In case of any discrepancy between the English and the Chinese version, the Chinese version shall prevail.

**Stock code：4180**

# TWi Pharmaceuticals, Inc.

## Handbook for the 2018

## Annual General Meeting of Shareholders

## (Translation)

**Date and time of the meeting : 9:00 a.m. on 8 June 2018**

**Location：2F, No.327, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City**

# TWi Pharmaceuticals, Inc.

## Meeting Agenda for 2018 Annual General Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Reports on Company Affairs：

1. 2017 Business Report.
2. 2017 Audit Committee's Review Report.
3. Report on Accumulated Losses Reaching One-Half of Paid-in Capital and Execution of the Improvement Plan of the Operation for the fourth quarter 2017.
4. Report on the Execution for Share Buyback Program.

IV. Proposals：

1. Adoption of the 2017 Business Report, Financial Statements and Consolidated Financial Statements.
2. Adoption of the Proposal for 2017 Deficit Compensation.

V. Elections：

1. Election of the 10th Term Board of Directors (including independent directors).

VI. Others：

1. Proposal of Release the Prohibition on Directors or Representatives of Directors from Participation in Competitive Business.

VII. Questions and Motions

VIII. Adjournment

# Reports on Company Affairs

**Item No. 1**：2017 Business Report.

Explanation：

2017 Business Report can be found on page 10 of this Handbook under Appendix I.

**Item No. 2**：2017 Audit Committee's Review Report.

Explanation：

2017 Audit Committee's Report can be found on page 17 of this Handbook under Appendix II.

**Item No. 3**：Report on Accumulated Losses Reaching One-Half of Paid-in Capital and Execution of the Improvement Plan of the Operation for the fourth quarter 2017.

Explanation：

1. Per 23 November, 2012 Letter No. Financial-Supervisory-Securities-Corporate 1010054096 of the Financial Supervisory Commission, the accumulated losses and the execution of the improvement plan of the operation for the fourth quarter 2017 have been approved by the 23rd Meeting of the Ninth Term Board of Directors of the Company on March 19, 2018.
2. Additionally, the Company's non-compensated losses accumulated at the end of 2017 were NT$3,363,044,938, which has exceeded one half of its paid-in capital, hence it is required to make a report to this general meeting of shareholders in accordance with Article 211 of the Company Act.
3. Accumulated losses and the execution of the improvement plan of the operation for the fourth quarter 2017 can be found on page 18 of this Handbook under Appendix III.

**Item No. 4**：Report on the Execution for Share Buyback Program .

Explanation:

1. Pursuant to the resolution of the Board of Directors on May 12, 2017 of the Company, in order to safeguard the company credit and rights and interests of shareholders, the Company would buy back the outstanding shares of the Company. As of the end of buyback period on July 14, 2017, the Company has bought back 4,764,000 shares, and the average buyback price is NT$87.01 per share.

2. The execution for share buyback program can be found on page 28 of this Handbook under Appendix IV.

# Proposals

**Item No. 1**：Adoption of the 2017 Business Report, Financial Statements and Consolidated Financial Statements. (Proposed by the Board of Directors)

Explanation:

1. The Company's 2017 Business Report, Financial Statements, and Consolidated Financial Statements have been properly prepared. The above mentioned Financial Statements and Consolidated Financial Statements were audited and certified by Certified Public Accountants, Teng, Sheng-Wei and Liang, Hua-Ling of PwC Taiwan, and an audit report with unqualified opinion was issued.
2. The Company's 2017 Business Report, Financial Statements, and Consolidated Financial Statements have been approved by the Audit Committee and 23rd Meeting of the Ninth Term Board of Directors of the Company on March 19, 2018. No significant discrepancy has been found. The 2017 Audit Committee's Review Report is attached as Appendix II in this Handbook. Please review and ratify.
3. We enclose herewith the Company's 2017 Business Report. Please refer to Appendix I in this Handbook. The Company's 2017 CPA Audit Report on Financial Statements and the above-mentioned Financial Statements can be found on the M.O.P.S. website (http://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co_id=4180&year=106&seamon=&mtype=A&)

Resolution:

**Item No. 2**：Adoption of the Proposal for 2017 Deficit Compensation. (Proposed by the Board of Directors)

Explanation:

1. In its 2017 final report, which has been duly audited and certified by certificated public accountants, the Company has the net loss after tax for the current period of NT$248,604,459, and, together with accumulated deficits during previous years, non-compensated losses accumulated at the end of year 2017 were NT$3,363,044,938. The capital surplus of NT$0 used to cover accumulated deficits has been approved by the 23rd

meeting of the Ninth Term Board of Directors of the Company on March 19, 2018. Please refer to the Company's 2017 Deficit Compensation Statement as follows:

TWi Pharmaceuticals, Inc.

2017 Deficit Compensation Statement

In New Taiwan Dollars

| | |
|---|---|
| Unappropriated retained earnings (or accumulated deficit) of prior years | (2,931,067,288) |
| Add: Actuarial gain arising from the pension plan | 226,243 |
| (less): Actuarial loss arising from the pension plan of the subsidiaries | (472,365) |
| Cancellation of treasury shares | (183,127,069) |
| Unappropriated retained earnings (or accumulated deficit) after adjustment at the beginning of the period | (3,114,440,479) |
| Add: Net profit (loss) after tax for the period | (248,604,459) |
| Non-compensated losses accumulated at the end of the period | (3,363,044,938) |
| Add: Capital surplus used to cover accumulated deficits | 0 |
| Unappropriated retained earnings (or accumulated deficit) at the end of the period | (3,363,044,938) |

Resolution:

# Elections

**Item No. 1**：The Election of the 10th Term Board of Directors (including independent directors). (Proposed by the Board of Directors)

Explanation:

1. The term of office of the 9th Term Board of Directors of the Company shall end on June 1st, 2018. In accordance with Article 195 of the Company Act, since no election of new directors is effected before June 1st, 2018, the term of office of the 9th Term Board of Directors shall be extended until the time new directors have been elected and assumed their office.
2. In accordance with the Articles of Incorporation of the Company, elections of directors (including independent directors) shall be conducted in accordance with the candidate nomination system and the shareholders shall elect the directors from the list of director candidates so nominated. The 2018 Annual General Meeting of the Company will re-elect 4 directors and 3 independent directors, with the term of office of 3 years, effecti from June 8,

2018 till June 7, 2021.

3. Elections of the 10th Term Board of Directors (including independent directors) shall be conducted in accordance with the candidate nomination system, and the candidates listed in the table below were reviewed by the 24th meeting of the 9th Term Board of Directors of the Company on April 23, 2018 as qualified.

| Name | Name of institutional shareholder represented | Number of shares held | Principal work experience and academic qualifications | Note |
|---|---|---|---|---|
| Su, Yu-Hui | NA | NA | •Department of Accounting, National Taiwan University; M.A. of Business School, National Taiwan University and Ph.D. of Business School, National Taiwan University (major in Accounting)<br>•Supervisor of Makalot Industrial Co., Ltd.<br>•Supervisor of Bank of Kaohsiung<br>•Supervisor of CPC Corporation ,Taiwan<br>•Supervisor of Mega International Commercial Bank<br>•Director of Jhih-Jiou Venture Capital Co., Ltd.<br>•Director of CECI Engineering Consultants, Inc., Taiwan | Independent Director Candidate |
| Sun, Ching-Feng | NA | NA | •MBA, U. of Michigan<br>•M.A. of Materials Science, Wayne State U.<br>•G.M. of Saga Unitek Ventures, Ltd.<br>• Associate Vice President of Chen-Sin Venture Capital Inc.<br>• Creative Director of Asian Science Center, Emerson Electric<br>• Independent director of ASLAN Pharmaceuticals.<br>• Independent director of Wonderful Hi-Tech Co., Ltd.<br>• Independent director of Tah Tong Textile Co., Ltd. | Independent Director Candidate |
| Lin, Dong-Han | NA | NA | •Department of Pharmacy, National Taiwan University<br>•Chairman of Lotus Pharmaceutical Co.,Ltd.<br>•President of Lotus Pharmaceutical Co.,Ltd.<br>•District Manager of Les Laboratoires Servier | Independent Director Candidate |
| Chen, Chih-Ming | NA | 4,361,460 | • Ph.D. of Pharmacy, The Ohio State University<br>• Founder of Andrx Pharmaceuticals,Inc.<br>• Founder of Anchen Inc.<br>• Founder of TWi Pharmaceuticals, Inc. | Director Candidate |
| Ma, Hai-Yi | Opulent Assets Holdings Ltd. | 28,460,824 | •Ph. D of Chemicals, Lehigh University<br>•Vice President of Syntex<br>•Director of ScinoPharm Taiwan, Ltd.<br>•GM & CEO of ScinoPharm Taiwan, Ltd.<br>•Partner of Vivo Capital | Director Candidate |
| Liu, Nien-Hua | Opulent Assets Holdings Ltd. | 28,460,824 | •MBA, University of Washington<br>•Manager of JPMorgan Asset Management Taiwan<br>•Supervisor of TWi Biotechnology, Inc. | Director Candidate |
| Huang, Wen-Hong | TWi Pharmaceuticals Holding Inc. | 29,146,782 | •Department of Pharmacy, National Taiwan University<br>•M.A. of Pharmacy Administration, University of Minnesota<br>•Ph. D of Social and Administrative Pharmacy, University of Minnesota<br>•Associate Professor/Professor of Institute of Health and Welfare Policy, National | Director Candidate |

| Name | Name of institutional shareholder represented | Number of shares held | Principal work experience and academic qualifications | Note |
|---|---|---|---|---|
| | | | Yang-Ming University<br>•Director-General of Bureau of Food and Drug Analysis, Department of Health, Executive Yuan<br>•Deputy Director-General/Director-General of Bureau of Pharmaceutical Affairs, Department of Health, Executive Yuan<br>•Board Director of The Pharmaceutical Society of Taiwan<br>•Commissioner of Instruction Drugs Review Committee, Department of Health, Executive Yuan<br>•Commissioner of Pharmaceutical Service Quality Improvement Committee, Department of Health, Executive Yuan | |

Resolution:

# Others

**Item No. 1**：Proposal for release the prohibition on the Company's directors or representatives of directors from participation in competitive business (Proposed by the Board of Directors)

Explanation:

1. Article 209 of the Company Act states that, "A director who acts for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
2. In order to be aided from the professional expertise and relevant experience of the Company's directors, and under the premise of no violation to the interests of the Company, it was requested that the Shareholders' Meeting agree on releasing the non-competition restrictions of the Company's directors (including independent directors). The act of participation in competitive business of the director candidates is as in the following table:

| Name of director | Act of participation in competitive business | Name of institutional shareholder represented | Business invested by such institutional shareholder |
|---|---|---|---|
| Chen, Chih-Ming | 1. Director of AG Global Inc.<br>2. Director of Ahura Assets Limited.<br>3. Chairman of Allgenesis Biotherapeutics, Inc.<br>4. Director of Calchen Holdings Co. | - | - |

| | | | |
|---|---|---|---|
| | Ltd.<br>5. Chairman of CM Chen Foundation Inc.<br>6. Director of Delightful Cheers Limited.<br>7. Director of Eldridge Capital Group Ltd.<br>8. Director of Great Success Holdings Ltd.<br>9. Director of Opulent Assets Holdings Ltd.<br>10. Director of Otago Heights Capital Ltd.<br>11. Director of Shining Armour Holding Inc.<br>12. Director of Summer Breeze Development Ltd.<br>13. Director of SW Pacific Investment Ltd.<br>14. Director of TWi Pharmaceuticals Holding Inc.<br>15. Director of Twin City Management Ltd.<br>16. Director of Hefei NORATECH Pharmaceutical Co. Ltd.<br>17. Chairman of TWi Biotechnology, Inc.<br>18. Chairman of Xin Chen Pharmaceutical Foundation.<br>19. Chairman of Xin Chen Investment Co., Ltd.<br>20. Chairman & CEO of NRT Pharmaceuticals, Inc. | | |
| Ma, Hai-Yi | 1. Executive Director of Taiwan Bio Industry Organization<br>2. Director of Formosa Pharmaceuticals, Inc.<br>3. Consultant of LifeMax Biotechnology, Inc.<br>4. Director of Development Center for Biotechnology.<br>5. Director of Reber Genetics Co., Ltd. | Opulent Assets Holdings Ltd. | Director of AG Global Inc. |

| | | | |
|---|---|---|---|
| Huang, Wen-Hong | 1. Independent director of Taigen Biopharmaceuticals Holdings Limited.<br>2. Corporate Director's Representative of Orient Pharma Co., Ltd.<br>3. Corporate Director's Representative of Formosa Pharmaceuticals, Inc.<br>4. Consultant of LifeMax Biotechnology, Inc.<br>5. Director of Panion & BFF Biotech Inc. | TWi Pharmaceuticals Holding Inc. | - |
| Liu, Nien-Hua | 1. Director of HBT Labs, Inc.<br>2. Director of Genovi Co., Ltd,<br>3. Chairman of Synpac-Kingdom Pharmaceuticals, Inc.<br>4. Supervisor of Allgenesis Biotherapeutics, Inc.<br>5. Director of NRT Pharmaceuticals, Inc. | Opulent Assets Holdings Ltd. | Director of AG Global Inc. |
| Su, Yu-Hui | 1. Independent director of In Win Development Inc.<br>2. Independent director of Makalot Industrial Co., Ltd.<br>3. Independent director of Ennoconn Corporation. | - | - |
| Sun, Ching-Feng | 1. Independent director of ASLAN Pharmaceuticals.<br>2. Chairman of FiTek Photonics Corporation.<br>3. G.M. of Saga Unitek Ventures, Ltd.<br>4. G.M. of Kang-Cyun Ventures, Ltd.<br>5. G.M. of Sheng-Da Ventures, Ltd.<br>6. Supervisor of Pixon Technologies Corporation.<br>7. G.M. of Shun-Cheng-Fong Ventures, Ltd.<br>8. Independent director of Wonderful Hi-Tech Co., Ltd.<br>9. Independent director of Tah Tong Textile Co., Ltd.<br>10. Supervisor of Newmax Technology Co., Ltd. | - | - |

| | | | |
|---|---|---|---|
| | 11. Supervisor of Reber Genetics Co., Ltd. | | |
| Lin, Dong-Han | 1. Corporate Director's Representative of Formosa Laboratories, Inc.,<br>2. Chairman of Alar Pharmaceutics Inc. | - | - |

Resolution:

## Questions and Motions

## Adjournment

**Appendix I**

# TWi Pharmaceuticals, Inc.

## 2017 Business Report

I. 2017 Business Report

(I) Implement Results of Business Plan

In 2017, the Company's operating performance shows a consolidated operating revenue of NT$806,544 thousand, an increase by 8.44% compared with NT$743,778 thousand in 2016, and a consolidated operating loss of NT$501,382 thousand in the period, a decrease by 26.87% compared with NT$685,584 thousand in 2016. Although the operating revenue grew over the previous year, due to no new drug license granted and launched to the market, it was insufficient to reach the economic scale to fully cover the operating expenses and still in the state of operating losses. This resulted in operating losses mainly caused by the Company's continuous investment in the R & D expenses of high-tech-threshold special generic drugs in the US market. Besides, with the PIV drug applications filed with the U.S. FDA, the litigation-related expenses occurred from the law suit with the brand pharmaceutical manufacturer. The protection mechanism of 30 months auto-stay period set up by the United States delays launch time of generic drugs, which also results in the status that the Company's R & D investment cannot immediately generate revenue. As such, although the Company has filed 18 ANDA applications which have been accepted by the U.S. FDA for review up to the end of 2017, only 4 products are sold on the market so that the economies of scale has not been reached and the Company was still in operating losses. In the future, with the granting of drug licenses, new drugs will enter the market and the operation conditions of the Company shall continue to improve. In addition, the subsidiary of the Company, TWi Biotechnology, Inc, continues to invest in the development of new drugs. With the progress of the research and development process in each drug development program, the required R & D investment also increases. The product cycle of new drug development is longer than that of generic drugs and currently it is still in the R & D investment stage with no product launching in the market to generate income, which also further increases the R & D costs and the operating loss of the Company.

In 2017, the Company endeavored to develop product projects following a sound business plan. Up to the fourth quarter of 2017, a total of 18 special generic drug applications were filed with the U.S. FDA and accepted for review. Among which, 6 special generic drugs have successfully obtained the U.S. FDA approvals, with 4 of those 6 special generic drugs having been sold in the U.S. In addition, the Company has built

up its capacity for sterile preparation through acquiring majority shares of Synpac-Kingdom Pharmaceuticals, Inc., which will provide cost-effective support for broadening product formulations and commercial production. In respect of TWi Bio's R&D drugs, the main development status has also been carried forward to the pre-clinical or clinical stages (for important R&D statuses please refer to Point (III) as described below). It is expected that, as the Company's own R&D generic drugs are launched in the U.S. market, its profit benefits will gradually improve and bring rewards to the shareholders.

(II) Financial income or expenditure and profitability Analysis

In 2017, on the Company's consolidated financial income and expenditure, the main expenditure items are R&D investment in special generic drugs with high-tech thresholds and new drugs. The Company's investment in R&D aims at accumulating the energy of future product launches and growth in operating income.

| Item | | 2016 | 2017 |
|---|---|---|---|
| **Financial structure** | Debt-Asset Ratio | 5.77% | 10.75% |
| | Ratio of Long-term Capital to Fixed Assets | 715.67% | 495.07% |
| **Solvency** | Current Ratio | 1,509.92% | 746.96% |
| | Quick Ratio | 1,460.19% | 706.39% |
| **Profitability** | Return on Assets | -4.13% | -4.31% |
| | Return on Shareholders' Equity | -4.41% | -4.70% |
| | Basic Earnings Per Share | $-1.76 | $-2.03 |

(III) Research and Development Status

1. Special generic drugs

The progress of drug application submission and litigation of the Company in 2017 are summarized as follows:

(1) New approval of drug licenses by U.S. FDA：

a The generic drug, Bupropion HCl ER Tablet, of the Company was approved by U.S. FDA in November 2017. The Company has already initiated the preparation works for product launch.

(2) Acceptance for review by U.S. FDA with regard to new ANDA filings of the Company：

a The Company filed drug application for the generic Tecfidera, which was accepted by the U.S. FDA for review in May 2017. The Company has continued to prepare for the works for drug approval review.

b The Company filed drug application for TWi-017, which was accepted by the U.S. FDA for review in June 2017. The Company has continued to prepare for the works for drug approval review.

c The Company filed drug application for TWi-018, which was accepted by the U.S. FDA for review in June 2017. The Company has continued to prepare for the works for drug approval review.

(3) Litigation status for the drugs under review：

a The Company's generic drug, Cyclosporine Ophthalmic Emulsion, is currently under review by the U.S. FDA, and the patent infringement suit filed against the Company by the brand pharmaceutical manufacturer, Allergan, Inc., has entered into a settlement agreement, which will allow the U.S. FDA to approve the generic drug of the Company after 180 days after the launch of the First to File (FTF). And if the U.S. FDA confirmed that there is no FTF 180-day exclusive right applicable in this drug, the drug approval time may even be earlier. The Company has continued to prepare for the drug approval review and the pre-launch works of this drug.

b The Company’s generic Axiron is currently under review by the U.S. FDA. The brand pharmaceutical manufacturer, Eli Lily, and the patent owner, Acrux DDS PTY LTD, filed the patent infringement suit against the Company and then such patent infringement suit was withdrawn in December 2017, which allows the Company to launch this generic drug as soon as the drug license is granted. The Company has continued to prepare for the drug approval review and the pre-launch works of this drug.

c The patent infringement suit by the brand pharmaceutical manufacturer, Supernus, against the Company with regard to the generic drug, Oxcarbazepine ER Tablet, was judged by the court that the patent is effective. The Company disagreed with such judgment and has appealed to the United States Court of Appeals for the Federal Circuit. The generic drug is currently under review by the U.S.FDA and the Company has continued to prepare for the drug approval review and the pre-launch works of that generic drug.

d The generic Tecfidera of the Company is currently under review by the U.S. FDA, and the Company has filed the PIV certification for the patents in the Orange Book. The patent infringement suit was filed by the brand pharmaceutical manufacturer, Biogen, against the Company to delay the launch time of the drug of the Company. Since the product has not been sold on the market yet, there is no issue of patent infringement indemnification. The Company has continued to prepare for the works for drug approval review and patent litigation.

2. New drugs

(1) The drug candidate AC-201CR for treatment of gout was officially granted with CTA by the CFDA.

(2) The oral capsule Goodrein(AC-201) for treatment of Degenerative Joint Disease was submitted to the TFDA for drug approval and is under review.

(3) The drug candidate AC-201CR for treatment of hemophilic arthropathy has entered into Phase IIa explanatory clinical trials.

(4) The first patent of the multi-national pivotal clinical trials of drug candidate AC-203 for treatment of Hereditary Epidermolysis Bullosa Simplex was enrolled in June 2017. The drugs for such clinical trials were sold to the strategic partner, CCP, and shipped to the clinical sites in Europe and U.S.

(5) The patent application of AC-203 for treatment of Hereditary Epidermolysis Bullosa was approved by USPTO.

(6) The application of clinical trials to be conducted in Taiwan for AC-203 for treatment of Hereditary Epidermolysis Bullosa was submitted to the TFDA.

(7) Application of clinical trials for the drug candidate AC-203 for treatment of Bullous pemphigoid was approved by the TFDA and the patients were enrolled.

(8) The formulation of drug candidate AC-701for treatment of toxic reaction on skins such as rash and paronychia caused by target drugs was optimized.

(IV) Implementation Results of Budget

In 2017, the Company only developed its internal budget targets and did not make financial forecasts open to the public. The overall implementation results were generally consistent with the range defined by the Company.

## II. 2018 Business Plan

(I) Operating Principle

The Company is a professional drug development and manufacturing company. It focuses on the R&D and commercialization of drugs and engages in operation of products covering special generic drugs and new drugs. The operating principles are respectively described as follows:

1. Specialty generic drugs:

(1) Continue to strengthen the high-tech-barrier products in US market and develop other potential markets.

(2) Target the markets where there are limited competitors.

(3) Expand the range of dosage forms and product portfolio.
(4) Expand the global outreach through drug licensing, co-marketing, strategic alliance along with other business models.

2. New drugs
(1) Advance the clinical trials progress of the targeted indications for each candidate drug.
(2) Use existing drug molecules to continue to find the indications with development potentials, such as the disease that is currently of unmet medical needs or of emerging medical needs.
(3) Make the development strategy for each new candidate drug and seek international partners at appropriate time to perform various types of development cooperation or licensing transactions.
(4) Continue to introduce or develop other candidates for new drugs or drug molecules to expand the R & D pipeline.
(5) Deeply cultivate Taiwan biotechnology industry to become a world-class new drug development company.

(II) Key production and distribution strategies
1. As of now, there are 4 self-developed generic drugs and 1 externally-boughtgeneric drug sold through the self-sale platform and sales team deployed by the TWi US in the US market.
2. There are 3 self-developed generic drugs and 1 CMO generic drug sold in the US market are manufactured in the Chung-Li plants. Another self-owned generic drug was co-developed with and is manufactured by the strategic partner and 1 externally-bought generic drug is contracted to its original manufacturer for manufacturing. There are many other products that are under development through strategic alliance.
3. The Company will integrate and strengthen its internal senior and professional R&D team, expand the scope of the dosage forms and product portfolio, and enhance the global outreach through drug licensing, co-marketing and strategic alliance along with other business models.

(III) Future Development Strategy
1. Continue to focus on innovative special generic drugs and maintain the momentum of around 3-5 ANDA filings with the U.S. FDA per year
2. Expand the technical platform to local / percutaneous absorption preparations, semi-solid dosage forms, eye drugs and other special generic drug products to further expand the niche market.
3. With operation headquarter in Taiwan to conduct international mergers and acquisition,

enter the international market outside the United States and the Greater China and become one of the global integrated pharmaceutical companies.

4. Promote the clinical trial process of new drug candidates and license them to the international top-level pharmaceutical companies to conduct the follow-up development.

(IV) Sales volume forecasts and their bases of major products

The Company's management team makes the overall short-, medium- and long-term R&D objectives and strategies, and then the special generic drug and new drug R&D team proposes R&D project plans, feasibility analysis, and financial evaluation. After a full discussion, the management team will determine the R&D plan, resource allocation, and R&D schedule to be implemented in the end.

III. Impact from external competitive environment, regulatory environment, and overall business environment

The U.S. FDA started to collect application filing fees and maintenance fees from generic pharmaceutical companies who applied for ANDA and who manufacturing generic drugs in U.S. in October 2012 in accordance with the Generic Drug User Fee Act (GDUFA) to speed generic drug license review and manufacturing site audit. Although such Act increases the costs of development of generic drugs, at the same time it also increases the efficiency of drug review process and shortens the time for granting of drug license, which is beneficial to the future development of the overall industry.

In addition, the economic instability in the global market results in changes in consumers' health and medical expenditure. The governments of countries over the world are all dedicated to reducing health care costs and promote the use of generic drugs to replace expensive original brand-name drugs. The Company devoted itself to offering diversified innovative special generic drugs for consumers' choices and aggressively grabbed the market share. Moreover, the Company, through drug R&D at its subsidiary, TWi Bio, makes R&D in innovative drugs for diseases with unmet medical needs as a goal to create a blue ocean for drugs.

Finally, I hereby on behalf of all directors expresses the sincerest gratitude to all shareholders, ladies, gentlemen, employees and colleagues for your contributions and efforts to the development of the Company for a long time, and thank you for your encouragement and

support to us. The Company will continue to strive for developing products to be commercialized, and bring the maximum benefits for the shareholders and all employees.

**Appendix II**

## TWi Pharmaceuticals, Inc.

## Audit Committee's Review Report

The proposals on 2017 Business Report, consolidated and stand-alone financial statements and Deficit Compensation Table etc. of the Company have been prepared and submitted by Board of Directors of the Company, among them, the consolidated and stand-alone financial statements have been audited by accountant Teng, Sheng-Wei and Liang, Hua-Ling from PwC Taiwan and audit report has been issued. Proposals regarding the above Business Report, consolidated and stand-alone financial statements and Deficit Compensation Table have been reviewed by Audit Committee, and those proposals are appropriate. It is hereby proposed for supervision pursuant to Article 14 of Securities Exchange Act and Article 219 of Company Act.

**TWi Pharmaceuticals, Inc.**

Convener of Audit Committee: Su, Yu-Hui
Member of Audit Committee: Sun, Ching-Feng
Member of Audit Committee: Lin, Dong-Han

March 19, 2018

**Appendix III**

# TWi Pharmaceuticals, Inc.

## Report on Accumulated Losses and the 4th Quarter 2017 Execution of Improvement Plan of the Operation

## One. Company Introduction

The Company is committed to the development of sustained-release and controlled-release dosage forms, high-tech-threshold and niche-type special generic drugs mainly at the US generic drug market, which includes the generic drugs of Abbreviated New Drug Application (ANDA) in Paragraph IV. The Company is the leading pharmaceutical company in Taiwan with comprehensive drug research, development and manufacturing operations, focusing on the US special generic drugs. In addition, the Company has also been actively involved in the research and development of pharmaceuticals in various fields through the establishment of the following subsidiaries.

The Company's subsidiary, TWi Biotechnology, Inc. ("TWi Bio") focuses on the development of new drugs. The Company expects that, through the development of new drugs by the subsidiary, it can enhance its future explosive growth in addition to the relatively stable revenue injected from the development of special generic drugs in the future to become a comprehensive research-based pharmaceutical company while maintaining its leading status in Asia.

TWi Pharmaceuticals USA, Inc. (hereinafter referred to as "TWi US") is the subsidiary set up by the Company at the end of 2013. As of now, there are 4 self-developed generic drugs and 1 externally-bought generic drug sold through the self-sale platform and sales team deployed by the TWi US in the US market.

Hainan Visum Pharmaceutical Co., Ltd. (hereinafter referred to as "Visum") is the subsidiary acquired by the Company in 2014. Visum is also a company focusing on developing high-entry-barrier generic drugs. In addition to several drug applications filed with China FDA, there is one product that was filed with the U.S. FDA in cooperation with the Company. Afterwards the Company has adjusted the strategic positioning of Visum as the pure CMO manufacturer of the Company for the said cooperated product, maintained and ensured the existing CMO relationship, and introduced local strategic investors in China to assist in the future development of Visum in China market. The Company has signed the equity transfer agreement with the strategic investors at the end of December 2016. Such equity transfer was completed and registration change with China Authorities was finalized on April 18, 2017.

Synpac-Kingdom Pharmaceuticals, Inc. (hereinafter referred to as " Synpac-Kingdom ") is the subsidiary acquired by the Company in November 2017. Synpac-Kingdom focuses on manufacturing of eye drugs. After such acquisition, Synpac-Kingdom will play as a CMO manufacturer for the future eye drugs of the Company so as to support the Company in ANDA filings and commercial production of eye drugs in the U.S. market.

I. The Company's current products (services)

| Products | Description |
|---|---|
| Product R&D in oral controlled release dosage forms | Development and process improvement of sustained release dosage forms, enhancement of drug stability, increase of drug bioavailability, control of drug absorption rate, control of drug blood concentration, and further reduction of side effects thereby |
| Product R&D in semi-solid dosage forms | Through the sustained/control release platform, development of the percutaneous absorption preparations, gels, ointments, patches and others used for the effects of local/entire area of the body. |
| Ophthalmic medication | Eye disease related indications |

In addition, Up to the end of 2017, a total of 18 special generic drug applications were filed with the U.S. FDA which were accepted for review. Among which, 6 special generic drugs have successfully obtained the U.S. FDA approval, with 4 of those 6 special generic drugs having been sold in the U.S. The relevant information of products of the Company are listed below:

| **Generic Name** | **Indication** |
|---|---|
| Bupropion HCl ER Tablet (Note 1) | Depressive Disorder |
| Cyclobenzaprine ER Capsules (Note 2) | Muscle Relaxant |
| Cyclosporine Ophthalmic Emulsion | Chronic Dry Eye |
| Dexlansoprazole DR Capsule | GERD |
| Diltiazem HCl ER Capsule | Vasospatic Agina, Hypertension |
| Dimethyl Fumarate | Multiple Sclerosis |
| Donepezil 23mg Tablet (Note 3) | Alzheimer‘s Disease |
| Guanfacine ER Tablet (Note 4) | ADHD |
| Lidocaine Patch 5% | Post-herpetic Neuralgia |
| Megestrol Acetate 125mg/ml Oral Suspension (Note 5) | Anorexia, Cachexia, or significant unexplained weight loss for AIDS patients |

| **Generic Name** | **Indication** |
|---|---|
| Nifedipine Extended-Release Tablet (Note 6) | Vasospatic Angina, Hypertension |
| Oxcarbazepine ER Tablets | Epilepsy |
| Testosterone Gel, 1.62% | Hypogonadism |
| Testosterone Transdermal Solution, 30 mg/1.5 mL | Hypogonadism |
| TWi-011 (Note 7) | Hypertension |
| TWi-017 | Reduce Triacylglycerol |
| TWi-018 | Genital herpes and mucocutaneous herpes simplex virus infections |
| Zolpidem Tartrate Sublingual Tablet | Insomnia |
| Technology platforms for various oral controlled-release dosage forms | Used for development of drugs |

Note 1: The Company has obtained the drug license in November 2017 for such product.

Note 2: The Company has obtained the drug license in February 2013 and reached a settlement agreement in patent litigation with the brand company for such product which allows the product to be sold in the U.S. market before the patent expires.

Note 3: The Company has obtained the drug license in October 2014 for such product. This generic drug has been sold in the U.S. market.

Note 4: The Company has obtained the drug license in June 2015 for such product. This generic drug has been sold in the U.S. market.

Note 5: The Company has obtained the drug license in August 2014 for such product. This generic drug has been sold in the U.S. market.

Note 6: The Company has obtained the drug license in April 2014 for such product. This generic drug has been sold in the U.S. market.

Note 7: The Company, in cooperation with Visum, has filed the special generic drug application with the US FDA.

II. New products (services) which are planned to be developed

The Company's special generic drug projects currently under development are described as follows:

| Products | Description |
|---|---|
| Product R&D in oral controlled release dosage forms | Development and process improvement of sustained release dosage forms, enhancement of drug stability, increase of drug bioavailability, control of drug absorption rate, control of drug blood concentration, and further reduction of side effects thereby |

| | |
|---|---|
| Product R&D in semi-solid dosage forms | Through the sustained/control release platform, development of the percutaneous absorption preparations, gels, ointments, patches and others used for the effects of local/entire area of the body. |
| Ophthalmic medication | Eye disease related indications |

In addition, the main new drugs which are planned to be developed by the Company's subsidiary, TWi Bio, are listed as follows:

| Project | Mechanism of action | Adaptation disease |
|---|---|---|
| AC-201CR | Assembly of the inflammasome inhibitor | Hemophilic arthropathy, gout, degenerative joint disease and type 2 diabetes |
| AC-203 | Assembly of the inflammasome inhibitor | Hereditary epidermolysis bullosa and bullous pemphigoid |
| AC-701 | Inflammatory cytokine controlled drug | Toxic reaction on skins such as rash and paronychia caused by target drugs |

## Two. Reasons for Losses in the Past Years

Up to the end of 2017, the Company still showed a loss. It is mainly because after equity reorganization through a horizontal spin-off with its former parent company, Anchen Inc. in 2010, the Company has invested R&D in development of special generic drugs with high-tech thresholds and/or PIV products on its own. Special generic drugs can be sold on the market only after the drug licenses are granted by the U.S. FDA. For PIV products, the certification of patents on the Reference Listed Drug listed on the Orange Book is required in applications for such generic drugs for the sales license to be obtained from the U.S. FDA. It takes certain time both for the drug approval review by the U.S. FDA and patent infringement suit arising from certification of patents, which causes the Company unable to harvest the returns of its R&D expenditures immediately. Although the operating revenue of the Company in 2017 grew over that of the previous year, due to no new drug license granted and launched to the market, it was insufficient to reach the economic scale to fully cover the operating expenses and in the state of operating losses. This resulted in operating losses mainly caused by the Company's continuous investment in the R & D expenses of high-tech-threshold special generic drugs in the U.S. market. Besides, with the PIV drug application filed with the U.S. FDA, the litigation-related expenses occurred from the law suit with the brand pharmaceutical manufacturer. The 30-month protection mechanism of the auto-stay period set up by the United States delays the launch time of generic drugs, resulting in the status that the Company's R & D investment cannot immediately generate revenue. As such, although the Company has filed 18 drug applications which were accepted by the US FDA for

review up to the end of 2017, only 4 products are sold on the market so that the economies of scale has not been reached and the Company was still in operating losses. In the future, with the granting of drug licenses, new drugs will enter the market and the operation conditions of the Company shall continue to improve. In April 2010, the Company began to research and develop its own products after completion of an equity reorganization through a horizontal spin-off with its former parent company, Anchen Inc. From 2010 to 2017, the total R & D expenditure is about NT$ 3.45 billion, of which the R & D expenditure reached NT$ 450 million in 2017.

Besides, the Company's subsidiary, TWi Bio engages in new drugs development. The period for the development of new drugs is longer than that of generic drugs, and investments involved in a single product are larger. TWi Bio is still at the new drug R&D investment phase, and its products have not yet been on the market. Therefore, it is still at a state of losses. TWi Bio has a total of approximately NT$0.8 billion in R&D expenditure from its establishment in 2010 to 2017, while the R&D expenditure is approximately NT$0.1 billion in 2017, which is another reason for the loss of the Company.

In 2014, in response to the needs for the overall operational development, the Company acquired Visum, its subsidiary in Mainland China, who also developed generic drugs with high-entry barriers. The Company has held 65.58% equity interest in this subsidiary as of end of 2016. The above investments also have put the Company at a loss. Afterwards the Company has adjusted the strategic positioning of Visum and disposed of all the share equity of Visum it held. Such equity transfer was completed and registration change with China Authorities was finalized on April 18, 2017.

In November 2017, in order to rapidly enter the eye drug market in U.S., the Company acquired Synpac-Kingdom as one of its subsidiaries, which focuses on manufacturing of eye drugs. The shares holding to Synpac-Kingdom of the Company reaches 95.02% up to now. Such strategic arrangement aims to assist the Company in extending its product pipeline into eye drugs in a more efficient way.

## Three. Expected Future Improvement Plan

The Company currently has 18 special generic drugs that have been filed with the U.S. FDA and under review, of which six special generic drugs were successfully approved by the U.S. FDA. The IMS Health statistics shows that for the Company's generic drugs which are currently under review or already approved, the total sales reaches approximately US$ 10.6 billion over the past 1 year in the U.S. market. The Company's profitability will show

and feedback to all shareholders of the Company after such special generic drugs are gradually approved and sold in the U.S. market.

In terms of special generic drug, the Company will continue to strengthen the high-tech-threshold products in U.S. market, expand into other potential markets, collect and analyze market trends at any time, and focus on the markets with limited competitors. In addition, the Company will integrate and strengthen its internal senior and professional R&D team, expand the scope of the dosage forms and product portfolio, and enhance the global outreach through drug licensing, co-marketing and strategic alliance along with other business models.

In terms of new drug development, the product development strategy is divided into two directions. One is to develop the in-house new drugs. Due to integration of its internal rich experiences in drug formulation and patent laws and regulations the TWi group is able to develop the new treatment drugs of new indication and/or new formulation to connect with the international trend of new drug development. The other strategy is to introduce potential projects through external sources to conduct subsequent pre-clinical and clinical trials as well as build up the relevant patent protections by utilizing the experiences of TWi group in the laws and regulations of domestic and international new drug development. After the new drugs pass the Phase I to II clinical trials, the strategy is to actively look for the international large pharmaceutical companies to continue the follow-up development processes and commercialization. Therefore, in addition to early receiving the royalties to realize the profit of the new products, this strategy can also provide with more flexibility in developing new drugs, to increase the success rate of new drug development, and connect with the world trend.

The Company plans to, in the short term, take use of part of profits derived from its own generic drugs launched in the U.S. market to support the R&D investment required by the development of new drugs, while in the medium- and long-term, the license revenue of new drugs and royalty revenue of products going on the market will help the Company have a significant growth in profits to bring rewards to all shareholders of the Company.

The Company's future development strategies and main points of the plans are hereby described as follows:

i. Continue to focus on special generic drugs of innovative prescription and maintain the momentum of around 3-5 ANDA filings with the U.S. FDA per year.

ii. Expand the technical platform to local / percutaneous absorption preparations, semi-solid dosage forms, eye drops and other special generic drug products to further expand the niche market.

iii. With operation headquarters in Taiwan, conduct international mergers and acquisitions, enter the international market outside the United States and Greater China, and become one of the global integrated pharmaceutical companies.

iv. Form strategic alliance with pharmaceutical companies in Taiwan to bring them to the U.S. market.

v. Promote the clinical trial process of candidates for new drugs and license them to the international top level pharmaceutical companies to conduct the follow-up development.

In order to implement the improvement plan, concerning the financial performance of overall operation, the Company conducts regular analysis and management tracking of the budget number v.s. actual number, current period number v.s. previous period number, and the number of current month v.s. the number of same period of the previous year of the operations, to propose the necessary improvement and adjustment action in order to enhance business operation performance and report to the Board of Directors on a quarterly basis. In addition, since the Company's future growth and profitability mainly depend on the success of the R & D projects, and the nature of drug research and development is of considerable risk and uncertainty compared to other business activities, monitoring and management of R & D projects is the focus the Company emphasizes mostly. For the R & D projects, the Company regularly convenes R & D management meetings to grasp the progress of each R & D project at any time. It also convenes regular review meetings of R & D projects, not only to select projects with technology development and financial profit potentials to introduce into R & D pipeline, but also to evaluate each project in the R & D list for the value of continuous development. For the project that has R & D bottlenecks difficult to break through or has lost financial value, the Company will put stop-loss point timely to avoid unnecessary waste of resources. In addition, after the establishment of the U.S. sales team, the team will feedback market demand information as the basis for selection of R&D projects to avoid the decoupling of R & D investment and the market demand. All these aforementioned measures are meant to continue to improve the financial and business conditions, and constantly strive for better operation efficiency.

## Four. Status of Implementation of 4th Quarter 2017

The 4th quarter 2017 execution status of improvement plan of the operation of the Company is described as follows:

i. The consolidated operating revenue for 2017 is NTD 806,544 thousand, an increase of 8.44% compared with NTD 743,778 thousand in the same period of 2016. The

growth source of revenue is mainly from the complete annual sales performance of self-developed generic drugs, respectively Donepezil Hydrochloride ER Tablet, Megestrol Acetate Suspension, Nifedipine ER Tablet and Guanfacine ER Tablet. Sale of Hydroquinone acquired from Perrigo since second quarter 2017, out-licensing revenue/sales of drugs for clinical trials created by TWi Bio and operating revenue injected from Synpac-Kingdom are also drivers to boost the revenue. Such mentioned factors overall effectively offset the decrease of CMO revenue from Par and made 2017 total revenue a growth over that of 2016. In the future, with continuous addition of new sales items into market, it is expected to drive the future revenue growth.

ii. Consolidated operating gross profit for 2017 is NTD320,459 thousand, an increase of 24.05% compared with NTD 258,340 thousand in the same period of 2016. The main drivers for boosting gross profit in 2017 includes sale of Hydroquinone acquired from Perrigo since second quarter 2017, out-licensing revenue created by TWi Bio and operating revenue injected from Synpac-Kingdom. In the future, the Company will continue to increase sales items and make every effort to increase the proportion of products with high profit margins in the sales mix to achieve the goal of profit improvement.

iii. In 2017, the Company's consolidated operating loss and consolidated net loss before tax are NT$501,382 thousand and NT$249,104 thousand, respectively, a decrease of 26.87% in the operating loss and 16.54% in the net loss before tax compared with NT$685,584 thousand in the consolidated operating loss and NT$298,462 thousand in the consolidated net loss before tax at the corresponding period in 2016. The decreases in the Company's net operating loss and loss before tax are mainly due to the growth of gross profit as explained above, the decrease of operating expenses due to well monitoring and control of R&D expenses and cease to recognize the operating expenses of Visum after disposing of share equity of Visum. Although the R&D expenses was curtailed in 2017, the output was not affected. There were 3 new ANDA filing in 2017. The Company will continue to maintain its R&D momentum and enlarge its product pipeline to build up the foundation for continuous growth of revenue and profit.

The difference between the Company's 2017 realized operating results and 2016 forecast results described in the Improvement Plan of the Operation of the Company attached with the application for 2016 first employee stock options filed in September 2016 is described as follows:

i. The realized consolidated operating revenue for 2017 is NTD 806,544 thousand, a

decrease of 57.71% compared with NTD 1,907,210 thousand forecast in the Improvement Plan of the Operation of the Company. The difference is mainly due to the decline of CMO order, less than expected sales of launched products and delayed launch of new products due to the review process or other factors. It is expected that with new addition of product portfolio sold on market, the revenue will grow accordingly.

ii. The realized consolidated operating gross profit for the year 2017 is NTD 320,459 thousand, a decrease of 69.93% compared with NTD 1,065,745 thousand forecast in the Improvement Plan of the Operation of the Company. The difference is caused by the decline of CMO order, less than expected sales of launched products and delayed launch of new products. However, the fixed manufacturing costs are still needed to be amortized and recognized. The Company will continue to strive for raising the revenue levels and maintaining and increasing the percentage of high-margin products in our sales portfolio.

iii. In 2017, the realized consolidated operating expense is NT$821,841 thousand, a decrease of 35.76% compared with NT$1,279,342 thousand as estimated for 2017 in the Improvement Plan of the Operation of the Company. It is mainly because the Company continues to control the operating expenditure and carefully manage the selection of R&D cases and advancement of progress to ensure the improvement of sales management and R&D efficiency. One other reason for the difference of operating expense is that after disposing of share equity of Visum, the Company did not have to recognize the expenses of Visum.

iv. In 2017, the consolidated operating loss and consolidated net loss before tax are NT$501,382 thousand and NT$249,104 thousand, respectively, an increase of 134.73% in the consolidated operating loss and 16.62% in the consolidated net loss before tax compared with NT$213,597 thousand in the consolidated operating loss and NT$213,597 thousand in the consolidated net loss before tax as estimated for 2017 in the Improvement Plan of the Operation of the Company. The increase in the consolidated operating loss and consolidated net loss before tax is due to the factors mentioned in the above I to III. For the consolidated net loss before tax, the depreciation of U.S. dollars caused foreign exchange loss, but injection from disposing of share equity of Visum not only offset the foreign exchange loss but also created positive other income.

The Company still showed a loss at the end of fourth quarter 2017, which is mainly caused by the Company's continuous investment in the R & D expenditure of high-tech-threshold special generic drugs in the U.S. market and the litigation expenses.

Since it takes certain time both for the drug approval review by the U.S. FDA and patent infringement suit arising from certification of patents, the Company is unable to harvest the returns of its R&D expenditures immediately. Although the Company has filed 18 drug applications which were accepted by the U.S. FDA for review up to the end of 2017, only 4 products are sold on the market so that the economies of scale has not been reached and the Company is still in operating losses. In the future, with the granting of drug licenses, new drugs will enter the market and the operation conditions of the Company shall continue to improve. At that time, the Company's profit benefits will gradually improve and bring rewards to all the shareholders of the Company.

## Five. Conclusion

The company is mainly engaged in the research and development of high-entry barrier generic drug products, and it takes a considerable period of time for the U.S. FDA to review and approve such type of drugs, which delays the launch time of the generic drugs, results in the company's R & D investment being unable to generate revenue immediately, and makes the Company in operating losses during the drug review period. So far there are 6 ANDA products approved and another 12 ANDA products under review. Therefore, with the warming up of the sales of existing launched drugs and addition of newly approved products in the future, the Company's operation will improve, and at that time, the Company's profitability will gradually increase and bring rewards to all the shareholders of the Company.

In addition, with the R&D progress at the clinical development stage, the subsidiary, TWi Bio, will seek to build strategic partnership or joint development with international pharmaceutical companies for early realization of profits from new drugs through the relevant licensing revenue. The disposal profit for share equity of Visum was recognized after the completion of registration with the China Authorities on April 18, 2017. Another subsidiary, Synpac-Kingdom, is targeted to supplement the Company with the capacity of eye drugs. With the progress of eye drugs of the Company, in addition to existing CMO activities in the domestic market, it is expected to inject Synpac-Kingdom with revenue and profit as soon as the eye drugs of the Company are launched in the U.S. market in the future.

**Appendix IV**

# TWi Pharmaceuticals, Inc.

## Report on the Execution for Share Buyback Program

| The Second Treasury Share Execution Period Expiry and Execution Situation | |
|---|---|
| Buyback purpose | Safeguard company credit and shareholder's rights and interests |
| Buyback period | From May 15, 2017 to July 14, 2017 |
| Buyback price interval | NT$70-100 |
| Class and quantity of shares bought back | 4,764,000 ordinary shares |
| Dollar amount of shares bought back | NT$414,539,014 |
| Average buyback price per share | NT$87.01 |
| Quantity of shares eliminated and transferred | 4,764,000 ordinary shares |
| Accumulated quantity of company shares held | 0 |
| Proportion of accumulated quantity of company shares held in total shares issued | 0 |
| Expected buyback quantity | 5,000,000 ordinary shares |
| Implementation ratio | 95.28% |

**TWI PHARMACEUTICALS, INC.**

# ARTICLES OF INCORPORATION

## Chapter I General Provisions

Article 1 The Company shall be named TWI PHARMACEUTICALS, INC. and incorporated as a company limited by shares in accordance with the Company Law of the Republic of China (the "ROC").

Article 2 The Company shall engage in

(1) IZ299990 Other Industry and Commerce Services Not Elsewhere Classified (Development and Transfer of Pharmaceuticals).

(2) F108021 Wholesale of Drugs and Medicines.

(3) F208021 Retail Sale of Drugs and Medicines.

(4) F108031 Wholesale of Drugs, Medical Goods.

(5) F208031 Retail sale of Medical Equipment.

(6) F401010 International Trade.

(7) F108040 Wholesale of Cosmetics.

(8) F208040 Retail Sale of Cosmetics.

(9) F102170 Wholesale of Food and Grocery.

(10) F203010 Retail sale of Food and Grocery.

(11) IG01010 Biotechnology Services.

(12) I301010 Software Design Services.

(13) C802041 Drugs and Medicines Manufacturing.

(14) ZZ99999 Any business not prohibited or restricted by law other than the types of business requiring special permission.

Article 3 The Company's head office shall be located in Taipei City. The board of directors of the Company (the "Board") may decide to establish branch offices or representative offices in or outside the ROC and the incorporation, deregistration or relocation of such branch offices or representative offices are subject to the resolutions of the Board and the approval of the relevant authorities.

Article 4 The Company may also make investments in another company through acting as a shareholder with limited liability of the investee company, and such investment may exceed forty percent (40%) of the paid-in capital of the Company, notwithstanding Article 13 of the Company Law. The Board is hereby authorized to make such investments according to the actual needs of the Company.

Article 5 The Company may provide guarantees to others in accordance with the "Procedures for Endorsement and Guarantee" of the Company.

## Chapter II Shares

Article 6 The Company's total authorized capital is NT$2,000,000,000, divided into 200,000,000 shares, each with a par value of NT$10. The total authorized capital shall be paid in instalments. The Board is hereby authorized to issue the unissued shares in accordance with the actual needs of the Company's business.
20,000,000 shares of the aforesaid total authorized capital are reserved for employee stock options and the Board is hereby authorized to issue in instalments in view of the actual needs.

Article 6-1 If the Company would like to issue employee stock options where the exercise price for such options is lower than the weighted average trade price for the Company's shares during the period preceding the issuance date, its net value per share as reported in the financial reports for the most recent fiscal period, audited or reviewed by a CPA, or, in the event the shares of the Company are traded on Taiwan Stock Exchange or GreTai Securities Market, the closing price of the shares of the Company as of the issuance date, such issuance shall be approved by a resolution passed by a two-thirds (2/3) or more vote of the shareholders at a shareholders' meeting attended by the shareholders who represent more than one-half (1/2) of the total outstanding shares of the Company before such employee stock options can be issued.

Article 7 The Company's share certificates shall bear shareholder's names, serially numbered, signed, and sealed by three (3) or more directors and certified by the certification authority approved by the government before they can be issued. After the public offering of the shares of the Company, the Company may issue shares without printing share certificates for the shares issued, but the Company shall engage a centralized securities depository institution to handle the recording or depository matters.

Article 8 No transfer of shares shall be permitted within thirty (30) days prior to the date of a regular shareholders' meeting, or within fifteen (15) days prior to the date of a special shareholders' meeting, or within five (5) days prior to the record date fixed for distributing dividends, bonuses, or other benefits. After the public offering of the shares of the Company, no transfer of shares shall be permitted within sixty (60) days prior to the date of a regular shareholders' meeting, or within thirty (30) days prior to the date of a special shareholders' meeting, or within five (5) days prior to the record date fixed for distributing dividends, bonuses, or other benefits.

Article 9 After the public offering of the shares of the Company, any matter in relation to shareholder services shall be conducted in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies."

Article 9-1 If the Company would like to revoke the public offering of the shares of the Company, such proposal shall be submitted to the shareholders' meeting for approval. No change can be made to this Article during the period that the shares of the Company are traded on the Emerging Stock Market, Taiwan Stock Exchange or GreTai Securities Market.

## Chapter III Shareholders' Meetings

Article 10 Shareholders' meetings include regular shareholders' meeting and special shareholders' meeting. The Company shall in each year hold a shareholders' meeting as its regular shareholders' meeting no later than six (6) months after the close of each financial year. Save as herein otherwise provided, a special shareholders' meeting may be called by the Board as they consider necessary.
The shareholders' meeting notice may be in writing or by way of electronic transmission.

Article 11 When a shareholder is unable to attend the shareholders' meeting, he or it may appoint another person his/her/its proxy to attend the meeting. The proxy form, to be printed by the Company, shall state the scope of authorization covered by the proxy. Except for complying with Article 177 of the Company Law and Article 25-1 of Securities and Exchange Act of the ROC, all matters concerning proxies shall also be in compliance with "ROC Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."

Article 12 Unless there is any restriction on the voting right of the shares or occurrence of any matter as specified in Article 179 of the Company Law, every shareholder entitled to vote shall have one vote for each share of which he/her/its is the holder.

Article 13 Unless otherwise provided for in the Company Law and these Articles, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present, who shall hold more than one-half (1/2) of the total number of shares issued and outstanding.

Article 14 The shareholders' meeting convened by the Board shall be presided over by the Chairman of the Board. If the Chairman is on leave or if, for any reason, he is unable to perform his duties, the chairman may designate one of the other directors to act on his behalf. Without such a designation, the chairman of the meeting shall be elected by and from among the other directors. In case the shareholders' meeting is convened by a person with the power to convene a shareholders' meeting other than the Board, such meeting shall be chaired by such person, and if there are more than two (2) persons with such power, the chair shall be elected among such persons.

Article 15 The shareholders' meeting shall be conducted in accordance with "Rules and Procedures of Shareholders' Meetings" of the Company.

## Chapter IV Directors and Audit Committee

Article 16 The Company shall have a board consisting of three (3) to seven (7) directors, to be elected at the shareholders' meeting. The tenure of office of the directors shall be no more than three (3) years, and they shall be eligible for re-election. The Company shall appoint at least three (3) independent directors which may be within the number of directors specified in this Article 16 and shall constitute one-fifth (1/5) or more of the total number of directors. The Company shall adopt a candidate nomination mechanism for the election of the directors (including independent directors) and the shareholders shall elect the directors from the list of director candidates so nominated.

Article 16-1 The Company proposes to establish an audit committee in accordance with the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. Matters relating to number and term of office of audit committee members, powers of the audit committee, rules of procedure for meetings of the audit committee shall be governed by an audit committee charter.

Article 17 During the term of directors, the Company may purchase and maintain insurance for the benefit of each director or each supervisor against any liability incurred by him/her in his/her capacity as a director or supervisor.

Article 18 The Board is constituted by the directors. The Chairman of the Board shall be elected from among the directors by a majority vote at a meeting attended by two-thirds (2/3) or more of the directors. If the Chairman of the Board takes leaves or is unable to perform his/her duties with cause, his proxy shall be determined pursuant to Article 208 of the Company Law.

Article 19 The notice for the meeting of the Board shall state the reasons and agenda of the meeting, and shall be sent to each member of the Board and seven (7) days prior to the meeting, provided that such period for advance notice may be shortened in case of emergency. Such notice may be in writing, email or facsimile.

Article 20 Except as otherwise provided in the Company Law, meetings of the Board shall be called by its Chairman. Except as otherwise provided in the Company Law or these Articles, resolutions at the meetings of the Board shall be adopted by a majority vote at a meeting attended by more than one-half (1/2) of the directors.
A director may appoint another director his or her proxy to attend a directors' meeting. The proxy shall accept the appointment of one director only.

Article 21 The Board of Directors of the Company shall as necessary in view of the needs for business operation establish other functional committees. The establishment and powers of the relevant committees shall be conducted in conformity with the regulations prescribed by the Competent Authority.

Article 22 The remuneration of directors of the Company is authorized to be determined by the Board of Directors in consideration of the extent of their participation in the Company's operation and value of contribution as well as the standards of domestic and foreign industries, and remuneration of independent directors may be different from that of general directors reasonably decided at its discretion.

## Chapter V Manager

Article 23 The Company may have one General Manager and several vice general mangers. The General Manager shall be appointed, dismissed and compensated in accordance with Article 29 of the Company Law.

## Chapter VI Accounts

Article 24 The Company's fiscal year commences from January 1 and ends on December 31. At the close of each fiscal year, the Board of Directors shall prepare the following

statements and records and shall submit the same to a general meeting of shareholders for ratification:

(1) Business Report ;

(2) Financial Statements; and

(3) Surplus earning distribution or loss off-setting proposals.

Article 25 The Company shall, after its accumulated losses have been covered by the before-tax profit of the current year before deducting the amount distributed to employees' compensation and remuneration to directors and supervisors, withdraw 1% to 10% of the amount of balance thereof, if any, as employees' compensation and not more than 5% as remuneration to directors and supervisors.
The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by at least two-thirds of the total number of directors, determine the ration for profit distribution as employees' compensation and remuneration to directors and supervisors and the form of profit distribution as employees' compensation either in shares or in cash; and a report of such distribution shall be submitted to the shareholders' meeting.
Qualification requirements of employees entitled to receive shares or cash as their compensation include the employees of subsidiaries of the Company meeting certain specific requirements.

Article 25-1 The Company shall, after its losses have been covered and all taxes and dues have been paid, and at the time of allocating the net profit on the general final report, first set aside ten percent of such profits as a legal reserve, and set aside or reverse another sum as special reserve in accordance with laws and regulations or the rules prescribed by the competent authority. The remaining balance, if any, plus the accumulated retained earnings of prior years as accumulated distributable earnings, except for retaining an appropriate amount being delivered to the shareholders' meeting for resolution after a proposal for distribution of profits depending on operational needs adopted by the Board of Directors, shall be distributed as dividends to shareholders subject to the resolution of the shareholder' meeting.

The percentage of the amount of surplus earnings distributed to dividend to shareholders accounted for the earnings after tax in the current year shall not be less than 10% as a principle. Among which, the amount of cash dividends shall be not less than 10% of the total amount of cash dividends and stock dividends, provided, however, that stock dividends will be distributed instead when less than NT$0.1 per share of cash dividends, and the ration of distribution thereof may be adjusted depending on the Company's future earnings and financial status. Where there are future substantial capital expenditures and R&D projects, dividends to shareholders may be distributed fully as stock dividends upon approval of the shareholders' meeting. The Company shall not pay dividends or bonuses, if there are no surplus earnings.

## Chapter VII Supplementary Provisions

Article 26 Matters not covered by the Articles of Incorporation, shall be dealt with according to the provisions of the Company Law.

Article 27 The Articles of Incorporation were agreed upon and signed on the November 7, 1997.

The First Amendment was made on the March 30, 1998.

The Second Amendment was made on the May 16, 1998.

The Third Amendment was made on the June 25, 1998.

The Fourth Amendment was made on the March 10, 1999.

The Fifth Amendment was made on the June 10, 2000.

The Sixth Amendment was made on the November 26, 2001.

The Seventh Amendment was made on the February 28, 2002.

The Eighth Amendment was made on the June 16, 2002.

The Ninth Amendment was made on the June 7, 2003.

The Tenth Amendment was made on the October 23, 2003.

The Eleventh Amendment was made on the May 10, 2006.

The Twelfth Amendment was made on the September 1, 2006.

The Thirteenth Amendment was made on the February 26, 2010.

The Fourteenth Amendment was made on the March 2, 2011.

The Fifteenth Amendment was made on the June 20, 2012.

The Sixteenth Amendment was made on the January 11, 2013.

The Seventeenth Amendment was made on the June 2, 2015.

The Eighteenth Amendment was made on the June 8, 2016.

**TWI PHARMACEUTICALS, INC.**

**Chen Chih-Ming, Chairman**

# Shareholding Status of all Directors

Base date: April 10, 2018

| Title | Name | Date of Election | Number of Shares Held when Elected | | Current Shares Held | |
|---|---|---|---|---|---|---|
| | | | Number of Shares | % of Total Capital at that Time | Number of Shares | % of Total Capital at that Time |
| Chairman | Chen,Chih-Ming | 2015.6.2 | 4,393,460 | 3.88 | 4,361,460 | 3.62 |
| Director | Opulent Assets Holdings Ltd. Representative: Ma, Hai-Yi | 2015.6.2 | 28,460,824 | 25.16 | 28,460,824 | 23.65 |
| Director | Opulent Assets Holdings Ltd. Representative: Liu, Nian-Hua | 2015.6.2 | | | | |
| Director | British cayman islands, TWi Pharmaceuticals Holding Inc. Representative: Shen, Jhih-Long | 2015.6.2 | 29,146,782 | 25.77 | 29,146,782 | 24.22 |
| Independent Director | Sun, Ching-Feng | 2015.6.2 | - | - | - | - |
| Independent Director | Lin, Tung-He | 2016.6.8 | - | - | - | - |
| Independent Director | Su, Yu-Hui | 2016.6.8 | - | - | - | - |
| Total | | | 62,001,066 | | 61,969,066 | |

Total Shares of Common Stock Issued as of June 2, 2015: 113,123,654 Shares;

Total Shares of Common Stock Issued as of June 8, 2016: 127,412,530 Shares;

Total Shares of Common Stock Issued as of April 10, 2018: 120,341,487 Shares;

Note：1. The total statutory number of shares should be held by all Directors of the Company are 8,000,000 shares, and all Directors held 61,969,066 shares as of April 10, 2018.

2. The Company has set up the Audit Committee, so the statutory number of shares to be held by the Supervisors does not apply.

3. The shareholding of Independent Directors is not included in the number of shares held by the Directors.