



Stock Code: 1783

# **MAXIGEN BIOTECH INC.**

## **2018 Shareholders' Meeting**

# **Meeting Handbook**

**Time:** June 26, 2018

**Venue:** No. 88, Keji 1st Rd., Guishan District, Taoyuan City (3rd Floor Meeting Room of the Company)

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# Maxigen Biotech Inc.

## 2018 Procedures of Annual Shareholders' Meeting

Time: 10:30 a.m., Tuesday, June 26, 2018

Venue: 3rd Floor Meeting Room of the Company (No. 88, Keji 1st Rd.,  
Guishan District, Taoyuan City)

- (I) Announcement of shares being represented in the Shareholders Meeting
- (II) Calling the Meeting to Order
- (III) Chairperson Remarks
- (IV) Management Presentation
- (V) Matters to be Reported
- (VI) Matters to be discussed
- (VII) Extempore motions
- (VIII) Adjournment

# Maxigen Biotech Inc.

## 2018 Shareholders' Meeting Agenda

### I. Chairperson Remarks

### II. Management Presentation

- (1) 2017 Business Report
- (2) Supervisors' Review Report on 2017 Financial Statements
- (3) 2017 Employee, supervisor, and director remuneration allocation report.

### III. Matters to be Reported

- (1) Adoption of the Company's 2017 Business Report and Financial Statements
- (2) Adoption of the Company's 2017 Proposal of Appropriation of Profit & Loss

### 4. Matters to be discussed

- (1) Amendments of Articles of Incorporation
- (2) Amendment to the Rules of Procedure for Shareholder Meetings

### 5. Extempore motions

### 6. Adjournment

# Management Presentation

Proposal 1: The following is the Company's 2017 Business Report. Please inspect accordingly.

Explanation: (1) Please see Attachment 1 (Pages 7 to 8 in the Handbook) for the Business Report.

(2) Please see Attachment 3 (Pages 10 to 30 in the Handbook) for the Financial Statements.

Proposal 2: 4. Supervisor's Review Report on the 2017 Financial Statements Please inspect accordingly.

Explanation: Please see Attachment 2 (Page 9 in the Handbook) for the Supervisors' Review Report.

Proposal 3: Report on 2017 Employees' and Directors' Remuneration Allocation. Please inspect accordingly.

Explanation: (1) The proposed remuneration of employees is NT\$ 1,200,000 for 2017 (Accounting for 6.58% of the net profit before tax before the deduction of staff and supervisors' remuneration) in accordance with Article 19 of the Articles of Incorporation of Maxigen Biotech Inc. to show appreciation of employees' hard work.

(2) The proposed Directors' and Supervisors' remuneration is NT\$ 360,000 for 2017 (Accounting for 1.97% of the net profit before tax before the deduction of staff and supervisors' remuneration) in accordance with Article 19 of the Articles of Incorporation of Maxigen Biotech Inc. to show appreciation of Directors' and Supervisors' hard work.

(3) The proposal is reviewed and approved by the Remuneration Committee and submitted to Board of Directors for discussion and approval; the remuneration is all paid in cash.

# Matters to be Reported

Proposed by the Board

Proposal 1: Please adopt the Company's 2017 Business Report and Financial Statements.

Explanation: (1) The Company's 2017 Individual and Consolidated Financial Statements have been passed by the Board and audited by CPAs Shu-Lin Liu and Chin-Chuan Shih from Deloitte & Touche Taiwan. Furthermore, the Business Report and Individual and Consolidated Financial Statements have also been inspected by the Company's Supervisors and a review report has been issued accordingly.

(2) Please see Attachment 1 (Pages 7 to 8 in the Handbook) for the Business Report.

(3) Please see Attachment 3 (Pages 10 to 30 in the Handbook) for the Company's financial information.

Resolution:

Proposed by the Board

Proposal 2: Adoption of the Company's 2017 Proposal of Appropriation of Profit & Loss

Explanation: (1) The Company's net profit after tax was NT\$15,786,220 in 2017. After deducting statutory surplus of NT\$1,578,622 and definitive benefit plan of NT\$241,421, an amount of NT\$3,124,738 was taken out for special surplus reserve (the closing balance at the time of foreign exchange conversion of foreign operating agencies). Thus, the surplus available for distribution was NT\$ 10,841,439. Based on the number of 77,375,000 outstanding shares on the date of the Board of Directors' Meeting on March 21, 2018, NT\$ 0.15033847 was issued to each common share for a total of NT\$ 10,443,262 and NT\$ 0.05033847 was issued to each preferred share for a total of NT\$ 398,177. The calculation was rounded down to the closest dollar and the sum of changes was included in other income of the Company.

(2) Please see the following the Company's 2017 Proposal of Appropriation of Profit & Loss:

Maxigen Biotech Inc.  
Appropriation of Profit & Loss 2017

Item	Unit: NT\$ Amount
Beginning retained earnings	(12,490,791)
Compensation for deficit from paid-in capital reserve	12,490,791
Subtotal	0
Remeasured retained earnings as per the benefit plan	(241,421)
Surplus not distributed after adjustment	(241,421)
Net Profit After Tax in the Current Period	15,786,220
2017 Statutory Surplus Reserve	(1,578,622)
Special Surplus Reserve	(3,124,738)
Unappropriated retained earnings at the end of the year	10,841,439
 Items of Profit Distribution	
Common shareholders' cash dividends (@0.15033847)	(10,443,262)
Preferred shareholders' cash dividends (@0.05033847)	(398,177)
Unappropriated retained earnings	0

Chairman: Li-Teh Hsu

President: Song-Ching Chen

Accounting Supervisor: Yin-Chen Lee

(3) After the proposal of appropriation of profit & loss has been approved in Shareholders' Meeting, the Board of Directors will be authorized to set an ex-dividend basis date, issue date and decide on other related matters.

(4) If the share capital has changed and caused an impact on outstanding shares, and thus impacted the dividend yield after the dividend payout, it is proposed that the shareholders should authorize the chairman of the board to comply with the company law or its related laws and regulations.

Resolution:



# **Matters to be discussed**

Proposed by the Board

Proposal 1: Please discuss the proposal to amend the Articles of Incorporation.

Explanation: (1) The Certificate No. 1060000381 that is issued by FSC on Jan 18, 2017 stated that listed company shall include electronic approach as one of the channels for the exercise of voting rights from Jan 18, 2018. Thus, part of Articles of Incorporation was amended.  
(2) Please see Attachment 4 (Pages 31 to 32 in the Handbook) for Articles before and after the amendments.

Resolution:

Proposed by the Board

Proposal 2: Proposal for the amendment of the Company's "Rules of Procedure for Shareholder Meetings". Please discuss accordingly.

Explanation: (1) The Certificate No. 1060000381 that is issued by FSC on Jan 18, 2017 stated that listed company shall include electronic approach as one of the channels for the exercise of voting rights from Jan 18, 2018. Thus, part of "Rules of Procedure for Shareholder Meetings" was amended.  
(2) Please see Attachment 5 (Pages 33 in the Handbook) for Articles before and after the amendments.

Resolution:

## **Extempore motions**

## **Adjournment**

# Maxigen Biotech Inc.

## 2017 Business Report

### 1. Scope of Business

The core technology of Maxigen Biotech Inc. is the application of collagen, hyaluronic acid (also known as hyaluronic acid) and calcium phosphate bioceramics and other biopolymer materials on biomedical materials and skin care products departments. After years of hard working, the Company's Biomedical Division has successfully developed 18 advanced medical implant materials with areas of application ranging from orthopedics, dentistry, ophthalmology, dermatology, and plastic surgery, and received 38 product licenses from Taiwan, EU, USA, Singapore, Indonesia, and China. The skin care product department focuses on R&D business for domestic and international major skin care brands. The department focuses on developing exclusive formulas, coating process technology and micro-infiltration technology, and actively invests in automated production lines to expand production capacity to undertake larger orders and increase the competitive advantage of the R&D business for the skin care products at the same time.

### 2. Business Performance in 2017

The company's net operating income for the year 2017 was NT\$427,561,000, a NT\$91,173,000 increase over the NT\$336,388,000 in 2016, or a 27.1% growth. In particular, revenue from Biomedical Division was NT\$221,013,000, a NT\$46,933,000 increase over the NT\$174,080,000 in 2015, or a 27% growth. The growth was mostly from cultivating new overseas clients, which increased our operating revenue. In addition, revenue from Biomedical Division was NT\$206,548,000, a NT\$44,240,000 increase over the NT\$162,308,000 in 2015, or a 27.3% growth. The growth was mostly from OEM overseas clients, which increased our operating revenue.

The operating cost for 2017 was NT\$267,276,000, a NT\$65,805,000 increase over the NT\$201,471,000 in 2016 (increased by 32.7%). The increase in revenue was the main cause for increase in operating cost in comparison to 2015. The operating expenses for 2017 was NT\$139,237,000, a NT\$6,992,000 decrease over the NT\$146,229,000 in 2016, which was mainly due to the reduction of administrative expenses.

The net profit for the current period was NT\$15,546,000, a NT\$28,037,000 increase over the net loss NT\$12,491,000 in 2016.

### 3. Current R&D Status

The core technology of the Company is focused on the development of products of biomedical implantation materials from collagen, hyaluronic acid, and calcium phosphate-based bioceramics, which are intended for repairing or replacing damaged tissues of the human body. 2017 R&D achievements: Obtained 4 listing licenses for the Company's self-owned products and 1 product for cooperative development.

Below

is a list of the products that have received permissions:

- June 5, 2017: ViscAid Ophthalmic Viscoelastic obtained the license to market in Indonesia. .
- June 5, 2017: ArtiAid Intra-articular Injection obtained the license to market in Indonesia. .
- June 5, 2017: ArtiAid Plus Intra-articular Injection obtained the license to market in Indonesia. .
- June 14, 2017: GingivAid Collagen Bone Graft obtained the license to market in Indonesia.
- Nov 24, 2017: The AttraX Scaffold that is jointly developed with Nuvasive obtained the license to market in Indonesia.

In addition, the Company has increased the resource injection of clinical tests in each year to enhance product competitiveness. There are 4 clinical trials that were taking place in 2017. The descriptions are as the following:

- (1). Study of safety and efficacy for patient with shoulder disorder use subacromial bursa injection of ArtiAid Intra-articular injection'. Ongoing at National Cheng Kung University Hospital.
- (2). "Study of safety and efficacy for patient with carpometacarpal joint arthritis use ArtiAid Intra-articular injection". Ongoing at E-DA Hospital.
- (3). 'Study on the clinical efficacy and safety of various wounds treated with HealiAid collagen wound dressing'. Ongoing at Linkou Chang Gung Memorial Hospital.
- (4). "Formaderm young dermal filler injection pre-market clinical trail." Ongoing in China.

The skin care products division are also actively strengthening the deployment of exclusive technology patents to enhance the value of developing products for our customers. The patents obtained by the Company in 2017 are:

- (1). The patent of "Equisetum algae lipid carrier and production method" was obtained in Taiwan on May 2017.

After years of hard working, the Company's Biomedical Division and Skin Care Division have both established solid foundations. Besides continuing to strengthen our core

competencies in innovation and R&D to develop pioneering products in the future, we will also strengthen our marketing and business expansion capabilities so as to achieve profitability.

Chairman: Li-Teh Hsu    President: Song-Ching Chen    Accounting Supervisor: Yin-Chen Lee

## Supervisors' Review Report

The Board of Directors had submitted documents including the Company's 2017 Individual and Consolidated Financial Statement, which have been audited by CPAs Shu-Lin Liu and Chin-Chuan Shih from Deloitte & Touche Taiwan, along with the Business Report and the Proposal for Appropriation of Profit & Loss for our review. After inspection by the Supervisors, no material misstatement has been found, and we have prepared an Audit Report in accordance with Article 219 of the Company Act. Please inspect accordingly.

To

2018 Shareholders' Meeting

Maxigen Biotech Inc.

Supervisor: Shui-Chuan Dai

Supervisor: Fu-Ren Hou

Supervisor: Yi Dai

March 21, 2018

## Accountant's Audit Report

**Audit Opinion**

Maxigen Biotech Inc. and its subsidiaries' Consolidated Balance Sheet as of Dec. 31, 2017 and 2016, in addition to the Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statement (including material accounting policies) from Jan. 1 to Dec. 31, 2017 and 2016, have been audited by the CPAs.

Per opinions of the CPAs, the consolidated financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of Maxigen Biotech Inc. and its subsidiaries as of Dec. 31, 2017 and 2016, as well as the consolidated financial performance and consolidated cash flow as of Jan. 1 to Dec. 31, 2017 and 2016.

**Basis of Audit Opinion**

Our CPAs have planned and executed our auditing procedures according to Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPAs will further explain the responsibilities that auditors shall execute during the audit of Consolidated Financial Statements under the above principles below. The independent accountants of Deloitte & Touche Taiwan shall comply with the ethical code of conduct for accountants and remain neutral to Maxigen Biotech Inc. and its subsidiaries in fulfilling their duties. Our CPAs believe that sufficient and appropriate verification proof have been obtained, which shall serve as the basis of our audit opinion.

## **Key Audit Items**

Key audit items refer to the most critical items in the 2017 consolidated financial statement of Maxigen Biotech Inc. and its subsidiaries being audited by the accountants when performing their professional judgment. These items have been covered in the verification process of the overall Consolidated Financial Statements and the audit opinion; hence, the CPAs shall not express a separate opinion on these items.

Below is an explanation of the key verification items for the 2017 Consolidated Financial Statements of Maxigen Biotech Inc. and its subsidiaries:

### Inventory valuation

Maxigen Biotech Inc. and its subsidiaries primarily undertake the manufacturing and retailing of medical equipment, facial masks, and skin care products. Since the Company operates in a rapidly-changing industry, Maxigen Biotech Inc. and subsidiaries are faced with the need for rapid product launches and severe competition. The book value of the Company's inventory on December 31, 2017 was NT\$93,977,000 (after deducting reserve against devaluation of NT\$30,875,000). The 2017 inventory depreciation and loss from scrapped assets accounted for NT\$10,061,000. Since the remaining balance of the inventory and reserve against inventory devaluation posed material impact on the overall consolidated financial statements, and the valuation of the inventory's net cash equivalent value and loss from idle inventory require material judgment, inventory valuation is therefore listed as a key audit item.

The CPAs focused on the inventory rating on the Balance Sheet, including whether the judgment for classification of out-of-date products and products fit for continuing sales from Maxigen Biotech Inc. and its subsidiaries were appropriate, and conducted assessment on the reasonableness of the calculation of the loss from recording inventory's allowance for devaluation for out-of-date products. We tested for the source of the net cash value of the products for continuing sales and conducted sampling of prices for the most recent sales. For allowance for devaluation of inventory, we compared against the Company's historical experiences and also undertook random inspection and re-calculation to test for the accuracy of the inventory valuation from the management level.

For subsequent rating on the accounting policy for inventory from Maxigen Biotech Inc. and its subsidiaries, please see Note 4. For explanations on material

accounting judgment and estimation of uncertainty, please see Note 5, and for relevant statement and disclosure, please see Note 10.

### Revenue recognition

During product sales, Maxigen Biotech Inc. and subsidiaries, would record revenue upon transferring relevant risks and ownership to its clients. Moreover, most of the sales transactions are done with the Company's top 10 clients, accounting for approximately 67% of the consolidated operating revenue. Since the client base is centralized and operating revenue from this client base poses material impact on the overall consolidated financial statements, this has been classified as a key audit item.

For accounting policy regarding revenue recognition from Maxigen Biotech Inc. and its subsidiaries, please see Note 4.

The CPAs understood and tested for the design and implementation of the revenue recognition accounting policy and internal control, and inspected the contracts from Maxigen Biotech Inc. and its subsidiaries with the Company's top 10 clients to ensure whether accounting procedures and accounting policies for revenue recognition are in line. We also conducted analysis to prove whether revenue recognition conditions fully match regulations from accounting policies, and whether the time frame for revenue recognition is appropriate, based on past experiences and recent sales conditions.

### **Other Matters**

Maxigen Biotech Inc. has also prepared Individual Financial Statements for 2017 and 2016, and they have also received an audit report of unqualified opinion from our CPAs for your reference.

### **The responsibility of the management and governance units for the parent company only financial statements**

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or error, the management level is responsible for preparing prudent Individual Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and in accordance with IFRS, IAS as recognized and announced by the FSC to be effective, in line with proper explanations, and to prepare and maintain necessary internal control procedures pertaining to the Consolidated Financial Statements.



In preparing the Consolidated Financial Statements, the responsibility of management includes the assessment of the sustainability of Maxigen Biotech Inc. and its subsidiaries, disclosure of related matters, and the adoption of a going-concern accounting basis, unless the management intends to liquidate Maxigen Biotech Inc. and its subsidiaries, terminate the business, or no practicable measures other than liquidation or termination of the business can be taken.

The governance units (including supervisors) of Maxigen Biotech Inc. and its subsidiaries have the responsibility of supervising its financial reporting procedures.

**The responsibility of certified public accountants when auditing consolidated financial statements**

The purpose of the CPAs' audit of the Consolidated Financial Statements is to obtain reasonable assurance for whether the Statements contain material misstatement due to fraud or error, and to provide an auditing report. "Reasonable assurance" refers to high levels of credibility; nevertheless, our auditing work carried out according to GAAP may not guarantee that material misstatement will be detected within the Consolidated Financial Statements. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the the misstated individual amounts or aggregated sum could have influence over the economic decisions made by the users of the Consolidated Financial Statements, it will be deemed as material.

The CPAs have utilized their professional judgment and maintained professional doubt when exercising auditing work according to GAAP. The CPAs have also implemented the following procedures:

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; and obtained sufficient and appropriate evidence as the basis of their audit opinion. The risk of fraud is likely to involve collusion, forgery, deliberate omission, false declaration or transcend internal control, so the risk of improper expression of fraud is not higher than that caused by the wrong person.
2. Obtained necessary knowledge about the internal control mechanism that is closely related to auditing work and designed the appropriate audit procedure without the intention to express any opinion about the validity of the internal control of Maxigen Biotech Inc. and its subsidiaries.
3. Evaluated the appropriateness of the accounting policies adopted by the management level and the reasonableness of its accounting work and relevant disclosures.
4. Based on the audit evidence established, concluded on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of Maxigen Biotech Inc. and its subsidiaries to remain in operation or whether there were any significant uncertainty regarding its conditions. If the CPAs are of the opinion that material uncertainty exists within these matters or conditions, the CPAs shall remind the users of the Consolidated Financial Statements to pay attention to relevant disclosure in the Statements in their auditing report, or to revise the audit opinion when such disclosure is inappropriate. The CPAs' conclusion is based on the auditing evidence obtained up to the date of the auditing report. Nevertheless, future events or situations may lead to loss of operation ability of Maxigen Biotech Inc. and its subsidiaries.
5. Evaluated the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.

6. Obtained sufficient and appropriate auditing evidence for the Group's internal formation of its consolidated financial information and expressed opinion on its Consolidated Financial Statements. The CPAs were responsible for guiding, supervising and executing the audit work for the group and also establishing the auditor's opinion.

The CPAs' communications with the governance units include the planned auditing scope and time frame and material auditing finding (including significant defects identified in the internal control during auditing procedures). The CPAs have also provided the statement pertaining to the accounting firm's personnel under governance of independence to the governance unit, and communicated relations and other items (including relevant protective measures) that could affect the CPAs' independence.

In the communications between us and the company's governing body, we have determined the key audit items from 2017 consolidated financial statements of Maxigen Biotech Inc. and its subsidiaries. The CPAs have clearly indicated such matters in the audit report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where the CPAs decided not to communicate specific items in the audit report where it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche Taiwan

CPA Shu-Lin Liu

CPA Chin-Chuan Shih

Approval Number from Financial  
Supervisory Commission in R.O.C.  
FSC No. 1050024633

Approval Number from the Securities and  
Futures Commission  
FSC No. 0930128050

March 21, 2018

Maxigen Biotech Inc. and subsidiaries  
Consolidated Balance Sheet  
for the Years Ended December 31, 2017 and 2016

Unit: NT\$1,000

Code	Asset	December 31, 2017		31 December 2016	
		Amount	%	Amount	%
<b>Current Assets</b>					
1100	Cash and cash equivalents (Note 4 and 6)	\$ 182,218	17	\$ 96,634	9
1110	Financial assets at fair value through profit and loss- current (Note 4 and 7)	-	-	56,460	5
1150	Notes Receivable (Note 4 and 9)	24,563	2	28,100	2
1170	Accounts Receivable (Note 4, 5, and 9)	99,063	9	72,318	7
1180	Accounts Receivables - related person (Note 4, 9, and 29)	2,464	-	9,892	1
1200	Other Receivable (Note 4 and 9)	33,710	3	70	-
130X	Inventory (Note 4, 5, and 10)	93,977	9	91,040	8
1476	Other Financial Assets - current (Note 8)	123,048	11	201,614	18
1479	Other Current Assets (Note 12)	<u>26,057</u>	<u>2</u>	<u>17,886</u>	<u>2</u>
11XX	Total Current Assets	<u>585,100</u>	<u>53</u>	<u>574,014</u>	<u>52</u>
<b>Non-current Assets</b>					
1600	Property, Plant & Equipment (Note 4, 13, and 30)	502,047	46	503,192	46
1760	Net Real Estate Investment (Note 4 and 14)	8,983	1	9,014	1
1780	Intangible Assets (Note 4 and 15)	2,714	-	4,180	1
1840	Deferred Income Tax Assets (Note 4, 5, and 23)	1,093	-	2,000	-
1920	Refundable Guarantee Deposits	1,774	-	2,541	-
1975	Net determination of welfare assets (Note 4 and 19)	<u>2,269</u>	<u>-</u>	<u>2,473</u>	<u>-</u>
15XX	Total Non-Current Assets	<u>518,880</u>	<u>47</u>	<u>523,400</u>	<u>48</u>
1XXX	Total Asset	<u>\$ 1,103,980</u>	<u>100</u>	<u>\$ 1,097,414</u>	<u>100</u>
<b>Liability and Shareholder's Equity</b>					
<b>Current liabilities</b>					
2170	Accounts Payable (Note 16)	\$ 40,512	4	\$ 33,766	3
2200	Other Payables (Note 17)	36,734	3	41,909	4
2320	Long-term debt that will reach maturation in one year or within one business cycle (Note 18)	1,636	-	1,607	-
2399	Other Current Liabilities (Note 17)	<u>4,101</u>	<u>1</u>	<u>10,394</u>	<u>1</u>
21XX	Total Current Liabilities	<u>82,983</u>	<u>8</u>	<u>87,676</u>	<u>8</u>
<b>Non-Current liabilities</b>					
2540	Long-term loans (Note 18)	13,242	1	14,877	2
2635	Liabilities from preferred shares non-current (Note 20)	211,413	19	209,723	19
2645	Guarantee deposits	<u>89</u>	<u>-</u>	<u>3,759</u>	<u>-</u>
25XX	Total Non-current Liabilities	<u>224,744</u>	<u>20</u>	<u>228,359</u>	<u>21</u>
2XXX	Total Liabilities	<u>307,727</u>	<u>28</u>	<u>316,035</u>	<u>29</u>
<b>Equity (Note 21 and 25)</b>					
<b>Capital</b>					
3110	Common Shares	<u>708,470</u>	<u>64</u>	<u>708,470</u>	<u>64</u>
<b>Additional Paid-in Capital</b>					
3210	Additional Paid-in Capital in share premium	100,044	9	112,535	10
3271	Additional Paid-in Capital in employee share options	1,660	-	1,660	-
3272	Additional Paid-in Capital in convertible rights	<u>6,801</u>	<u>1</u>	<u>6,801</u>	<u>1</u>
3200	Total Additional Paid-in Capital	<u>108,505</u>	<u>10</u>	<u>120,996</u>	<u>11</u>
3300	Undistributed earnings (uncovered accumulated loss)	<u>15,546</u>	<u>1</u>	<u>(12,491)</u>	<u>(1)</u>
3410	Conversion difference of financial statements of foreign operations	<u>(3,124)</u>	<u>-</u>	<u>(2,452)</u>	<u>-</u>
3500	Treasury shares	<u>(33,144)</u>	<u>(3)</u>	<u>(33,144)</u>	<u>(3)</u>
3XXX	Total Equity	<u>796,253</u>	<u>72</u>	<u>781,379</u>	<u>71</u>
Total Liabilities and Equity		<u>\$ 1,103,980</u>	<u>100</u>	<u>\$ 1,097,414</u>	<u>100</u>

The attached Notes are parts of this set of Consolidated Financial Statements.

Chairman: Li-Teh Hsu

President: Song-Ching Chen

Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc. and subsidiaries

Consolidated Income Statement

From January 1 to December 31, 2017 and January 1 to December 31, 2016

Unit: NT\$1,000, except that  
Loss Per Share is calculated in NT\$1

Code		2017		2016	
		Amount	%	Amount	%
	Operational Revenue (Note 4 and 29)				
4100	Sales Revenue	\$ 413,849	97	\$ 310,039	92
4800	Other operating revenue	<u>13,712</u>	<u>3</u>	<u>26,349</u>	<u>8</u>
4000	Total Operating Revenue	<u>427,561</u>	<u>100</u>	<u>336,388</u>	<u>100</u>
	Operating Costs (Note 10)				
5110	Cost of Goods Sold	<u>267,276</u>	<u>62</u>	<u>201,471</u>	<u>60</u>
5900	Gross Profit	<u>160,285</u>	<u>38</u>	<u>134,917</u>	<u>40</u>
	Operational expense (Note 22 and 29)				
6100	Marketing Expenses	49,049	12	49,535	15
6200	Administrative Expenses	46,878	11	60,435	18
6300	R&D Expenses	<u>43,310</u>	<u>10</u>	<u>36,259</u>	<u>11</u>
6000	Total Operating Expenses	<u>139,237</u>	<u>33</u>	<u>146,229</u>	<u>44</u>
6900	Operating interest (loss)	<u>21,048</u>	<u>5</u>	<u>( 11,312)</u>	<u>(4)</u>
	Non-operating revenue and costs (Note 7, 22, and 26)				
7010	Other Income	1,908	-	3,870	1
7020	Other interests and loss	( 2,144)	-	297	-
7050	Financing Cost	<u>( 4,117)</u>	<u>(1)</u>	<u>( 4,814)</u>	<u>(1)</u>
7000	Total Non-operating Income and Expenses	<u>( 4,353)</u>	<u>(1)</u>	<u>( 647)</u>	<u>-</u>
7900	Pre-tax Net Income (Loss)	16,695	4	( 11,959)	(4)
7950	Income tax expense (Note 4 and 23)	<u>( 908)</u>	<u>(1)</u>	<u>( 288)</u>	<u>-</u>
8200	Current Net Profit (Loss)	<u>15,787</u>	<u>3</u>	<u>( 12,247)</u>	<u>(4)</u>

(Continued on next page)

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Code		2017		2016	
		Amount	%	Amount	%
	Other comprehensive income/loss (Note 19 and 21)				
	Items that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans	( 241)	-	( 244)	-
	Items that may be reclassified to profit or loss				
8361	Conversion difference of financial statements of foreign operations	( 672)	-	( 2,841)	( 1)
8300	Total other comprehensive income/loss	( 913)	-	( 3,085)	( 1)
8500	Total comprehensive income (loss)for the period	<u>\$ 14,874</u>	<u>3</u>	<u>(\$ 15,332)</u>	<u>( 5)</u>
	Net profit (loss) attributable to				
8610	Owners of the Company	<u>\$ 15,787</u>	<u>4</u>	<u>(\$ 12,247)</u>	<u>( 4)</u>
	Total comprehensive income (loss) attributable to:				
8710	Owners of the Company	<u>\$ 14,874</u>	<u>3</u>	<u>(\$ 15,332)</u>	<u>( 5)</u>
	Earning (loss) per share (Note 24) from continuing business				
9750	Basic	<u>\$ 0.23</u>		<u>(\$ 0.18)</u>	
9850	Diluted	<u>\$ 0.23</u>		<u>(\$ 0.18)</u>	

The attached Notes are parts of this set of Consolidated Financial Statements.

Chairman: Li-Teh Hsu    President: Song-Ching Chen    Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc. and subsidiaries  
Consolidated Statement of Changes in Equity  
From Jan 1, 2017 and 2016 until 12 月 31 日

Unit: NT\$1,000

Code	S h a r e s	Additional Paid-in Capital		Conversion of preferred shares	Deficit yet to be compensated	Translation of foreign operations' financial statements Exchange differences	Treasury shares	Total Equity	
		Issue premium	Share options						
A1	Balance on Jan. 1, 2016	\$ 708,470	\$ 175,898	\$ 1,660	\$ 6,801	( \$ 63,363 )	\$ 389	\$ -	\$ 829,855
D1	Net Loss in 2016	-	-	-	-	( 12,247 )	-	-	(12,247)
D3	Other comprehensive profit/loss in 2016	-	-	-	-	( 244 )	( 2,841 )	-	( 3,085 )
C11	Compensation for deficit from additional paid-in capital	-	( 63,363 )	-	-	( 63,363 )	-	-	-
L1	Buy back of treasury shares	-	-	-	-	-	-	( 33,144 )	( 33,144 )
Z1	Balance on Dec. 31, 2016	708,470	112,535	1,660	6,801	( 12,491 )	( 2,452 )	( 33,144 )	781,379
D1	Net profit in 2017	-	-	-	-	15,787	-	-	15,787
D3	Other comprehensive profit/loss in 2017	-	-	-	-	( 241 )	( 672 )	-	( 913 )
C11	Compensation for deficit from paid-in capital reserve	-	(12,491)	-	-	12,491	-	-	-
Z1	Balance, December 31, 2017	<u>\$ 708,470</u>	<u>\$ 100,044</u>	<u>\$ 1,660</u>	<u>\$ 6,801</u>	( <u>\$ 15,546</u> )	( <u>\$ 3,124</u> )	( <u>\$33,144</u> )	<u>\$ 796,253</u>

The attached Notes are parts of this set of Consolidated Financial Statements.

Chairman: Li-Teh Hsu    President: Song-Ching Chen    Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc. and subsidiaries  
Consolidated Cash Flow Statement

From January 1 to December 31, 2017 and January 1 to December 31, 2016

Unit: NT\$1,000

<u>C o d e</u>		<u>2017</u>	<u>2016</u>
	Cash flow from operating activities		
A10000	Profit (loss) before tax for the period	\$ 16,695	(\$ 11,959)
A20000	Gains and Losses:		
A20100	Depreciation expense (including depreciation of real estate for investment)	24,302	16,693
A20200	Amortization expense	1,466	1,423
A20300	Bad debt expenses (recovery benefits)	435	( 1,571)
A20900	Financing Cost	4,117	4,814
A21200	Interest Income	( 1,485)	( 2,330)
A21300	Dividend income	-	( 1,083)
A22500	Loss on disposal of property, plant and equipment	1	3,609
A30000	Changes in assets and liabilities relating operating activities		
A31110	Financial assets at fair value through profit or loss	56,460	37,734
A31130	Notes receivable	3,537	( 7,692)
A31150	Accounts Receivable	( 27,180)	( 23,547)
A31160	Accounts receivable-related parties	7,428	( 4,428)
A31180	Other Receivables	( 33,640)	1,508
A31200	Inventory	( 2,937)	2,707
A31230	Net defined benefit assets	( 37)	( 47)
A31240	Other current assets	( 8,489)	( 3,515)
A32150	Accounts payable	6,746	9,814
A32180	Other Payables	( 1,471)	3,722
A32230	Other Current Liabilities	( 6,293)	<u>5,864</u>
A33000	Cash flow from operating activities	39,655	31,716
A33100	Interest income received	1,485	2,330
A33200	Dividends received	-	1,083
A33300	Interest paid	( 281)	( 1,009)
A33500	Income tax received	<u>317</u>	<u>598</u>
AAAA	Net cash flow from operating activities	<u>41,176</u>	<u>34,718</u>

(Continued from previous page)



<u>Code</u>		<u>2017</u>	<u>2016</u>
	Cash flow from investment activities		
B06500	Increase in other financial assets	( 153,924)	( 226,282 )
B06600	Decrease in other financial assets	232,490	157,000
B02700	Acquisition of property, plant and equipment	( 29,007)	( 70,109)
B02800	Disposal of property, plant and equipment	4	2
B04500	Intangible assets acquired	-	( 2,599)
B03700	Increases in refundable deposits	( 153)	( 605)
B03800	Decreases in guarantee deposits	<u>912</u>	<u>756</u>
BBBB	Net cash used in investment activities	<u>50,322</u>	( <u>141,837</u> )
	Cash flow from financing activities		
C01700	Repayment of long-term debt	( 1,606)	( 54,556)
C04900	Buy back of treasury shares	-	( 33,144)
C03100	Decreases in guarantee deposits	( 3,770)	( 450)
C03000	Increases in guarantee deposits	<u>100</u>	<u>2,104</u>
CCCC	Net cash flow from financing activities (out)	( <u>5,276</u> )	( <u>86,046</u> )
DDD	Impacts on cash and cash equivalents from changes in exchange rates	( 638)	( <u>2,849</u> )
EEEE	Net increase (decrease) in cash and cash equivalents for the year	85,584	( 196,014)
E00100	Cash and cash equivalents at beginning of year	<u>96,634</u>	<u>292,648</u>
00200	Cash and cash equivalents at end of year	<u>\$ 182,218</u>	<u>\$ 96,634</u>

The attached Notes are parts of this set of Consolidated Financial Statements.

Chairman: Li-Teh Hsu      President: Song-Ching Accounting Supervisor:  
Yin-Chen Lee

## Accountant's Audit Report

### **Audit Opinion**

Maxigen Biotech Inc.'s Individual Balance Sheet as of Dec. 31, 2017 and 2016, in addition to the Individual Comprehensive Income Statement, Individual Statement of Changes in Equity, Individual Cash Flow Statement, and Notes to the Individual Financial Statement (including material accounting policies) from Jan. 1 to Dec. 31, 2017 and 2016, have been audited by the CPAs.

Per opinions of the CPAs, the individual financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of Maxigen Biotech Inc. as of Dec. 31, 2017 and 2016, as well as the individual financial performance and individual cash flow as of Jan. 1 to Dec. 31, 2017 and 2016.

### **Basis of Audit Opinion**

Our CPAs have planned and executed our auditing procedures according to Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPAs will further explain the responsibilities auditors shall execute during the audit of Consolidated Financial Statements under the above principles below. The independent accountants of Deloitte & Touche Taiwan shall comply with the ethical code of conduct for accountants and remain neutral to Maxigen Biotech Inc. in fulfilling their duties. Our CPAs believe that sufficient and appropriate verification proof have been obtained, which shall serve as the basis of our audit opinion.

### **Key Audit Items**

Key audit items refer to the most critical items in the 2017 Individual Financial Statement of Maxigen Biotech Inc. being audited by the CPAs when performing their professional judgment. These items have been covered in the verification process of the overall Individual Financial Statements and the audit opinion; hence, the CPAs shall not express a separate opinion on these items.

Below is an explanation of the key verification items for the 2017 Individual Financial Statements of Maxigen Biotech Inc:

### Inventory valuation

Maxigen Biotech Inc. primarily undertake the manufacturing and retailing of medical equipment, facial masks, and skin care products. Since the Company operates in a rapidly-changing industry, Maxigen Biotech Inc. is faced with the need for rapid product launches and severe competition. The book value of the Company's inventory on December 31, 2017 was NT\$92,688,000 (after deducting reserve against devaluation of NT\$29,513,000). The 2017 inventory depreciation and loss from scrapped assets accounted for NT\$9,920,000. Since the remaining balance of the inventory and reserve against inventory devaluation posed material impact on the overall individual financial statements, and the valuation of the inventory's net cash equivalent value and loss from idle inventory require material judgment, inventory valuation should be listed as a key verification item.

The CPAs focused on the inventory rating on the Balance Sheet, including whether the judgment for classification of out-of-date products and products fit for continuing sales from Maxigen Biotech Inc. and its subsidiaries were appropriate, and conducted assessment on the reasonableness of the calculation of the loss from recording inventory's allowance for devaluation for out-of-date products. We tested for the source of the net cash value of the products for continuing sales and conducted sampling of the prices for the most recent sales. For allowance for devaluation of inventory, we compared against the Company's historical experiences; and also undertook random inspection and re-calculation to test for the accuracy of the inventory valuation from the management level.

For subsequent rating on the accounting policy for inventory from Maxigen Biotech Inc., please see Note 4. For explanations on material accounting judgment and estimation of uncertainty, please see Note 5, and for relevant statement and disclosure, please see Note 10.

### Revenue recognition

During product sales, Maxigen Biotech Inc. would record revenue upon transferring relevant risks and ownership to its clients. Moreover, most of the sales transactions are done with the Company's top 10 clients, accounting for approximately 67% of the operating revenue. Since the client base is narrow and operating revenue from this client base poses material impact on the overall individual financial statements, this has been classified as a key verification item.

For accounting policy regarding revenue recognition from Maxigen Biotech Inc., please see Note 4.

The CPA understood and tested for the design and implementation of the revenue recognition accounting policy and internal control, and inspected the contracts from Maxigen Biotech Inc. with the Company's top 10 clients to ensure whether accounting procedures and accounting policies for revenue recognition are in line. And we conducted analysis to prove whether revenue recognition conditions fully match regulations from accounting policies, and whether the time frame for revenue recognition is appropriate, based on historical experiences and recent sales conditions.

**The responsibility of the management and governance units for the parent company only financial statements**

To ensure that the Individual Financial Statements do not contain material misstatements caused by fraud or error, the management level is responsible for preparing prudent Individual Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to prepare and maintain necessary internal control procedures pertaining to the Individual Financial Statements.

In preparing the Individual Financial Statements, the responsibility of management includes the assessment of the sustainability of Maxigen Biotech Inc., disclosure of related matters, and the adoption of a going-concern accounting basis, unless the management intends to liquidate Maxigen Biotech Inc., terminate the business, or no practicable measures other than liquidation or termination of the business can be taken.

The governance units (including supervisors) of Maxigen Biotech Inc. have the responsibility of supervising its financial reporting procedures.

**Responsibilities of the CPAs in auditing the Individual Financial Statements**

The purpose of the CPAs' audit of the Individual Financial Statements is to obtain reasonable assurance for whether the Statements contain material misstatement due to fraud or error, and to provide an auditing report. "Reasonable assurance" refers to high levels of credibility; nevertheless, our auditing work carried out according to GAAP may not guarantee that material misstatement will be detected within the Individual Financial Statements. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the the misstated individual amounts or aggregated sum could have influence over the economic decisions made by the users of the Individual Financial Statements, it will be deemed as material.

The CPAs have utilized their professional judgment and maintained professional doubt when exercising auditing work according to GAAP. The CPAs have also implemented the following procedures:

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Individual Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; and obtained sufficient and appropriate evidence as the basis for their audit opinion. The risk of fraud is likely to involve collusion, forgery, deliberate omission, false declaration or transcend internal control, so the risk of improper expression of fraud is not higher than that caused by the wrong person.
2. Obtained necessary knowledge about the internal control mechanism that is closely related to auditing work and designed the appropriate audit procedure without the intention to express any opinion about the validity of the internal control of Maxigen Biotech Inc.
3. Evaluated the appropriateness of the accounting policies adopted by the management level and the reasonableness of its accounting work and relevant disclosures.
4. Based on the audit evidence established, concluded on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of Maxigen Biotech Inc. to remain in operation or whether there were any significant uncertainty regarding its conditions. If the CPAs are of the opinion that material uncertainty exists within these matters or conditions, the CPAs shall remind the users of the Individual Financial Statements to pay attention to relevant disclosure in the Statements in their auditing report, or to revise the audit opinion when such disclosure is inappropriate. The CPAs' conclusion is based on the auditing evidence obtained up to the date of the auditing report. Nevertheless, future events or situations may lead to loss of operation of Maxigen Biotech Inc.
5. Evaluate the overall expression, structure and contents of the Individual Financial Statements (including relevant Notes), and whether the Individual Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate auditing evidence for Maxigen Biotech Inc.'s internal formation of its individual financial information and express opinion on its Individual Financial Statements. The CPAs were responsible for guiding,

supervising and executing the audit work for Maxigen Biotech Inc. and also establishing the auditor's opinion.

The CPAs' communications with the governance units include the planned auditing scope and time frame and material auditing finding (including significant defects identified in the internal control during auditing procedures).

The CPAs have also provided the statement pertaining to the accounting firm's personnel under governance of independence to the governance unit, and communicated relations and other items (including relevant protective measures) that could affect the CPAs' independence.

In the communications between us and the company's governing body, we have determined the key audit items from 2017 Individual Financial Statements of Maxigen Biotech Inc. The CPAs have clearly indicated such matters in the audit report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where the CPAs decided not to communicate specific items in the audit report where it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche Taiwan  
CPA Shu-Lin Liu

CPA Chin-Chuan Shih

Approval Number from Financial  
Supervisory Commission in R.O.C.  
FSC No. 1050024633

Approval Number from the Securities and  
Futures Commission  
FSC No. 0930128050

March 21, 2018

Maxigen Biotech Inc.  
Individual Balance Sheet  
December 31, 2017 and 2016

Unit: NT\$1,000

Code	Asset	December 31, 2017		31 December 2016	
		Amount	%	Amount	%
<b>Current Assets</b>					
1100	Cash and cash equivalents (Note 4 and 6)	\$ 168,619	15	\$ 79,397	7
1110	Financial assets at fair value through profit and loss- current (Note 4 and 7)	-	-	56,460	5
1150	Notes Receivable (Note 4 and 9)	24,563	2	28,100	3
1170	Accounts Receivable (Note 4, 5, and 9)	98,789	9	69,995	6
1180	Accounts Receivables - related person (Note 4, 9, and 29)	14,955	2	24,316	2
1200	Other Receivable (Note 4 and 9)	33,710	3	47	-
130X	Inventory (Note 4, 5, and 10)	92,688	9	86,754	8
1476	Other Financial Assets - current (Note 8)	123,048	11	201,600	18
1479	Other Non-Current Assets (Note 11)	<u>24,000</u>	<u>2</u>	<u>15,974</u>	<u>2</u>
11XX	Total Current Assets	<u>580,372</u>	<u>53</u>	<u>562,643</u>	<u>51</u>
<b>Non-current Assets</b>					
1550	Investment in equity method (Note 4, 12 and 17)	4,918	-	10,809	1
1600	Property, Plant & Equipment (Note 4, 13, and 30)	502,047	46	502,152	46
1760	Net Real Estate Investment (Note 4 and 14)	8,983	1	9,014	1
1780	Intangible Assets (Note 4 and 15)	2,714	-	4,171	1
1840	Deferred Income Tax Assets (Note 4, 5, and 23)	1,093	-	2,000	-
1920	Refundable Guarantee Deposits	1,672	-	2,162	-
1975	Net determination of welfare assets (Note 4 and 19)	<u>2,269</u>	<u>-</u>	<u>2,473</u>	<u>-</u>
15XX	Total Non-Current Assets	<u>523,696</u>	<u>47</u>	<u>532,781</u>	<u>49</u>
1XXX	Total Asset	<u>\$ 1,104,068</u>	<u>100</u>	<u>\$ 1,095,424</u>	<u>100</u>
<b>Liability and Shareholder's Equity</b>					
<b>Current liabilities</b>					
2170	Accounts Payable (Note 16)	\$ 40,859	4	\$ 33,580	3
2200	Other Payables (Note 17)	36,476	3	40,379	4
2320	Long-term debt that will reach maturation in one year or within one business cycle (Note 18)	1,636	-	1,607	-
2399	Other Current Liabilities (Note 17)	<u>3,862</u>	<u>1</u>	<u>10,120</u>	<u>1</u>
21XX	Total Current Liabilities	<u>82,833</u>	<u>8</u>	<u>85,686</u>	<u>8</u>
<b>Non-Current liabilities</b>					
2540	Long-term loans (Note 18)	13,242	1	14,877	2
2635	Liabilities from preferred shares non-current (Note 20)	211,413	19	209,723	19
2645	Guarantee deposits	89	-	3,759	-
2670	Other Non-Current Liabilities (Note 4, 12 and 17)	<u>238</u>	<u>-</u>	<u>-</u>	<u>-</u>
25XX	Total Non-current Liabilities	<u>224,982</u>	<u>20</u>	<u>228,359</u>	<u>21</u>
2XXX	Total Liabilities	<u>307,815</u>	<u>28</u>	<u>314,045</u>	<u>29</u>
<b>Equity (Note 21 and 25)</b>					
3110	Common Shares	<u>708,470</u>	<u>64</u>	<u>708,470</u>	<u>64</u>
<b>Additional Paid-in Capital</b>					
3210	Additional Paid-in Capital in share premium	100,044	9	112,535	10
3271	Additional Paid-in Capital in employee share options	1,660	-	1,660	-
3272	Additional Paid-in Capital in convertible rights	<u>6,801</u>	<u>1</u>	<u>6,801</u>	<u>1</u>
3200	Total Additional Paid-in Capital	<u>108,505</u>	<u>10</u>	<u>120,996</u>	<u>11</u>
3300	Undistributed earnings (uncovered accumulated loss)	<u>15,546</u>	<u>1</u>	( <u>12,491</u> )	( <u>1</u> )
3410	Conversion difference of financial statements of foreign operations	( <u>3,124</u> )	<u>-</u>	( <u>2,452</u> )	<u>-</u>
3500	Treasury shares	( <u>33,144</u> )	( <u>3</u> )	( <u>33,144</u> )	( <u>3</u> )
3XXX	Total Equity	<u>796,253</u>	<u>72</u>	<u>781,379</u>	<u>71</u>
Total Liabilities and Equity		<u>\$ 1,104,068</u>	<u>100</u>	<u>\$ 1,095,424</u>	<u>100</u>

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu                      President: Song-Ching Chen                      Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc.  
Individual Income Statement

From January 1 to December 31, 2017 and January 1 to December 31, 2016

Unit: NT\$1,000, except that  
Loss Per Share is calculated in NT\$

Code		2017		2016	
		Amount	%	Amount	%
	Operational Revenue (Note 4 and 29)				
4100	Sales Revenue	\$ 409,951	97	\$ 310,866	92
4800	Other operating revenue	<u>13,712</u>	<u>3</u>	<u>26,349</u>	<u>8</u>
4000	Total Operating Revenue	423,663	100	337,215	100
	Operating Costs (Note 10)				
5110	Cost of Goods Sold	<u>265,397</u>	<u>63</u>	<u>204,204</u>	<u>61</u>
5900	Gross Profit	158,266	37	133,011	39
5910	Unrealized Sales Profit with Subsidiaries	( 421)	-	( 2,156)	( 1)
5920	Realized Sales profit with Subsidiaries	<u>2,156</u>	<u>1</u>	<u>2,656</u>	<u>1</u>
5950	Realized Gross Profit	<u>160,001</u>	<u>38</u>	<u>133,511</u>	<u>39</u>
	Operational expense (Note 22 and 29)				
6100	Marketing Expenses	39,724	10	39,903	12
6200	Administrative Expenses	42,651	10	52,518	15
6300	R&D Expenses	<u>43,310</u>	<u>10</u>	<u>36,259</u>	<u>11</u>
6000	Total Operating Expenses	<u>125,685</u>	<u>30</u>	<u>128,680</u>	<u>38</u>
6900	Operating profit	<u>34,316</u>	<u>8</u>	<u>4,831</u>	<u>1</u>
	Non-operating revenue and costs (Note 7, 12, and 22)				
7010	Other Income	1,899	1	3,857	1
7020	Other interests and loss	( 3,211)	(1 )	( 943)	-
7050	Financing Cost	( 4,117)	(1 )	( 4,814)	( 2)
7070	Amount of gain/losses from subsidiaries from adoption of equity method	( <u>12,192</u> )	( <u>3</u> )	( <u>14,890</u> )	( <u>4</u> )
7000	Total Non-operating Income and Expenses	( <u>17,621</u> )	( <u>4</u> )	( <u>16,790</u> )	( <u>5</u> )

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Code		2017		2016	
		Amount	%	Amount	%
7900	Pre-tax Net Income (Loss)	16,695	4	(11,959 )	( 4)
7950	Income tax expense (Note 4 and 23)	( 908)	-	( 288)	-
8200	Current Net Profit (Loss)	<u>15,787</u>	<u>4</u>	( <u>12,247</u> )	( <u>4</u> )
	Other comprehensive income/loss (Note 19 and 21)				
	Items that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans	( 241)	-	(244 )	-
	Items that may be reclassified to profit or loss				
8361	Conversion difference of financial statements of foreign operations	( <u>672</u> )	-	( <u>2,841</u> )	( <u>1</u> )
8300	Total other comprehensive income for the current period	( <u>913</u> )	-	( <u>3,085</u> )	( <u>1</u> )
8500	Total comprehensive income (loss)for the period	<u>\$ 14,874</u>	<u>4</u>	<u>(\$ 15,332)</u>	<u>( 5)</u>
	Net Profit (Loss) attributable to:				
8610	Owners of the Company	<u>\$ 15,787</u>	<u>4</u>	<u>(\$ 12,247)</u>	<u>( 4)</u>
	Total comprehensive income (loss) attributable to:				
8710	Owners of the Company	<u>\$ 14,874</u>	<u>4</u>	<u>(\$ 15,332)</u>	<u>( 5)</u>
	Earning (loss) per share (Note 24) from continuing business				
9750	Basic	<u>\$ 0.23</u>		<u>(\$ 0.18)</u>	
9850	Diluted	<u>\$ 0.23</u>		<u>(\$ 0.18)</u>	

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu    President: Song-Ching    Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc.  
Individual Statement of Changes in Equity  
From January 1 to December 31, 2017 and January 1 to December 31, 2016

Unit: NT\$1,000

Code		Additional Paid-in Capital			Conversion of preferred shares	Deficit yet to be compensated	Translation of foreign operations' financial statements	Treasury shares	Total Equity
		Shares	Issue premium	Share option			Exchange differences		
A1	Balance on Jan. 1, 2016	\$ 708,470	\$ 175,898	\$ 1,660	\$ 6,801	( \$ 63,363 )	\$ 389	\$ -	\$ 829,855
D1	Net Loss in 2016	-	-	-	-	( 12,247 )	-	-	(12,247)
D3	Other comprehensive profit/loss in 2016	-	-	-	-	( 244 )	( 2,841 )	-	( 3,085 )
C11	Compensation for deficit from capital reserve	-	( 63,363 )	-	-	( 63,363 )	-	-	-
L1	Buy back of treasury shares	-	-	-	-	-	-	( 33,144 )	( 33,144 )
Z1	Balance on Dec. 31, 2016	708,470	112,535	1,660	6,801	( 12,491 )	( 2,452 )	( 33,144 )	781,379
D1	Net income in 2017	-	-	-	-	15,787	-	-	15,787
D3	Other comprehensive profit/loss in 2017	-	-	-	-	( 241 )	( 672 )	-	( 913 )
C11	Compensation for deficit from paid-in capital reserve	-	(12,491)	-	-	12,491	-	-	-
Z1	Balance, December 31, 2017	<u>\$ 708,470</u>	<u>\$ 100,044</u>	<u>\$ 1,660</u>	<u>\$ 6,801</u>	<u>( \$ 15,546 )</u>	<u>( \$ 3,124 )</u>	<u>( \$ 33,144 )</u>	<u>\$ 796,253</u>

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu

President: Song-Ching Chen

Accounting Supervisor: Yin-Chen Lee

Maxigen Biotech Inc.

Individual Statement of Cash Flow

From January 1 to December 31, 2017 and January 1 to December 31, 2016

Unit: NT\$1,000

C o d e		2017	2016
	Net cash flow from operating activities		
A10000	Income (loss) before tax for the period	\$ 16,695	(\$ 11,959)
A20000	Gains and Losses:		
A20100	Depreciation expense (including depreciation of real estate for investment)	22,985	16,429
A20200	Amortization expense	1,457	1,423
A20300	Bad debt expenses (recovery benefits)	62	( 1,571)
A20900	Financing Cost	4,117	4,814
A21200	Interest Income	( 1,476)	( 2,317)
A21300	Dividend income	-	( 1,083)
A22400	Amount of gain/losses from subsidiary from adoption of equity method	12,192	14,890
A22500	Loss on disposal of property, plant and equipment	1	3,609
A23900	Unrealized Sales Profit with Subsidiaries	421	2,156
A24000	Realized Sales profit with Subsidiaries	( 2,156)	( 2,656)
A30000	Changes in assets and liabilities relating operating activities		
A31110	Financial assets at fair value through profit or loss	56,460	37,734
A31130	Notes receivable	3,537	( 7,692)
A31150	Accounts Receivable	( 28,856)	( 21,580)
A31160	Accounts receivable-related parties	9,361	( 10,124)
A31180	Other Receivables	( 33,663)	1,506
A31200	Inventory	( 5,934)	4,680
A31230	Net defined benefit assets	( 37)	( 47)
A31240	Other current assets	( 8,344)	( 2,631)
A32150	Accounts payable	7,279	9,661
A32180	Other Payables	( 199)	2,656
A32230	Other Current Liabilities	( 6,258)	6,195
A33000	Cash flow from operating activities	47,644	44,093
A33100	Interest income received	1,476	2,317
A33200	Dividends received	-	1,083
A33300	Interest paid	( 281)	( 1,009)

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Code		2017	2016
A33500	Income tax received	<u>317</u>	<u>598</u>
AAAA	Net cash flow from operating activities	<u>49,156</u>	<u>47,082</u>
	Cash flow from investment activities		
B01800	Acquisition of the investment using equity method	( 5,000)	( 33,500)
B06500	Increase in other financial assets	( 153,938)	( 226,366)
B06600	Decrease in other financial assets	232,490	157,000
B02700	Acquisition of property, plant and equipment	( 28,704)	( 68,834)
B02800	Disposal of property, plant and equipment	4	2
B04500	Intangible assets acquired	-	( 2,599)
B03700	Increases in refundable deposits	( 10)	( 4)
B03800	Decreases in guarantee deposits	<u>500</u>	<u>436</u>
BBBB	Net cash used in investment activities	<u>45,342</u>	<u>(173,865 )</u>
	Cash flow from financing activities		
C01700	Repayment of long-term debt	( 1,606)	( 54,556)
C04900	Buy back of treasury shares	-	( 33,144)
C03100	Decreases in guarantee deposits	( 3,770)	( 450)
C03000	Increases in guarantee deposits	<u>100</u>	<u>2,104</u>
CCCC	Net cash flow from financing activities (out)	( <u>5,276</u> )	( <u>86,046</u> )
EEEE	Net increase (decrease) in cash and cash equivalents for the year	89,222	( 212,829)
E00100	Cash and cash equivalents at beginning of year	<u>79,397</u>	<u>292,226</u>
00200	Cash and cash equivalents at end of year	<u>\$ 168,619</u>	<u>\$ 79,397</u>

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu    President: Song-Ching Chen    Accounting Supervisor: Yin-Chen Lee

## Maxigen Biotech Inc.

### Comparison Table of the Articles of Incorporation before and after the Amendments

Articles before amendment	Articles after amendment	Description
<p>Article 10: The shareholders of the company have one voting right per share, but for those who are involved in Article 179 of Company Act has no voting right on its shares.</p>	<p>Article 10: <u>Unless otherwise stated by the law,</u> each share of the Company holds one voting right for the shareholders. <u>The voting may be conducted in writing or with electronic measures. The choice shall be indicated in the shareholder meeting notice whether the vote is conducted in written form or electronically.</u> <u>Shareholders exercising their voting rights by correspondence or electronic transmission as previously stated will be deemed to have attended the meeting in person. However, his/her rights with respect to the extempore motions and amendments to the original motion are deemed to have been forfeited.</u></p>	<p>FSC Certificate No. 1060000381 stated that listed company shall list electronic voting as one of the ways to execute voting rights for the Shareholders' meeting since Jan 1, 2018</p>
<p>Article 21: This Corporate Charter was established on November 27, 1998. The first amendment was made on May 2, 2000.</p>	<p>Article 21: This Corporate Charter was established on November 27, 1998. The first amendment was made on May 2, 2000.</p>	<p>Additional amendment</p>

Articles before amendment	Articles after amendment	Description
<p>The second amendment was made on August 31, 2001.</p> <p>The third amendment was made on July 29, 2002.</p> <p>The fourth amendment was made May 3, 2003.</p> <p>The fifth amendment was made on September 25, 2003.</p> <p>The sixth amendment was made on May 18, 2004.</p> <p>The seventh amendment was made on June 24, 2005.</p> <p>The eighth amendment was made on June 29, 2006.</p> <p>The ninth amendment was made on January 19, 2007.</p> <p>The tenth amendment was made on June 29, 2007.</p> <p>The eleventh amendment was made on June 23, 2008.</p> <p>The twelveth amendment was made on June 28, 2010.</p> <p>The thirteenth amendment was made on May 25, 2011.</p> <p>The fourteenth amendment was on June 7, 2012.</p> <p>The fifteenth amendment was on June 22, 2015.</p> <p>The sixteenth amendment was on December 25, 2015.</p> <p>The seventeenth amendment was on June 24, 2016.</p> <p>The eighteenth amendment was on June 26, 2017.</p>	<p>The second amendment was made on August 31, 2001.</p> <p>The third amendment was made on July 29,2002.</p> <p>The fourth amendment was made on May 3, 2003.</p> <p>The fifth amendment was made on September 25, 2003.</p> <p>The sixth amendment was made on May 18, 2004.</p> <p>The seventh amendment was made on June 24,2005.</p> <p>The eighth amendment was made on June 29, 2006.</p> <p>The ninth amendment was made on January 19,2007.</p> <p>The tenth amendment was made on June 29,2007.</p> <p>The eleventh amendment was made on June 23, 2008.</p> <p>The twelveth amendment was made on June 28,2010.</p> <p>The thirteenth amendment was made on May 25, 2011.</p> <p>The fourteenth amendment was on June 7, 2012.</p> <p>The fifteenth amendment was on June 22, 2015.</p> <p>The sixteenth amendment was on December 25, 2015.</p> <p>The seventeenth amendment was on June 24, 2016.</p> <p>The eighteenth amendment was on June 26, 2017.</p> <p><u>The nineteenth amendment was on June 26, 2018.</u></p>	

## Maxigen Biotech Inc.

Attachment 5

### Comparison Table of Amended Articles for the Rules and Procedures of Shareholders Meeting

	Articles before amendment	Articles after amendment	Description
Article 13:	A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.	<u>Unless otherwise stated by the law, each share of the Company hold 1 voting right for the Company's shareholders. The voting may be conducted in writing or with electronic measures. The choice shall be indicated in the shareholder meeting notice whether the vote is conducted in written form or electronically. Shareholders exercising their voting rights by correspondence or electronic transmission as previously stated will be deemed to have attended the meeting in person. However, his/her rights with respect to the extempore motions and amendments to the original motion are deemed to have been forfeited.</u>	FSC Certificate No. 1060000381 stated that listed company shall list electronic voting as one of the ways to execute voting rights for the Shareholders' Meeting since Jan 1, 2018.
Article 20	This Corporate Charter was established on June 18, 2010.	This Corporate Charter was established on June 18, 2010. The second amendment was made on June 18, 2013. The third amendment was made on June 22, 2015. <u>The fourth amendment was made on June 26, 2018.</u>	