value measurements of financial assets was reasonably. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income	
			Favourable	Unfavourable
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	10%	$ 1,001	(1,001)

The favourable and unfavourable effects of the Consolidated Company represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

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

(s) 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) Account and other receivables

The Consolidated Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, and these factors may have an influence on credit risk. However, management also considers the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Consolidated Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Consolidated Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Consolidated Company's benchmark creditworthiness may transact with the Consolidated Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits are measured and monitored by the Consolidated Company's finance department. Since those who transact with the Consolidated Company are banks and other external parties with good credit standing and financial institutions with a credit rating above investment grade, there are no non-compliance issues.

Hence, there is no significant credit risk.

3) Guarantees

The Consolidated Company's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the consolidated company, either directly or indirectly. Financial guarantees to subsidiaries provided by the Company as of December 31, 2018 and 2017, please refer to note 13. the Consolidated Company did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

(Continued)

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 $370,000 thousand and $490,000 thousand, respectively, as of December 31, 2018 and 2017.

(v) Market risk

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

1) Currency risk

The Consolidated Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Consolidated Company's entities, primarily the USD, EUR and CHF.

The interest is denominated in the currency used in the loans. Generally, loans are denominated in currencies that match the cash flows generated by the underlying operations of the Consolidated Company, primarily the NTD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Consolidated Company's loans are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter. However, it is not have significant variation in the future cash flow if there is no significant change in market rate.

(t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity interest of the Consolidated Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

(Continued)

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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The Company's debt-to-capital ratio at the end of the reporting period were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 270,882	339,366
Less: cash and cash equivalents	751,106	882,951
Net debt	$ (480,224)	(543,585)
Total equity	$ 1,373,242	1,339,818
Debt-to-capital ratio	- %	- %

As of December 31, 2018, there was no changes in the Consolidated Company's approach of capital management.

(u) Investing and financing activities not affecting current cash flow

The Consolidated Company did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2018 and 2017, were as follows:

		Cash flows		Non-cash changes		
	January 1, 2018	Acquisition of cash from short-term loans	Repayments of short-term loans	Foreign exchange movement	Fair value changes	December 31, 2018
Short-term loans	$ 40,000	25,000	(65,000)	-	-	-
Total liabilities from financing activities	$ 40,000	25,000	(65,000)	-	-	-

(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:

	2018	2017
Short-term employee benefits	$ 17,417	15,207

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Restricted deposit (recorded under other financial assets—current and non-current)			
Time deposits	Bid Bond in hospital	$ 10,799	10,799
Property, plant and equipment			
Land	Short-term loans	13,902	13,902
Buildings	Short-term loans	23,184	23,706
		$ 47,885	48,407

(9) Significant commitments and contingencies: None.

(10) Significant losses from calamity: None.

(11) Significant subsequent events: None.

(12) Other

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

By function / By nature	Year ended December 31 2018			Year ended December 31 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	21,463	155,103	176,566	21,557	168,660	190,217
Labor and health insurance	1,803	11,528	13,331	1,868	10,866	12,734
Pension	1,101	6,967	8,068	1,215	6,619	7,834
Directors' remuneration	-	10,031	10,031	-	14,067	14,067
Others	735	5,456	6,191	739	7,282	8,021
Depreciation	16,268	9,177	25,445	5,913	9,314	15,227
Amortization	-	14	14	-	13	13

(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 2018:

(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 3)	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn (Note 2)	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 3)	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	411,973	170,000	105,000	-	-	7.65 %	1,373,242	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Ke Jin Pharmaceutical Co., Ltd repayed the short-term loans of bank amounting to $65,000 thousand

Note 3: 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, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousands of New Taiwan dollars / thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2016	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Stocks: EirGenix, Inc.	None	Financial assets measured at fair value through other comprehensive income	1,000	30,497	0.67 %	30,497	30,497	

Note 1: The transaction has already been written off in the consolidated financial statements.

(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	194,502	17 %	Note 1	-	Note 1	(29,800)	(28) %	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.

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(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	190,363 (note 4)	No significant differences from third parties	11.27%
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Research and development	8,902	No significant differences from third parties	0.53 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Rental expense	2,339	No significant differences from third parties	0.14 %
0	The Company	Ke Jin Pharmaceutical Co., Ltd	1	Accounts payable	29,800	No significant differences from third parties	1.81 %

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 $194,502 thousand and unrealized loss from inter-affiliated accounts $4,139 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 2018 (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, 2018	December 31, 2017	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 %	132,753	160,711	24,585	20,446	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 $24,585 thousand and unrealized loss from inter-affiliate account $4,139 thousand.

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

(14) Segment information:

(a) General information

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 Consolidated Company's overall performance regularly to evaluate the performance of each segment and allocate its resource accordingly, because of single industry, the Consolidated Company is identified as a sole operating segment.

(b) Geographical information

The Consolidated Company does not have foreign segment.

EXCELSIOR BIOPHARMA INC. AND SUBSIDIARIES
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(c) Information about major customers

There were major customers whose revenue was more than 10% of operating revenue of the Consolidated Company for the years ended December 31, 2018 and 2017 were as follows:

	2018		2017	
Name of Customer	**Amount**	**%**	**Amount**	**%**
A Company	$ 610,576	36	606,093	35
B Company	246,038	15	243,061	14
Total	$ **856,614**	**51**	**849,154**	**49**