Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Lotus Pharmaceutical Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Lotus Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 9 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2019 and 2018, combined total assets of these non-significant subsidiaries were NT$222,412 thousand and NT$173,565 thousand, respectively, representing 1% and 1%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$114,103 thousand and NT$93,388 thousand, respectively, representing 1% and 1%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2019 and 2018, the amounts of combined comprehensive income (loss) of these subsidiaries were NT$(15,675) thousand and NT$2,350 thousand, respectively, representing (7%) and (5%), respectively, of the consolidated total comprehensive income (loss). In addition, as described in Note 10 to the consolidated financial statements, the investment accounted for using the equity method amounted to NT$8,820 thousand and NT$10,321 thousand as of March 31, 2019 and 2018, respectively, and the share of total comprehensive (loss) income amounted to NT$(215) thousand and NT$1,569 thousand for the three months ended March 31, 2019 and 2018, respectively; the information for investees as described in Note 10 to the consolidated financial statements was based on the financial statements that have not also been reviewed.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and associate that was accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting”.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shiow-Ming Shue and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 14, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,052,998	6	$ 1,023,232	7	$ 1,910,746	12
Contract assets - current (Note 18)	2,784	-	9,867	-	31,474	-
Notes and trade receivables, net (Notes 7 and 18)	1,121,708	6	1,063,287	7	1,087,607	7
Trade receivables from related parties (Note 25)	639,275	4	84,095	1	74,859	-
Other receivables	7,600	-	6,219	-	1,944	-
Other receivables from related parties (Note 25)	45,363	-	36,098	-	87,975	1
Current tax assets	13,651	-	14,332	-	99	-
Inventories (Note 8)	2,011,637	11	1,160,853	8	855,074	6
Other current assets (Note 26)	1,499,100	8	161,971	1	86,221	1
Total current assets	6,394,116	35	3,559,954	24	4,135,999	27
NON-CURRENT ASSETS						
Investment accounted for by using the equity method (Note 10)	8,820	-	9,035	-	10,321	-
Property, plant and equipment (Notes 11 and 26)	1,828,359	10	1,814,951	12	1,851,593	12
Right-of-use assets (Note 12)	168,011	1	-	-	-	-
Goodwill (Note 14)	6,052,927	34	6,083,453	41	6,083,818	39
Other intangible assets (Note 13)	2,734,886	15	2,185,186	15	2,298,395	15
Deferred tax assets	432,664	3	486,720	3	462,837	3
Other non-current assets (Notes 25 and 26)	426,538	2	714,384	5	589,625	4
Total non-current assets	11,652,205	65	11,293,729	76	11,296,589	73
TOTAL	$ 18,046,321	100	$ 14,853,683	100	$ 15,432,588	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	$ 310,000	2	$ 310,000	2	$ 310,000	2
Contract liabilities - current (Notes 18 and 25)	78,934	-	65,344	-	117,367	1
Notes and trade payables	561,698	3	577,507	4	371,574	2
Trade payables to related parties (Note 25)	1,186,322	7	150,064	1	61,534	-
Lease liabilities - current (Note 12)	53,401	-	-	-	-	-
Other payables	352,393	2	386,803	3	345,621	2
Other payables to related parties (Note 25)	208,424	1	89,271	1	55,804	-
Current tax liabilities	73,389	-	76,576	-	85,694	1
Provisions - current (Note 21)	48,233	-	50,406	-	68,030	1
Current portion of long-term borrowings (Note 15)	300,000	2	300,000	2	404,710	3
Other current liabilities - others (Note 25)	102,196	1	97,648	1	104,050	1
Total current liabilities	3,274,990	18	2,103,619	14	1,924,384	13
NON-CURRENT LIABILITIES						
Contract liabilities - non-current (Note 18)	104,973	-	106,580	1	97,801	1
Lease liabilities - non-current (Note 12)	122,118	1	-	-	-	-
Provisions - non-current (Note 21)	23,617	-	32,411	-	96,889	1
Long-term borrowings, net of current portion (Note 15)	3,010,246	17	1,461,604	10	4,161,825	27
Deferred tax liabilities	193,720	1	197,211	1	246,433	1
Net defined benefit liabilities	580,475	3	571,156	4	515,094	3
Loan payables to related parties - non-current (Note 25)	2,819,602	16	2,700,068	18	785,754	5
Other non-current liabilities	312	-	312	-	312	-
Total non-current liabilities	6,855,063	38	5,069,342	34	5,904,108	38
Total liabilities	10,130,053	56	7,172,961	48	7,828,492	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital (Note 17)	2,382,007	13	2,382,007	16	2,384,917	15
Capital surplus (Note 17)	6,020,558	33	6,020,558	41	6,020,558	39
Treasury shares (Note 17)	-	-	-	-	(22,888)	-
Accumulated deficits	(719,713)	(4)	(995,135)	(7)	(1,011,993)	(7)
Other equity	(229,002)	(1)	(181,735)	(1)	(178,879)	(1)
Total equity attributable to owners of the Company	7,453,850	41	7,225,695	49	7,191,715	46
NON-CONTROLLING INTERESTS (Note 17)	462,418	3	455,027	3	412,381	3
Total equity	7,916,268	44	7,680,722	52	7,604,096	49
TOTAL	$ 18,046,321	100	$ 14,853,683	100	$ 15,432,588	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 14, 2019)

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 18 and 25)	$ 2,182,671	100	$ 1,489,784	100
OPERATING COSTS (Notes 8, 19 and 25)	1,103,580	51	806,504	54
GROSS PROFIT	1,079,091	49	683,280	46
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	378,632	17	360,328	25
General and administrative expenses	168,298	8	165,889	11
Research and development expenses	86,320	4	88,062	6
Total operating expenses	633,250	29	614,279	42
INCOME FROM OPERATIONS	445,841	20	69,001	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 25)	3,061	-	3,804	1
Other gains and losses (Note 19)	7,618	-	15,237	1
Finance costs (Notes 19 and 25)	(67,307)	(3)	(70,778)	(5)
Share of (loss) gain of associate (Note 10)	(215)	-	1,569	-
Total non-operating expenses, net	(56,843)	(3)	(50,168)	(3)
INCOME BEFORE INCOME TAX	388,998	18	18,833	1
INCOME TAX (EXPENSE) BENEFIT (Note 20)	(101,967)	(5)	6,149	1
NET INCOME FOR THE PERIOD	287,031	13	24,982	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	394	-

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LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (51,485)	(2)	$ (75,115)	(5)
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	(586)	-
Other comprehensive loss for the period, net of income tax	(51,485)	(2)	(75,307)	(5)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 235,546	11	$ (50,325)	(3)
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 275,422	13	$ 15,508	1
Non-controlling interests	11,609	-	9,474	1
	$ 287,031	13	$ 24,982	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 228,155	11	$ (54,184)	(3)
Non-controlling interests	7,391	-	3,859	-
	$ 235,546	11	$ (50,325)	(3)
EARNINGS PER SHARE (Note 22)				
Basic	$ 1.16		$ 0.07	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 14, 2019) (Concluded)

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company								Non-controlling Interests	Total Equity
	Share Capital - Ordinary Shares				Other Equity					
	Shares (Thousand)	Amounts	Capital Surplus	Accumulated Deficits	Unrealized Gain on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Treasury Shares	Total		
BALANCE AT JANUARY 1, 2018	238,492	$ 2,384,917	$ 6,020,558	$ (1,026,890)	$ (995)	$ (108,793)	$ (22,888)	$ 7,245,909	$ 408,522	$ 7,654,431
Effect of retrospective application	-	-	-	(1,005)	995	-	-	(10)	-	(10)
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	238,492	2,384,917	6,020,558	(1,027,895)	-	(108,793)	(22,888)	7,245,899	408,522	7,654,421
Net income for the three months ended March 31, 2018	-	-	-	15,508	-	-	-	15,508	9,474	24,982
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	394	-	(70,086)	-	(69,692)	(5,615)	(75,307)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	15,902	-	(70,086)	-	(54,184)	3,859	(50,325)
BALANCE AT MARCH 31, 2018	238,492	$ 2,384,917	$ 6,020,558	$ (1,011,993)	$ -	$ (178,879)	$ (22,888)	$ 7,191,715	$ 412,381	$ 7,604,096
BALANCE AT JANUARY 1, 2019	238,201	$ 2,382,007	$ 6,020,558	$ (995,135)	$ -	$ (181,735)	$ -	$ 7,225,695	$ 455,027	$ 7,680,722
Net income for the three months ended March 31, 2019	-	-	-	275,422	-	-	-	275,422	11,609	287,031
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	(47,267)	-	(47,267)	(4,218)	(51,485)
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	275,422	-	(47,267)	-	228,155	7,391	235,546
BALANCE AT MARCH 31, 2019	238,201	$ 2,382,007	$ 6,020,558	$ (719,713)	$ -	$ (229,002)	$ -	$ 7,453,850	$ 462,418	$ 7,916,268

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 14, 2019)

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 388,998	$ 18,833
Adjustments for:		
Expected credit loss reversed on trade receivables	(1,544)	(1,048)
Depreciation expenses	68,147	44,068
Amortization expenses	68,435	51,623
Write-down of inventories	12,371	46,252
Impairment loss on intangible assets	-	6,539
Loss on disposal of property, plant and equipment	63	1,001
Interest income	(2,591)	(3,335)
Finance costs	67,307	70,778
Share of loss (gain) of associate	215	(1,569)
Unrealized foreign exchange loss (gain)	14,294	(23,574)
Changes in operating assets and liabilities		
Contract assets	7,083	89,128
Notes and trade receivables	(65,228)	(32,184)
Trade receivables from related parties	(559,433)	409
Other receivables	73	226
Other receivables from related parties	2,864	111,192
Inventories	(870,545)	12,735
Other current assets	14,483	12,676
Other non-current assets	(6,083)	7,979
Contract liabilities	12,342	(21,405)
Notes and trade payables	(11,618)	(31,302)
Trade payables to related parties	1,039,660	51,954
Other payables	(42,086)	(61,165)
Other payables to related parties	95,510	(29,843)
Net defined benefit liabilities	14,334	4,293
Provisions	(10,303)	(7,676)
Other current liabilities - others	5,696	(7,005)
Cash generated from operations	242,444	309,580
Interest received	8,200	2,982
Interest paid	(33,609)	(33,865)
Income tax paid	(54,021)	(38,859)
Net cash generated from operating activities	163,014	239,838

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LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	$ (68,547)	$ (26,198)
Proceeds from disposal of property, plant and equipment	-	164
Purchase of intangible assets (including capitalized development expenses)	(307,615)	(62,537)
Increase in other current assets	(1,361,298)	-
Increase in other non-current assets	(38,301)	(43,290)
Net cash used in investing activities	(1,775,761)	(131,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	50,000
Proceeds from long-term borrowings	1,570,654	-
Net increase from loan payable to related parties	92,450	-
Repayments of the principal portion of lease liabilities	(11,942)	-
Decrease in lease payables	-	(2)
Net cash generated from financing activities	1,651,162	49,998
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(8,649)	(21,401)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,766	136,574
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,023,232	1,774,172
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,052,998	$ 1,910,746

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 14, 2019) (Concluded)

1. GENERAL INFORMATION

Lotus Pharmaceutical Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on June 30, 1966. The Company's shares started to be traded on the Taipei Exchange on January 29, 2010.

The Company completed a stock swap with its investor, Alvogen Emerging Markets Holdings Limited ("Alvogen EMH", formerly "Alvogen Asia Pacific Holdings Limited"), in which the Company privately placed its newly issued 151,100,000 shares and acquired on August 11, 2014 equity in some subsidiaries of Alvogen EMH (collectively, the "legal subsidiaries"), as follows: 100% of Alvogen Korea Holdings Ltd. ("Alvogen Korea Holdings", formerly "Alvogen Korea Ltd.") and its subsidiary, Alvogen Korea Co., Ltd. ("Alvogen Korea", formerly "Kunwha Pharmaceutical Co., Ltd."); 98% of Alvogen Pharma India Pvt Ltd. and its subsidiary, Norwich Clinical Services Private Limited; and 100% of Taiwan Alvogen Ltd. This was a reverse acquisition; thus, the consolidated financial statements prepared following this reverse acquisition have been issued in the name of the legal parent (the Company) and presented as a continuation of the financial statements of the legal subsidiaries (Alvogen Korea Holdings and its subsidiary, Alvogen Pharma India Pvt Ltd. and its subsidiary, and Taiwan Alvogen Ltd.). In addition, the Company also acquired two high-value abbreviated new drug application (ANDA) filings for Buprenorphine/Naloxone and Budesonide from the Alvogen Group. Further, the Company acquired distribution rights from the Alvogen Group to sell some monoclonal antibody molecules to Asian markets, excluding Japan.

The consolidated financial statements comprise the Company and its subsidiaries as described in Note 9 (hereinafter referred to collectively as "the Group").

The Group is engaged mainly in the pharmaceutical research and development, manufacturing and sales of medicine, and drug consulting services.

The consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 14, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

- IFRS 16"Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 5.05%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 225,254
Less: Recognition exemption for short-term leases	(1,398)
Less: Recognition exemption for leases of low-value assets	(158)
Undiscounted amounts on January 1, 2019	$ 223,698
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 167,960
Add: Adjustments as a result of a different treatment of extension and termination options	17,090
Lease liabilities recognized on January 1, 2019	$ 185,050

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Right-of-use assets	$ -	$ 185,050	$ 185,050
Total effect on assets	$ -	$ 185,050	$ 185,050
Lease liabilities - current	$ -	$ 58,803	$ 58,803
Lease liabilities - non-current	-	126,247	126,247
Total effect on liabilities	$ -	$ 185,050	$ 185,050

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

See Note 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018.

1) Lease

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessor

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Leasehold land and buildings for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss and other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 543	$ 396	$ 407
Bank deposits	1,051,336	1,022,836	1,910,339
Cash equivalents			
Time deposits	1,119	-	-
	$ 1,052,998	$ 1,023,232	$ 1,910,746

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

7. NOTES AND TRADE RECEIVABLES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable			
Notes receivable - operating	$ 21,884	$ 27,189	$ 11,259
Trade receivables			
At amortized cost			
Gross carrying amount	1,116,922	1,054,853	1,098,528
Less: Allowance for impairment loss	(17,098)	(18,755)	(22,180)
	1,099,824	1,036,098	1,076,348
	$ 1,121,708	$ 1,063,287	$ 1,087,607

The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position and the collaterals. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables (excluding related parties) based on the Group's provision matrix.

March 31, 2019

	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Less than 60 days	$ 944,972	$ (3,679)	$ 941,293
61-90 days	116,590	(693)	115,897
91-120 days	21,618	(802)	20,816
121-150 days	8,442	(283)	8,159
151-180 days	4,887	(283)	4,604
181-360 days	9,455	(3,236)	6,219
More than 360 days	10,958	(8,122)	2,836
	$ 1,116,922	$ (17,098)	$ 1,099,824

December 31, 2018

	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Less than 60 days	$ 919,547	$ (3,898)	$ 915,649
61-90 days	62,003	(320)	61,683
91-120 days	28,608	(1,099)	27,509
121-150 days	9,168	(690)	8,478
151-180 days	7,416	(293)	7,123
181-360 days	16,921	(3,577)	13,344
More than 360 days	11,190	(8,878)	2,312
	$ 1,054,853	$ (18,755)	$ 1,036,098

March 31, 2018

	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Less than 60 days	$ 955,789	$ (3,580)	$ 952,209
61-90 days	63,121	(343)	62,778
91-120 days	30,203	(1,034)	29,169
121-150 days	12,348	(336)	12,012
151-180 days	5,667	(191)	5,476
181-360 days	16,397	(5,088)	11,309
More than 360 days	15,003	(11,608)	3,395
	$ 1,098,528	$ (22,180)	$ 1,076,348

The movements of the loss allowance of trade receivables (excluding related parties) were as follows:

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	$ 18,755	$ 23,475
Reversal of impairment loss recognized	(1,544)	(1,048)
Foreign exchange gains and losses	(113)	(247)
Balance at March 31	$ 17,098	$ 22,180

8. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Merchandise	$ 1,139,977	$ 206,392	$ 259,544
Raw materials and supplies	299,014	182,685	188,048
Work in progress	148,273	170,664	161,227
Finished goods	378,977	389,426	199,129
Inventory in transit	45,396	211,686	47,126
	$ 2,011,637	$ 1,160,853	$ 855,074

Write-down of inventories to net realizable value at the amount of $12,371 thousand and $46,252 thousand for the three months ended March 31, 2019 and 2018, respectively, were included in the cost of goods sold.

9. SUBSIDIARIES

Details of the Group's subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Businesses	% of Ownership March 31, 2019	% of Ownership December 31, 2018	% of Ownership March 31, 2018	Remark
Lotus Pharmaceutical Co., Ltd.	Alvogen Korea Holdings Ltd. ("Alvogen Korea Holdings")	Investment business	100	100	100	
	Alvogen Pharma India Pvt Ltd.	Investment business	98	98	98	
	Taiwan Alvogen Ltd.	Sale of medicine	100	100	100	
	Lotus International Pte. Ltd.	Investment business	100	100	100	
	Lotus Lab, Ltd.	Data collection and agency affairs in Europe	100	100	100	
	Lotus Pharmaceutical, HK Ltd.	Data collection and agent services in Hong Kong	100	100	100	
	Lotus Jonson Biotech Limited	Cosmetics wholesale, medicine retail, clinical machine retail, international trade industry, biotech technological services, and related consulting services	100	100	100	
	Lotus Japan Holdings Co., Ltd	Sale of medicine, clinical machine retail	100	-	-	Note a.
Alvogen Korea Holdings Ltd.	Alvogen Korea Co., Ltd. ("Alvogen Korea")	Manufactures and sells medicines	92	92	91	Note b.
Alvogen Pharma India Pvt Ltd.	Norwich Clinical Services Private Limited	Contract research organization	100	100	100	
Lotus Pharmaceutical HK Ltd.	Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	Consulting on health management, trade information, marketing planning, and business information	100	100	100	

a. Lotus Japan Holdings Co., Ltd was established during the first quarter of 2019.

b. Alvogen Korea is a listed company in Korea. Non-controlling interests represented investors in the Korean stock market. On April 7, 2017 and November 2, 2017, the board of directors of Alvogen Korea resolved to buy back its shares from the Korean stock market. On December 7, 2018, the board of director of Alvogen Korea Holdings, approved to acquire 1,156,112 shares from Alvogen Korea. As of March 31, 2019, the percentage of ownership is currently 92%.

The consolidated financial statements of Alvogen Korea Holdings were reviewed by the auditors, and the remains were the non-significant subsidiaries which were not reviewed. As of March 31, 2019 and 2018, combined total assets of these non-significant subsidiaries were $222,412 thousand and $173,565 thousand, respectively, representing 1% and 1%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were $114,103 thousand and $93,388 thousand, respectively, representing 1% and 1%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2019 and 2018, the amounts of combined comprehensive income (loss) of these subsidiaries were $(15,675) thousand and $2,350 thousand, respectively, representing (7%) and (5%), respectively, of the consolidated total comprehensive income.

10. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Investment in An Associate

	March 31, 2019	December 31, 2018	March 31, 2018
Associate that is not individually material			
Heng Kang Bio Medi Co., Ltd.	$ 8,820	$ 9,035	$ 10,321

The summarized financial information of the Group's associate is set out below:

	For the Three Months Ended March 31	
	2019	2018
The Group's share of		
Net (loss) income for the period	$ (215)	$ 1,569
Total comprehensive (loss) income for the period	$ (215)	$ 1,569

The investment accounted for using equity method amounted to $8,820 thousand and $10,321 thousand as of March 31, 2019 and 2018, respectively; the share of total comprehensive (loss) income amounted to $(215) thousand and $1,569 thousand for the three months ended March 31, 2019 and 2018, respectively, were calculated and disclosed on the basis of financial statements that have not been reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings, and Plant Equipment	Machinery	Experiment Equipment	Miscellaneous Equipment	Construction in Progress	Leasehold Improvements	Total
Cost								
Balance at January 1, 2018	$ 716,280	$ 965,253	$ 889,529	$ 97,933	$ 114,741	$ 135,825	$ 93,555	$ 3,013,116
Additions	-	-	6,410	1,201	2,328	15,299	960	26,198
Disposals	-	-	(19,778)	(7)	(268)	-	-	(20,053)
Reclassification	-	-	-	552	7,013	(7,565)	-	-
Effect of foreign currency exchange differences	(5,776)	(8,221)	(10,125)	-	(1,841)	(31)	(2,186)	(28,180)
Balance at March 31, 2018	$ 710,504	$ 957,032	$ 866,036	$ 99,679	$ 121,973	$ 143,528	$ 92,329	$ 2,991,081
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 394,363	$ 541,077	$ 54,853	$ 66,319	$ -	$ 71,363	$ 1,127,975
Depreciation	-	12,364	18,758	3,915	5,554	-	3,477	44,068
Disposals	-	-	(18,617)	(7)	(264)	-	-	(18,888)
Effect of foreign currency exchange differences	-	(3,954)	(6,817)	-	(1,247)	-	(1,649)	(13,667)
Balance at March 31, 2018	$ -	$ 402,773	$ 534,401	$ 58,761	$ 70,362	$ -	$ 73,191	$ 1,139,488
Carrying amounts at January 1, 2018	$ 716,280	$ 570,890	$ 348,452	$ 43,080	$ 48,422	$ 135,825	$ 22,192	$ 1,885,141
Carrying amounts at March 31, 2018	$ 710,504	$ 554,259	$ 331,635	$ 40,918	$ 51,611	$ 143,528	$ 19,138	$ 1,851,593
Cost								
Balance at January 1, 2019	$ 710,458	$ 998,078	$ 914,728	$ 113,495	$ 124,098	$ 125,342	$ 96,999	$ 3,083,198
Additions	-	355	5,495	-	2,323	59,534	840	68,547
Disposals	-	-	(2,760)	-	(189)	-	(103)	(3,052)
Reclassification	-	8,466	52,339	242	74	(63,843)	-	(2,722)
Effect of foreign currency exchange differences	(3,816)	(5,464)	(4,722)	-	(102)	(345)	3	(14,446)
Balance at March 31, 2019	$ 706,642	$ 1,001,435	$ 965,080	$ 113,737	$ 126,204	$ 120,688	$ 97,739	$ 3,131,525
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 440,498	$ 594,162	$ 71,521	$ 82,242	$ -	$ 79,824	$ 1,268,247
Depreciation	-	13,089	19,846	4,633	4,665	-	1,842	44,075
Disposals	-	-	(2,761)	-	(174)	-	(54)	(2,989)
Effect of foreign currency exchange differences	-	(2,878)	(3,243)	-	(27)	-	(19)	(6,167)
Balance at March 31, 2019	$ -	$ 450,709	$ 608,004	$ 76,154	$ 86,706	$ -	$ 81,593	$ 1,303,166
Carrying amounts at January 1, 2019	$ 710,458	$ 557,580	$ 320,566	$ 41,974	$ 41,856	$ 125,342	$ 17,175	$ 1,814,951
Carrying amounts at March 31, 2019	$ 706,642	$ 550,726	$ 357,076	$ 37,583	$ 39,498	$ 120,688	$ 16,146	$ 1,828,359

Property, plant and equipment are depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Buildings and plant equipment	
Main building	30-50 years
Firefighting, air-conditioning and other systems	3-27 years
Plant equipment	1-36 years
Machinery	2-17 years
Experiment equipment	2-6 years
Miscellaneous equipment	3-8 years
Leasehold improvements	1-7 years

Refer to Note 26 for the carrying amounts of property, plant and equipment pledged by the Group to secure borrowings of the Group.

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amounts	
Buildings	$ 161,084
Office equipment	2,460
Transportation equipment	4,467
	$ 168,011

	For the Three Months Ended March 31, 2019
Additions to right-of-use assets	$ 7,485
Depreciation charge for right-of-use assets	
Buildings	$ 22,786
Office equipment	114
Transportation equipment	1,172
	$ 24,072

b. Lease liabilities - 2019

	March 31, 2019
Carrying amounts	
Current	$ 53,401
Non-current	$ 122,118

Range of discount rate for lease liabilities was as follows:

	March 31, 2019
Buildings	2%-10.85%
Office equipment	2%
Transportation equipment	2%-4.5%

c. Other lease information

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 57,289	$ 51,976
Later than 1 year and not later than 5 years	162,929	59,922
Later than 5 years	5,036	6,505
	$ 225,254	$ 118,403

13. OTHER INTANGIBLE ASSETS

	Product Use Rights	Patent	Brand	In-process R&D	Capitalization of Development Expenses	Others	Total
Cost							
Balance at January 1, 2018	$ 1,254,112	$ 154,440	$ 786,898	$ 375,724	$ 823,379	$ 137,434	$ 3,531,987
Additions	-	-	-	-	3,799	345	4,144
Effect of foreign currency exchange differences	(13,407)	(2,112)	(10,763)	(5,139)	(7,130)	(2,548)	(41,099)
Balance at March 31, 2018	$ 1,240,705	$ 152,328	$ 776,135	$ 370,585	$ 820,048	$ 135,231	$ 3,495,032
Accumulated amortization and impairment							
Balance at January 1, 2018	$ 277,913	$ 55,158	$ 315,604	$ 218,255	$ 181,308	$ 104,538	$ 1,152,776
Amortization	33,880	2,713	-	3,288	10,076	1,666	51,623
Impairment loss	-	-	-	-	6,539	-	6,539
Effect of foreign currency exchange differences	(2,308)	(747)	(4,317)	(2,976)	(1,901)	(2,052)	(14,301)
Balance at March 31, 2018	$ 309,485	$ 57,124	$ 311,287	$ 218,567	$ 196,022	$ 104,152	$ 1,196,637
Carrying amounts at January 1, 2018	$ 976,199	$ 99,282	$ 471,294	$ 157,469	$ 642,071	$ 32,896	$ 2,379,211
Carrying amounts at March 31, 2018	$ 931,220	$ 95,204	$ 464,848	$ 152,018	$ 624,026	$ 31,079	$ 2,298,395
Cost							
Balance at January 1, 2019	$ 1,243,883	$ 152,311	$ 776,050	$ 370,544	$ 965,078	$ 154,200	$ 3,662,066
Additions	153,453	-	-	-	43,988	2,267	199,708
Reclassification and transfer	457,370	-	-	-	-	(23,168)	434,202
Effect of foreign currency exchange differences	(10,286)	(1,395)	(7,109)	(3,395)	(4,196)	(341)	(26,722)
Balance at March 31, 2019	$ 1,844,420	$ 150,916	$ 768,941	$ 367,149	$ 1,004,870	$ 132,958	$ 4,269,254

(Continued)

	Product Use Rights	Patent	Brand	In-process R&D	Capitalization of Development Expenses	Others	Total
Accumulated amortization and impairment							
Balance at January 1, 2019	$ 411,821	$ 65,277	$ 434,083	$ 228,433	$ 227,931	$ 109,335	$ 1,476,880
Amortization	44,760	2,720	-	3,297	15,730	1,928	68,435
Reclassification and transfer	8,310	-	-	-	-	(8,310)	-
Effect of foreign currency exchange differences	(2,829)	(623)	(3,976)	(2,123)	(1,152)	(244)	(10,947)
Balance at March 31, 2019	$ 462,062	$ 67,374	$ 430,107	$ 229,607	$ 242,509	$ 102,709	$ 1,534,368
Carrying amounts at January 1, 2019	$ 832,062	$ 87,034	$ 341,967	$ 142,111	$ 737,147	$ 44,865	$ 2,185,186
Carrying amounts at March 31, 2019	$ 1,382,358	$ 83,542	$ 338,834	$ 137,542	$ 762,361	$ 30,249	$ 2,734,866

(Concluded)

The Group carried out a review of the recoverable amount of certain capitalized development expenses and determined that the recoverable amount was lower than the related carrying amount, as a result, impairment loss of $6,539 thousand was recognized for the three months ended March 31, 2018. The impairment loss was included in the research and development expenses.

Other intangible assets are amortized on a straight-line basis over the useful lives of the assets, estimated as follows:

Product use rights	3-10 years
Patent	10 years
In-process R&D	15 years
Capitalization of development expenses	5-7 years
Others	1-6 years

14. GOODWILL

	For the Three Months Ended March 31	
	2019	2018
Cost		
Balance as of January 1	$ 6,157,453	$ 6,204,032
Effect of foreign currency exchange differences	(30,526)	(46,214)
Balance as of March 31	$ 6,126,927	$ 6,157,818
Accumulated impairment		
Balance as of January 1 and March 31	$ 74,000	$ 74,000
Carrying amounts at January 1	$ 6,083,453	$ 6,130,032
Carrying amounts at March 31	$ 6,052,927	$ 6,083,818

The Company had a stock swap with its investor, Alvogen EMH (Note 1), in which the Company privately placed its newly issued 151,100,000 shares on August 11, 2014 to acquire equity in some subsidiaries of Alvogen Group. Goodwill resulted from this reverse acquisition.

On December 19, 2014, Alvogen Korea acquired a 100% ownership interest in Dream Pharmaceutical Co., Ltd. ("Dream Pharma"), a spin-off subsidiary of Hanwha Chemical Corporation. Dream Pharma was merged with Alvogen Korea in June 2015. Goodwill was generated from this share acquisition.

The allocation of goodwill to a cash-generating unit as of March 31, 2019, December 31, 2018 and March 31, 2018 was as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Pharmaceutical developing and manufacturing business	$ 6,052,927	$ 6,083,453	$ 6,083,818

The recoverable amount of the Group's pharmaceutical developing and manufacturing business was calculated by applying an appropriate discount rate to future cash flows estimated on the basis of financial budgets approved by management for a certain target period.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the pharmaceutical manufacturing division is based would not significantly cause this division's carrying amount to exceed its recoverable amount.

15. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured borrowings			
Line of credit borrowings - bank loans	$ 310,000	$ 310,000	$ 310,000
Interest interval	1.60%-1.84%	1.60%-1.84%	1.60%-1.84%

b. Long-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Secured borrowings (Note 26)			
Bank loans	$ 1,505,123	$ 730,802	$ 1,433,007
Loans from other financial institutions	1,505,123	730,802	2,833,528
Unsecured borrowings			
Bank loans	300,000	300,000	300,000
	3,310,246	1,761,604	4,566,535
Less: Current portion matured within a year	(300,000)	(300,000)	(404,710)
	$ 3,010,246	$ 1,461,604	$ 4,161,825

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Bank loans			
Maturity period	April 2019-December 2021	April 2019-December 2021	April 2019 March 2020
Interest interval	2.00%-5.14%	2.00%-5.15%	2.00%-4.95%
Loans from other financial institutions			
Maturity period	December 2021	December 2021	March 2020
Interest interval	4.64%-5.14%	4.65%-5.15%	4.50%-4.95%

(Concluded)

As described in Note 26, bank demand deposits, 10,935,682 shares of Alvogen Korea's common share and property, plant and equipment had been pledged as collaterals.

16. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $39,609 thousand and $32,559 thousand for the three months ended March 31, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost rate as of December 31, 2018 and 2017.

17. EQUITY

a. Share capital

Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	300,000	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	238,201	238,201	238,492
Amount of shares issued	$ 2,382,007	$ 2,382,007	$ 2,384,917

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends. In June 2018, the Company cancelled 291 thousand treasury shares.

b. Capital surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, this capital surplus may be distributed as cash dividends or transferred once a year to capital within a certain percentage of the Company's paid-in capital.

The capital surplus from long-term investments accounted for using the equity method may not be used for any purpose.

Capital surplus as of March 31, 2019, December 31, 2018 and March 31, 2018 consisted of the following:

	March 31, 2019	December 31, 2018	March 31, 2018
Shares issued in excess of par			
Arising from adjustment of reverse acquisition (Note a)	$ 4,464,123	$ 4,464,123	$ 4,464,123
Arising from treasury share transactions	16,805	16,805	16,805
Arising from conversion of bonds	1,268,876	1,268,876	1,268,876
Arising from donation from its shareholder (Note b)	270,754	270,754	270,754
	$ 6,020,558	$ 6,020,558	$ 6,020,558

Note a: The balance was the sum of legal capital and capital surplus, amounting to $3,164,409 thousand of the legal subsidiaries in the reverse acquisition immediate before the acquisition; a consideration transferred of the reverse acquisition of $3,563,075 thousand (exclusive of the fair value of the conversion right of convertible bonds) on August 11, 2014. For the adjustment from purchase price allocation report during the measurement period, the Group decreased the consideration transferred by $8,439 thousand and the legal capital of the Company, amounting to $2,254,922 thousand. The capital surplus from reverse acquisition amounted to $4,464,123 thousand.

Note b: The Company acquired the creditor’s right payable to Alvogen Group through reverse combination with Alvogen Pharma India Pvt Ltd. and Taiwan Alvogen Ltd., which amounted to US$6,094 thousand and US$2,522 thousand, respectively (in the aggregate of $270,754 thousand at the date of acquisition), and the transactions were regarded as the donation from its shareholders, which was debited to other receivables and credited to capital surplus - donation from its shareholders. The Company’s board of directors in March 2016 approved to transfer the other receivables of $75,242 thousand from Taiwan Alvogen Ltd. to its equity investment through debt-to-equity swap of Taiwan Alvogen Ltd.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous year, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees’ compensation and remuneration to directors (including independent directors), please refer to employee benefits expense in Note 19, e.

In allocating dividends from distributable earnings, the Company takes into consideration its future capital demand, long-term financial planning, the cash inflow demand of the shareholders, plans for corporate growth, and the operating environment. In their meeting, shareholders may adjust the board of directors’ proposed form and percentage of appropriations depending on the Company’s actual profit and capital situation.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Income tax (10%) paid on undistributed earnings can be used as tax credit, subject to tax limit and 2018 being the last year to apply, against income tax due when such earnings are ultimately distributed to foreign shareholders.

d. Non-controlling interests

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	$ 455,027	$ 408,522
Attributable to non-controlling interests:		
Share of profit for the period	11,609	9,474
Exchange differences on translating foreign operations	(4,218)	(5,615)
Balance at March 31	$ 462,418	$ 412,381

On April 7, 2017 and November 2, 2017, the board of directors of Alvogen Korea resolved to buy back its shares from the Korean stock market. During the year of 2017, the Group acquired 1,156,112 shares in Alvogen Korea for $920,884 thousand in cash, increasing its ownership from 82% to 91%. The Group recognized a decrease in non-controlling interests of $575,527 thousand, a decrease in capital surplus of $133,347 thousand and an increase in accumulated deficit of $212,010 thousand for the year ended December 31, 2017.

On December 7, 2018, the board of directors of Alvogen Korea Holdings approved to acquire 1,156,112 shares of Alvogen Korea in cash, the transaction was eliminated in the consolidated financial statement, and increased its ownership from 91% to 92%. The Group recognized increase in non-controlling interests and in accumulated deficit with amount $29,263 thousand for the year ended December 31, 2018.

	December 31, 2018
Carrying amount of non-controlling interests acquired	$ 29,263
Decrease in equity attributable to owners of the Company	$ (29,263)

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-back	March 31, 2019	December 31, 2018	March 31, 2018
Shares to be transferred to employees	-	-	291

During the second quarter of year 2015, the Company purchased 291 thousand shares for $22,888 thousand. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders’ rights on these shares, such as rights to dividends and to vote. In June 2018, the Company canceled the treasury shares.

18. NET OPERATING REVENUE

	For the Three Months Ended March 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	$ 2,101,154	$ 1,440,193
Revenue from the rendering of services	38,460	51,657
Revenue from the sale or out-licensing of IP rights	6,066	(22,393)
Revenue from R&D and others	36,991	20,327
	$ 2,182,671	$ 1,489,784

a. Contract balances

	March 31, 2019	December 31, 2018	March 31, 2018
Notes and trade receivables, net (Note 7 and 25)	$ 1,760,983	$ 1,147,382	$ 1,162,466
Contract assets - current	$ 2,784	$ 9,867	$ 31,474
Contract liabilities - current	$ 78,934	$ 65,344	$ 117,367
Contract liabilities - non-current	$ 104,973	$ 106,580	$ 97,801

b. Disaggregation of revenue

	Reportable segments		
	Drug Manufacturing Department	Others	Total
For the three months ended March 31, 2019			
Type of goods or services			
Sale of goods	$ 2,101,154	$ -	$ 2,101,154
Rendering of services	-	38,460	38,460
Sale or out-licensing of IP rights	6,066	-	6,066
R&D and others	36,991	-	36,991
	$ 2,144,211	$ 38,460	$ 2,182,671
For the three months ended March 31, 2018			
Type of goods or services			
Sale of goods	$ 1,440,193	$ -	$ 1,440,193
Rendering of services	-	51,657	51,657
Sale or out-licensing of IP rights	(22,393)	-	(22,393)
R&D and others	20,327	-	20,327
	$ 1,438,127	$ 51,657	$ 1,489,784

19. NET INCOME (LOSS)

Net income (loss) contains following items:

a. Other income

	For the Three Months Ended March 31	
	2019	2018
Interest income	$ 2,591	$ 3,335
Others	470	469
	$ 3,061	$ 3,804

b. Other gains and losses

	For the Three Months Ended March 31	
	2019	2018
Net foreign exchange (loss) gain	$ (11,444)	$ 14,826
Loss on disposal of property, plant and equipment	(63)	(1,001)
Others	19,125	1,412
	$ 7,618	$ 15,237

c. Finance costs

	For the Three Months Ended March 31	
	2019	2018
Interest expenses		
Loans	$ 64,969	$ 70,727
Interest on lease liabilities	2,264	-
Others	74	51
	$ 67,307	$ 70,778

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
Depreciation:		
Property, plant and equipment	$ 44,075	$ 44,068
Right-of-use assets	24,072	-
	68,147	44,068
Amortization: Intangible assets	68,435	51,623
	$ 136,582	$ 95,691

(Continued)

	For the Three Months Ended March 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 32,026	$ 28,911
Operating expenses	35,923	14,542
Capitalization of development expenses	198	615
	$ 68,147	$ 44,068
An analysis of amortization by function		
Operating costs	$ 404	$ 45
Selling and marketing expenses	4,771	327
General and administrative expenses	39,746	33,372
Research and development expenses	23,514	17,879
	$ 68,435	$ 51,623

(Concluded)

e. Employee benefit expense

	For the Three Months Ended March 31	
	2019	2018
Short-term benefits	$ 436,995	$ 426,870
Post-employment benefits		
Defined contribution plans	3,276	3,221
Defined benefit plans (Note 16)	39,609	32,559
Other employee benefits	579	5,322
Total employee benefits expense	$ 480,459	$ 467,972
An analysis of employee benefit expense by function		
Operating costs	$ 141,947	$ 140,838
Operating expenses	338,512	327,134
	$ 480,459	$ 467,972

The Company accrued employees' compensation and remuneration to directors shall be calculated based on income before income tax and before deducting employees' compensation and remuneration to directors, at a rate of no less than 1% as employees' compensation and no higher than 10% as remuneration to directors. For the three months ended March 31, 2019 and 2018, due to accumulated deficits, accruals for employees' compensation and remuneration to directors were $0.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors in 2019 and 2018 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
Current year	$ 51,632	$ 31,953
Deferred tax		
Current year	50,335	(13,145)
Adjustment for prior periods	-	(6,841)
Adjustment for prior periods attributable to changes in tax rates and laws	-	(18,116)
	50,335	(38,102)
Income tax expense (benefit) recognized in profit or loss	$ 101,967	$ (6,149)

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in Korea and India are 22% and 31%-35%, respectively.

b. Income tax assessments

The Company's tax returns through 2014 and undistributed earnings through 2013 have been assessed by the tax authorities and the Company had paid the additional tax liability, if any.

21. PROVISIONS

	March 31, 2019		December 31, 2018		March 31, 2018	
	Current	Non-current	Current	Non-current	Current	Non-current
Provisions for estimated return of goods	$ 48,233	$ -	$ 50,406	$ -	$ 68,030	$ -
Provision for restoration	-	11,257	-	15,569	-	10,873
Other long-term employee benefit obligations	-	12,360	-	16,842	-	19,758
Contingent consideration	-	-	-	-	-	66,258
	$ 48,233	$ 23,617	$ 50,406	$ 32,411	$ 68,030	$ 96,889

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2019	**2018**
Basic earnings per share	$ 1.16	$ 0.07

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Income for the Period

	For the Three Months Ended March 31	
	2019	**2018**
Earnings attributable to owners of the Company	$275,422	$ 15,508

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended March 31	
	2019	**2018**
Weighted average number of ordinary shares in the computation of basic earnings per share	238,201	238,201

There was no potential share with dilutive effect issued by the Company during the three months ended March 31, 2019 and 2018.

23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

As for the strategy of the Group's capital structure management, the Group sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Group estimates the required capacity, the equipment and related capital expenditure to be used. Then the Group calculates working capitals and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Group estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures.

24. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets at amortized cost (Note a)	$ 2,868,659	$ 2,214,662	$ 3,164,862
Financial liabilities			
Measured at amortized cost (Note b)	8,748,685	5,975,317	6,496,822

Note a: The balance includes cash and cash equivalents, notes and trade receivables, other receivables, other receivables from related parties, and other non-current assets etc., which are carried at amortized cost.

Note b: The balance includes short-term borrowings, notes and trade payables, other payables, other payables to related parties, current portion of long-term borrowings, long-term borrowings, and loan payables to related parties-non-current, etc., which are carried at amortized cost.

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at amortized cost, equity instrument, short-term borrowings, notes and trade payables, other payables, current portion of long-term borrowings, long-term borrowings, lease payables and loan payables to related parties-non-current.

The Group's corporate treasury function provides services relevant to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

To lower financial risks, the Group seeks to identify and evaluate what negative influence each risk will have on the financial performance. Each material financial activity has been reviewed by the board of directors following the related rules and internal control systems.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group has assets and liabilities not recorded in the same functional currency as that of the Company; thus, it is exposed to risks due to exchange rate fluctuation.

To manage risks within an acceptable level, the Group uses nature hedge against it currency risk. The Group monitors and evaluates the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency with the Group entity at the end of the reporting period are shown in Note 28.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table shows the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Company) against the relevant foreign currencies. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and was adjusted at the end of the reporting period for a 5% change in foreign currency rates. The number in the table indicates in pretax profit associated with the 5% appreciation of the New Taiwan dollar against the relevant currency.

	Currency USD Impact	
	For the Three Months Ended March 31	
	2019	**2018**
Profit (loss)	$ 126,069	$ 25,697

The above profit or loss are mainly from the receivables, payables and bank deposits calculated by USD, which are outstanding and not being hedged to cash flows risk at balance sheet date.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Cash flow interest rate risk			
Financial assets	$ 1,052,455	$ 1,022,836	$ 1,910,339
Financial liabilities	6,439,848	4,771,672	5,662,289

Sensitivity analysis

The sensitivity analyses were determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year.

Had interest rates been five basis points higher/lower and all other variables were held constant, the Group's pretax profits would have decreased/increased by $673 thousand and $469 thousand for the three months ended March 31, 2019 and 2018, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the balance sheets.

The Group has a policy to have transactions only with reputable counterparties, and it will continue monitoring the exposure to credit risk and the creditworthiness of the counterparty.

The Group did not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. That is, the concentration of credit risk to a non-related counterparty did not exceed 10% of accounts receivable at any time for the three months ended March 31, 2019 and 2018.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of cash flow fluctuations. In addition, management monitors how bank borrowings are used and ensures compliance with loan covenants. The Group has adequate capital and working capital to cover all of its contract obligations; thus, it does not have liquidity risk on meeting its obligations.

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

March 31, 2019

	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ 300,000	$ 310,000	$ 5,829,848

December 31, 2018

	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ 160,000	$ 450,000	$ 4,161,672

March 31, 2018

	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ -	$ 714,710	$ 4,947,579

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Alvogen EMH, which held 63% of the Company's ordinary shares as of March 31, 2019. The Company's ultimate parent company is Alvogen Lux Holdings S.A.R.L. Other related parties are the subsidiaries in which the ultimate parent has direct or indirect control and associates.

Balances and transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Related parties and their relationships with the Company were as follows:

Related Party Name	Relationships
Alvogen Lux Holdings S.A.R.L. ("Alvogen Lux")	Ultimate parent company
Alvogen Emerging Markets Holdings Limited ("Alvogen EMH")	Parent company
Alvogen Inc.	Other related parties
Alvogen IPCo S.A.R.L.	Other related parties
Alvogen Pine Brook Inc.	Other related parties
Norwich Pharmaceutical Inc.	Other related parties
Alvogen Malta Group Services Limited	Other related parties
Alvogen Malta Operations (ROW) Limited ("AMOROW")	Other related parties
Alvogen Malta Operations Asia Limited	Other related parties
Alvogen Malta Operations Ltd.	Other related parties
Alvogen Malta (Out-Licensing) Ltd.	Other related parties
Alvogen Development Ltd.	Other related parties
Alvogen Iceland ehf.	Other related parties
Labormed Pharma S.A.	Other related parties
Alvogen CEE Kft.	Other related parties
Aramis Pharma Kft.	Other related parties
Alvogen PB Research & Development LLC. ("Alvogen PB R&D")	Other related parties
Alvogen Pharma Trading Europe EOOD	Other related parties
Alvogen Group Inc.	Other related parties

a. Operating transactions

Items	Related Party Name/Categories	For the Three Months Ended March 31 2019	For the Three Months Ended March 31 2018
Sale of goods and services	Alvogen Inc.	$ 564,244	$ 6,645
	Other related parties	26,223	39,282
		$ 590,467	$ 45,927
Purchase of goods	Alvogen Malta Operations Ltd.	$ 1,004,196	$ -
	Other related parties	34,663	59,729
		$ 1,038,859	$ 59,729

b. Other transactions

Items	Related Party Name/Categories	For the Three Months Ended March 31 2019	2018
Operating expense	Other related parties	$ 3,258	$ 2,703
Interest expense	Alvogen EMH	$ 20,814	$ -
	Aramis Pharma Kft.	11,455	6,953
		$ 32,269	$ 6,953
Purchase of intangible asset (Note 1)	AMOROW	$ 153,153	$ -
Promotion income recognized as an offset to operating expense	Alvogen EMH	$ -	$ (8,130)
Reimbursable income for development costs recognized as an offset to research and development expense (Note 2)	Alvogen PB R&D	$ (15,523)	$ (61,944)

Note 1: On January 26, 2019, Alvogen Korea Holdings entered into an agreement with Alvogen Malta Operations (ROW) Limited to acquire all the rights, title, interests, benefits and obligations of Aclasta® for the Thailand market, for a total consideration of US$5 million (NT$153,153 thousand).

Note 2: The Company entered into a co-development and commercialization agreement with Alvogen PB R&D with respect to several products developed and manufactured by the Company for commercialization by Alvogen PB R&D in the U.S. Pursuant to the agreement, Alvogen PB R&D agreed to bear 50% of the development costs incurred by the Company.

Transactions with related parties were entered into at prices and on terms that were not materially different from those with third parties unless otherwise agreed.

c. Receivables from related parties

Items	Related Party Name/Categories	March 31, 2019	December 31, 2018	March 31, 2018
1) Trade receivables	Alvogen Inc.	$ 569,206	$ 4,260	$ 6,565
	Other related parties	70,069	79,835	68,294
		$ 639,275	$ 84,095	$ 74,859

(Continued)

Items	Related Party Name/Categories	March 31, 2019	December 31, 2018	March 31, 2018
2) Other receivables	Alvogen PB R&D	$ 16,440	$ -	$ 59,789
	Alvogen Iceland ehf.	-	-	9,190
	Alvogen EMH	-	-	8,027
	Alvogen Malta Group Services Limited	24,383	31,558	5,749
	Other related parties	4,540	4,540	5,220
		$ 45,363	$ 36,098	$ 87,975

(Concluded)

Trade receivables from related parties are unsecured. For the three months ended March 31, 2019 and 2018, no impairment loss was recognized on the trade receivables from related parties.

d. Other non-current assets

In May 2014, the Company's subsidiary, Alvogen Korea Holdings Ltd., made a prepayment pursuant to a Purchase and Sale Agreement entered into with a related party in the Alvogen Group, to have all rights, title and interest in and to two high-value ANDA filings for Buprenorphine/Naloxone and Budesonide in the United States to be transferred to the subsidiary upon receiving the FDA's final approval. This was recorded in other non-current assets at the seller's book value. During the first quarter of year 2018, the Company's board of directors approved the arrangement to have its subsidiary to exercise the right to request for the refund of purchase price pursuant to the Purchase and Sale Agreement and at the same time the Company obtained a right to purchase. In April 2018, the Company's subsidiary received refund in the amount of US$56,302 thousand in accordance with the terms in the Purchase and Sale Agreement and in the same month, the Company exercised the right to purchase the two ANDA for the same amount received by the subsidiary. As of March 31, 2019, the legal fees related to ANDA filings for two products with amount US$3,197 thousand. The Group received the approval of Buprenorphine/Naloxone from FDA in the United States in January 2019. In February 2019, the Group launched Buprenorphine/Naloxone in the market and transfer related cost of rights from other non-current assets into intangible assets - product use rights.

e. Payables to related parties

Items	Related Party Name/Categories	March 31, 2019	December 31, 2018	March 31, 2018
1) Trade payables	Alvogen Malta Operations Ltd.	$ 1,130,495	$ 123,068	$ -
	AMOROW	2,059	2,537	44,081
	Norwich Pharmaceutical Inc.	-	-	17,453
	Other related parties	53,768	24,459	-
		$ 1,186,322	$ 150,064	$ 61,534

(Continued)

Items	Related Party Name/Categories	March 31, 2019	December 31, 2018	March 31, 2018
2) Other payables - current	Norwich Pharmaceutical Inc.	$ 13,500	$ 15,573	$ 25,690
	Alvogen EMH	62,843	42,921	12,570
	Aramis Pharma Kft.	11,491	9,085	6,865
	AMOROW	6,847	7,544	6,580
	Alvogen Group Inc.	98,727	-	-
	Other related parties	15,016	14,148	4,099
		$ 208,424	$ 89,271	$ 55,804
3) Loan payables - non-current	Aramis Pharma Kft.	$ 1,080,870	$ 978,480	$ 785,754
	Alvogen EMH	1,738,732	1,721,588	-
		$ 2,819,602	$ 2,700,068	$ 785,754

(Concluded)

Loan payables to Alvogen EMH comprised a five-year US$56.4 million (NT$1,741,745 thousand) unsecured loan facility entered into in April 2018. The loan facility is charged at the market rate which is similar from the related parties borrow from the market rate, and the terms would not have been materially different from those with third parties.

Loan payables comprised a five-year US$65 million (NT$2,007,330 thousand) secured revolving loan facility entered into in May 2017. In August 2017, Alvogen CEE Kft. agreed to the novation of the revolving loan agreement to Aramis Pharma Kft. Pursuant to the Novation Agreement, Aramis Pharma Kft. discharged Alvogen CEE Kft. from all the liabilities and obligations under the revolving loan agreement in substitution for Alvogen CEE Kft. The loan facility is charged at the market rate which is similar from the related parties borrow from the market rate, and the terms would not have been materially different from those with third parties.

Details of the loans from related parties were as follows:

	For the Three Months Ended March 31, 2019				
Related Party Name	Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
Alvogen EMH	$ 1,738,732 (US$ 56,302)	$ 1,738,732 (US$ 56,302)	4.6% (Note 1)	$ 20,814	$ 62,843
Aramis Pharma Kft.	$ 1,080,870 (US$ 35,000)	$ 1,080,870 (US$ 35,000)	4.4% (Note 2)	$ 11,455	$ 11,491

	For the Year Ended December 31, 2018				
Related Party Name	Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
Alvogen EMH	$ 1,721,588 (US$ 56,302)	$ 1,721,588 (US$ 56,302)	4.8% (Note 1)	$ 41,798	$ 41,551
Aramis Pharma Kft.	$ 978,480 (US$ 32,000)	$ 978,480 (US$ 32,000)	4.6% (Note 2)	$ 33,312	$ 9,085

Related Party Name	Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
	For the Three Months Ended March 31, 2018				
Aramis Pharma Kft.	$ 785,754 (US$ 27,000)	$ 785,754 (US$ 27,000)	3.1% (Note 2)	$ 6,953	$ 6,865

Note 1: The interest rate is 2% + three month USD LIBOR.

Note 2: The interest rate is 1.8% + three month USD LIBOR.

f. Contract assets - current

Related Party Category/Name	March 31, 2019
Other related parties	$ 1,534

For the three months ended March 31, 2019 and 2018, no impairment loss was recognized for contract assets from related parties.

g. Contract liabilities - current

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Norwich Pharmaceutical Inc.	$ 37,637	$ 37,266	$ 58,204
Other related parties	17,444	-	-
	$ 55,081	$ 37,266	$ 58,204

h. Compensation of key management personnel

Items	For the Three Months Ended March 31 2019	2018
Salaries and other employee benefits	$ 7,564	$ 5,541

The remuneration of key executives was determined by the remuneration committee on the basis of the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

The following assets and 10,935,682 shares of Alvogen Korea were pledged as collaterals for borrowings:

	March 31, 2019	December 31, 2018	March 31, 2018
Bank demand deposits (classified as other current assets)	$ 1,348,876	$ -	$ -
Bank demand deposits (classified as other non-current assets)	299,652	272,903	197,697
Property, plant and equipment			
Land	293,959	293,959	708,875
Buildings and plant equipment	271,120	269,777	549,672
Machinery	-	-	137,476
	$ 2,213,607	$ 836,639	$ 1,593,720

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2019 were as follows:

a. The Company had entered into agreements to buy machines and building plants and equipment for $89,596 thousand, and it committed to pay $28,215 thousand as of March 31, 2019.

b. The Company had entered into clinical trials collaborative agreements, which required the Company to pay $107,104 thousand, with $21,421 thousand payable within one year and the remaining $85,683 thousand payables in installments based on the progress of clinical trials as of March 31, 2019.

c. The Company had entered into drug development collaborative agreements, which required the Company to pay $6,375 thousand as of March 31, 2019.

d. As of March 31, 2019, the Company was involved in the following lawsuits:

Plaintiff	Defendant	Cause of Action	Status
Indivior Inc., Indivior UK Ltd, Aquestive Therapeutics Inc.	Alvogen Pine Brook LLC (refer to Note 1 below)	Buprenorphine/Naloxone patent infringement	The judgement of the first trial was in favor of the defendant, second trial is ongoing; refer to Note 2 below.

Note 1: The Company is the owner of the intellectual property rights to the product in the United States. The Company appointed Alvogen Pine Brook LLC as its agent and attorney-in-fact with respect to the litigation in the United States concerning the product.

Note 2: On March 22, 2018, the court found the defendant did not infringe the plaintiffs' patents and issued a decision in favor of the defendant. The plaintiffs filed an appeal of that court's decision and we await a decision which we expect to be in favor of defendant. The second trial on separate patents is ongoing. The plaintiffs have not yet asserted any damages. Management does not anticipate such legal proceedings to have any material impact on the Group's business, financial condition and results of operations.

e. As of March 31, 2019, the Group's subsidiaries in Korea had the following commitments:

Significant Commitment	Contract Amount (In Thousand of Korea Won/U.S. Dollars)	Financial Institution
Letter of credit	US$ 1,500 (NT$ 46,323)	Woori Bank
Turnover loan for general fund	₩ 8,000,000 (NT$ 217,184)	Woori Bank
Turnover loan for general fund	₩ 2,000,000 (NT$ 54,296)	KEB Hana Bank
Court deposit guarantee insurance	₩ 842,850 (NT$ 22,882)	Seoul Guarantee Insurance

28. EXCHANGE RATES FOR FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Thousands of New Taiwan Dollars and Others

March 31, 2019

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 30,027	1,137.55 (USD:WON)	$ 927,306
USD	2,914	69.25 (USD:RUP)	89,992
USD	27,212	30.88 (USD:NTD)	840,368
Financial liabilities			
Monetary items			
USD	708	1,137.55 (USD:WON)	21,865
USD	1,746	69.25 (USD:RUP)	53,905
USD	139,346	30.88 (USD:NTD)	4,303,270

December 31, 2018

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,627	1,116.00 (USD:WON)	$ 172,060
USD	3,080	69.95 (USD:RUP)	94,194
USD	61,575	30.58 (USD:NTD)	1,882,820
Financial liabilities			
Monetary items			
USD	3,188	1,116.00 (USD:WON)	97,488
USD	2,061	69.95 (USD:RUP)	63,009
USD	96,891	30.58 (USD:NTD)	2,962,675

March 31, 2018

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,291	1,062.05 (USD:WON)	$ 153,991
USD	2,941	65.10 (USD:RUP)	85,597
USD	11,455	29.10 (USD:NTD)	333,376
Financial liabilities			
Monetary items			
USD	2,827	1,062.05 (USD:WON)	82,279
USD	2,707	65.10 (USD:RUP)	78,790
USD	31,814	29.10 (USD:NTD)	925,838

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Significant events after reporting period of the Group were as follows:

a. On February 20, 2019, the Company shareholders’ meeting approved the issuance of up to 12,000 thousand common shares via private placement and selected Fuji Pharma Co., Ltd. as the investor. On April 1, 2019, the payment was paid in full.

b. On February 15, 2019, the Company’s board of directors approved the Company’s subsidiary, Alvogen Korea Holdings, to acquire shares in Alvogen Korea held by minority shareholders at a cash consideration of WON29 thousand per share on April 25, 2019. Upon consummation, Alvogen Korea will become 100% owned subsidiary of Alvogen Korea Holdings and will be delisted from the Korea Exchange. Currently, the delisting process still on-going.

30. OPERATING SEGMENT INFORMATION

a. The only reportable segment of the Group is the generic drug business segment, which engages mainly in the research and development, manufacturing and sales of medicine. The Group has other operating segments engage mainly in the research, design and the provision of clinical trial and technical services, which did not meet the quantitative thresholds for reportable segment.

   The segment income or loss was mainly measured by operating income or loss, which is also the basis of performance valuation. In addition, there is no significant inconsistency between the accounting policies adopted by the operating segment and the policies stated in Note 4.

b. Segment revenues and results

   The following was an analysis of the Group's revenue and results by reportable segment.

	Drug Manufacturing Department	**Others**	**Elimination**	**Consolidation**
For the three months ended March 31, 2019				
Revenues from external customers	$ 2,144,211	$ 38,460	$ -	$ 2,182,671
Inter-segment revenues	66,938	7,270	(74,208)	-
Net operating revenue	$ 2,211,149	$ 45,730	$ (74,208)	$ 2,182,671
Income from operations	$ 437,426	$ 10,442	$ (2,027)	$ 445,841
Interest income				2,591
Net foreign exchange losses				(11,444)
Finance costs				(67,307)
Share of loss of associate				(215)
Other non-operating income and losses, net				19,532
Income before income tax				$ 388,998
For the three months ended March 31, 2018				
Revenues from external customers	$ 1,438,127	$ 51,657	$ -	$ 1,489,784
Inter-segment revenues	-	4,636	(4,636)	-
Net operating revenue	$ 1,438,127	$ 56,293	$ (4,636)	$ 1,489,784
Income from operations	$ 50,170	$ 19,478	$ (647)	$ 69,001
Interest income				3,335
Net foreign exchange gains				14,826
Finance costs				(70,778)
Share of gain of associate				1,569
Other non-operating income and losses, net				880
Income before income tax				$ 18,833