SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

SCINOPHARM TAIWAN, LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

SCINOPHARM TAIWAN, LTD.

By Alex Lo

Chairman

March 16, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of ScinoPharm Taiwan, Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the "Group") as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cutoff of export revenue

Description

Please refer to Note 4(26) to the consolidated financial statements for accounting policy on revenue recognition.

The Group's sales revenue mainly arise from manufacture and sale of Active Pharmaceutical Ingredient ("API"), which primarily consists of export sales. The Group recognises export sales revenue based on the terms and conditions of transactions which vary with different customers. As revenue recognition involves manual processes, and is material to the financial statements, we consider the cutoff of export revenue a key audit matter.

How our audits addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Understood and assessed the effectiveness of internal controls over cutoff of sales revenue, and tested the effectiveness of internal controls over shipping and billing.
2. Checked the completeness of the export sales details for a certain period around balance sheet date, and performed cutoff tests on a random basis, which include checking the terms and conditions of transactions, verifying against supporting documents, and checking whether inventory movements and costs of sales were recognised in the appropriate period.

Inventory valuation

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied in inventory valuation, and Note 6(3) for details of inventories. As of December 31, 2017, the balances of inventory and allowance for inventory valuation losses were $2,229,437 thousand and $554,349 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of API. As the manufacturing process is relatively complicated and time consumming, materials require longer lead time, the waiting period for product registration is long, and the timing of the product launch may be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold under normal terms, the Group measures inventories at the lower of cost and net realisable value. For inventories aging over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turn-over. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audits addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Evaluated the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the historical data of inventory turn-over and judgement of obsolete inventory.
2. Verified whether the date used in the inventory aging reports that the Group applied to value inventories were accurate. Recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm that the reported information was in line with the Group's policies.
3. Selected samples from inventory items by each sequence number to verify its realisable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ScinoPharm Taiwan, Ltd. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

	Lin, Yung-Chih
Independent Accountants	
	Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 16, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,910,791	31	$ 3,707,151	29
1170	Accounts receivable, net	6(2)	567,318	4	638,405	5
1200	Other receivables		197,620	2	197,897	2
130X	Inventory	5(2) and 6(3)	1,675,088	13	1,829,710	14
1410	Prepayments		116,310	1	212,212	2
11XX	**Total current assets**		6,467,127	51	6,585,375	52
	Non-current assets					
1543	Financial assets carried at cost-non-current	3(2) and 6(4)	391,097	3	364,089	3
1600	Property, plant and equipment	6(5)(7)(26)	5,088,713	40	5,208,898	41
1780	Intangible assets		23,334	-	24,078	-
1840	Deferred income tax assets	5(2) and 6(24)	503,570	4	414,414	3
1915	Prepayments for equipment	6(5)(26)	110,529	1	65,466	-
1920	Guarantee deposits paid		9,179	-	9,739	-
1980	Other financial assets - non-current	8	28,831	-	28,831	-
1985	Long-term prepaid rents	6(6)	79,009	1	82,110	1
15XX	**Total non-current assets**		6,234,262	49	6,197,625	48
1XXX	**Total assets**		$ 12,701,389	100	$ 12,783,000	100

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ 374,713	3	$ 982,705	8
2120	Financial liabilities at fair value through profit or loss - current	6(9)	-	-	2,822	-
2150	Notes payable		1,161	-	1,001	-
2170	Accounts payable		90,784	1	69,730	1
2200	Other payables	6(10)(26)	350,117	3	430,020	3
2230	Current income tax liabilities	6(24)	50,251	-	110,911	1
2310	Advance receipts		28,896	-	62,384	-
2320	Long-term liabilities, current portion	6(11) and 9	219,536	2	32,120	-
21XX	**Total current liabilities**		1,115,458	9	1,691,693	13
	Non-current liabilities					
2540	Long-term borrowings	6(11) and 9	1,097,682	9	770,873	6
2570	Deferred income tax liabilities	6(24)	-	-	877	-
2640	Net defined benefit liabilities	6(12)	69,312	-	70,053	1
2645	Guarantee deposits received		1,712	-	21,711	-
25XX	**Total non-current liabilities**		1,168,706	9	863,514	7
2XXX	**Total liabilities**		2,284,164	18	2,555,207	20
	Equity attributable to owners of parent					
	Share capital	6(13)(16)				
3110	Share capital - common stock		7,907,392	62	7,603,262	59
3200	**Capital surplus**	6(14)(15)	1,286,872	10	1,275,660	10
	Retained earnings	6(13)(16)(24)				
3310	Legal reserve		526,065	4	460,196	4
3320	Special reserve		22,829	-	22,829	-
3350	Unappropriated earnings		693,832	6	869,300	7
3400	**Other equity interest**	6(17)	(19,765)	-	(3,454)	-
3XXX	**Total equity**		10,417,225	82	10,227,793	80
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 12,701,389	100	$ 12,783,000	100

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(18)	$ 3,516,481	100	$ 4,030,921	100
5000	**Operating costs**	6(3)(12)(22)(23) and 9	(1,966,324)	(56)	(2,224,960)	(55)
5900	**Net operating margin**		1,550,157	44	1,805,961	45
	Operating expenses	6(6)(12)(22)(23), 7 and 9				
6100	Selling expenses		(145,756)	(4)	(169,971)	(4)
6200	General and administrative expenses		(531,163)	(15)	(488,139)	(12)
6300	Research and development expenses		(314,276)	(9)	(279,575)	(7)
6000	**Total operating expenses**		(991,195)	(28)	(937,685)	(23)
6900	**Operating profit**		558,962	16	868,276	22
	Non-operating income and expenses					
7010	Other income	6(2)(19)	39,522	1	40,705	1
7020	Other gains and losses	6(7)(9)(20) and 12	(46,551)	(1)	(62,265)	(1)
7050	Finance costs	6(5)(21)(26)	(76,631)	(2)	(36,116)	(1)
7000	**Total non-operating income and expenses**		(83,660)	(2)	(57,676)	(1)
7900	**Profit before income tax**		475,302	14	810,600	21
7950	Income tax expense	6(24)	(52,935)	(2)	(151,907)	(4)
8200	**Profit for the year**		$ 422,367	12	$ 658,693	17
	Other comprehensive income (loss)					
8311	Actuarial gains (losses) on defined benefit plans	6(12)	$ 316	-	($ 7,393)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(54)	-	1,258	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(17)	(16,311)	-	(72,549)	(2)
8300	**Total other comprehensive loss for the year**		($ 16,049)	-	($ 78,684)	(2)
8500	**Total comprehensive income for the year**		$ 406,318	12	$ 580,009	15
	Profit attributable to:					
8610	Owners of the parent		$ 422,367	12	$ 658,693	17
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 406,318	12	$ 580,009	15
	Earnings per share (in dollars)	6(25)				
9750	**Basic**		$	0.53	$	0.83
9850	**Diluted**		$	0.53	$	0.83

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent						
				Retained earnings			Other equity	
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences	Total equity
For the year ended December 31, 2016								
Balance at January 1, 2016		$ 7,310,829	$ 1,265,544	$ 396,699	$ 22,829	$ 791,997	$ 69,095	$ 9,856,993
Distribution of 2015 net income:								
Legal reserve		-	-	63,497	-	(63,497)	-	-
Cash dividends	6(16)	-	-	-	-	(219,325)	-	(219,325)
Stock dividends	6(13)(16)	292,433	-	-	-	(292,433)	-	-
Employee stock option compensation cost	6(14)(15)	-	10,116	-	-	-	-	10,116
Net income for the year ended December 31, 2016		-	-	-	-	658,693	-	658,693
Other comprehensive loss for the year ended December 31, 2016	6(17)	-	-	-	-	(6,135)	(72,549)	(78,684)
Balance at December 31, 2016		$ 7,603,262	$ 1,275,660	$ 460,196	$ 22,829	$ 869,300	($ 3,454)	$10,227,793
For the year ended December 31, 2017								
Balance at January 1, 2017		$ 7,603,262	$ 1,275,660	$ 460,196	$ 22,829	$ 869,300	($ 3,454)	$10,227,793
Distribution of 2016 net income:								
Legal reserve		-	-	65,869	-	(65,869)	-	-
Cash dividends	6(16)	-	-	-	-	(228,098)	-	(228,098)
Stock dividends	6(13)(16)	304,130	-	-	-	(304,130)	-	-
Employee stock option compensation cost	6(14)(15)	-	11,212	-	-	-	-	11,212
Net income for the year ended December 31, 2017		-	-	-	-	422,367	-	422,367
Other comprehensive loss for the year ended December 31, 2017	6(17)	-	-	-	-	262	(16,311)	(16,049)
Balance at December 31, 2017		$ 7,907,392	$ 1,286,872	$ 526,065	$ 22,829	$ 693,832	($ 19,765)	$10,417,225

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	For the years ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 475,302	$ 810,600
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on valuation of financial assets and liabilities		(2,822)	2,677
(Reversal of allowance) provision for doubtful accounts	6(2)(19)	(516)	596
Loss on inventory market price decline	6(3)	53,212	110,571
Provision for obsolescence of supplies		11,088	11,167
Depreciation	6(5)(22)	423,322	435,391
Loss on disposal of property, plant and equipment	6(20)	300	626
(Gain on reversal) impairment loss	6(5)(7)(20)	(3,741)	889
Amortization	6(22)	9,217	9,450
Amortization of long-term prepaid rent	6(6)	1,835	1,977
Employee stock option compensation cost	6(14)(15)	11,212	10,116
Interest income	6(19)	(25,083)	(27,844)
Interest expense	6(21)	76,631	36,116
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		71,604	228,232
Other receivables		422	10,058
Inventory		101,410	234,501
Prepayments		83,456	(54,776)
Changes in operating liabilities			
Notes payable		160	6
Accounts payable		21,054	(21,330)
Other payables		(34,800)	34,117
Advance receipts		(33,488)	18,848
Net defined benefit liabilities - non-current		(425)	(194)
Cash inflow generated from operations		1,239,350	1,851,794
Interest received		24,938	27,844
Interest paid		(87,051)	(21,337)
Income tax paid		(205,523)	(193,277)
Net cash flows from operating activities		971,714	1,665,024

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets - current		$ -	$ 284,216
Increase in financial assets measured at cost - non-current		(27,008)	(25,182)
Cash paid for acquisition of property, plant and equipment	6(26)	(289,479)	(395,633)
Interest paid for acquisition of property, plant and equipment	6(5)(21)(26)	(10,964)	(22,847)
Proceeds from disposal of property, plant and equipment		50	555
Acquisition of intangible assets		(8,625)	(11,416)
Increase in prepayment for equipment		(101,859)	(28,623)
Decrease in guarantee deposits paid		560	709
Increase in other financial assets - non-current		-	(4,097)
Net cash flows used in investing activities		(437,325)	(202,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(583,878)	(719,601)
Increase in long-term borrowings		572,084	802,993
Decrease in long-term borrowings		(54,023)	-
Decrease in guarantee deposits received		(19,999)	(1,686)
Payment of cash dividents	6(16)	(228,098)	(219,325)
Net cash flows used in financing activities		(313,914)	(137,619)
Effect of foreign exchange rate changes		(16,835)	46,367
Net increase in cash and cash equivalents		203,640	1,371,454
Cash and cash equivalents at beginning of year	6(1)	3,707,151	2,335,697
Cash and cash equivalents at end of year	6(1)	$ 3,910,791	$ 3,707,151

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients ("API"), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.

(3) Uni-President Enterprises Corp., the Company's ultimate parent company, holds 37.94% equity interest in the Company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 16, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by IASB
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Group expects to reclassify financial assets at cost in the amount of $391,097, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and other equity interest in the amounts of $539,572 and $148,475, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unamosed gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company December 31, 2017	December 31, 2016	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
SPT International, Ltd.	SciAnda (Kunshan) Biochemical Technology Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	—
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale produced products, etc.	100.00	100.00	—
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	—

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in NTD, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains and losses”.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) The disappearance of an active market for that financial asset because of financial difficulties;

(c) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(d) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) <u>Derecognition of financial assets</u>

The Group derecognises a financial asset when the contractual rights to cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. The standard cost method is applied, and cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period and the amount of any reversal of inventory write-down is recognised as a reduction in the cost sales during the period.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Except for land, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Estimated useful lives
Buildings and structures	2 ～ 35 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	2 ～ 6 years
Office equipment	2 ～ 9 years
Other equipment	2 ～ 19 years

(13) Intangible assets

Professional skills and computer software, etc. are stated at cost and amortised on a straight-line basis over their estimated useful lives of 3 ~ 5 years.

(14) Operating Leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii.Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise, and recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing market price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Deferred tax asset shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales of goods

The Group manufactures and sells API, intermediates, etc. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Group provides biochemical technology development consultation and processing services. Revenue from rendering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

Financial assets - impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset - equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

(a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. As the manufacturing process is relatively complicated and time consumming, materials require longer lead time, the waiting period for product registration is long, and the timing of product launch may be deferred, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

(b) As of December 31, 2017, the carrying amount of inventories was $1,675,088.

B. Realisability of deferred income tax assets

(a) Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(b) As of December 31, 2017, the Group recognised deferred income tax assets amounting to $503,570.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Cash:		
Cash on hand	$ 235	$ 75
Checking accounts and demand deposits	287,317	516,801
	287,552	516,876
Cash equivalents:		
Time deposits	3,385,448	2,904,500
Bill under repurchase agreements	237,791	285,775
	3,623,239	3,190,275
	$ 3,910,791	$ 3,707,151

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets - non-current") as of December 31, 2017 and 2016 are provided in Note 8.

(2) ACCOUNTS RECEIVABLE, NET

	December 31, 2017	December 31, 2016
Accounts receivable	$ 567,448	$ 639,052
Less: Allowance for doubtful accounts	(130)	(647)
	$ 567,318	$ 638,405

A. As of December 31, 2017 and 2016, the Group had no accounts receivable classified as "past due but not impaired".

B. Movements on the provision for impairment of accounts receivable are as follows:

	For the years ended December 31,	
	2017	2016
	Group provision	Group provision
At January 1	$ 647	$ 53
(Reversal) provision for impairment (Note)	(516)	596
Effect of exchange rate	(1)	(2)
At December 31	$ 130	$ 647

Note: Reversal for impairment listed as "Other income".

C. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on the counterparties' industry characteristics, business scale and profitability.

D. As of December 31, 2017 and 2016, the Group does not hold any collateral as security.

(3) INVENTORIES

	December 31, 2017		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 464,031	($ 127,213)	$ 336,818
Supplies	34,786	(2,171)	32,615
Work in process	660,329	(157,157)	503,172
Finished goods	1,070,291	(267,808)	802,483
	$ 2,229,437	($ 554,349)	$ 1,675,088

	December 31, 2016		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 377,494	($ 81,670)	$ 295,824
Supplies	14,946	(1,097)	13,849
Work in process	896,557	(125,933)	770,624
Finished goods	1,041,850	(292,437)	749,413
	$ 2,330,847	($ 501,137)	$ 1,829,710

The Group recognised expense and loss of inventories for the year:

	For the years ended December 31,	
	2017	2016
Cost of goods sold	$ 1,509,589	$ 1,707,118
Loss on physical inventory	6,198	8,910
Loss on inventory scrap	42,367	53,811
Under applied manufacturing overhead	291,135	311,983
Provision for inventory market price decline	53,212	110,571
Total cost of goods sold	$ 1,902,501	$ 2,192,393

(4) FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31, 2017	December 31, 2016
Unlisted stocks		
Tanvex Biologics, Inc.	$ 167,673	$ 167,673
SYNGEN, INC.	4,620	4,620
Foresee Pharmaceuticals, Co., Ltd.	223,424	196,416
	395,717	368,709
Less: Accumulated impairment	(4,620)	(4,620)
	$ 391,097	$ 364,089

A. The Group classified some of its equity investments as available-for-sale financial assets, based on its intention. However, as these stocks are not traded in an active market, and there is no sufficient information of similar companies in the industry, fair value of the investments cannot be measured reliably. Accordingly, the Group classified those stocks as “financial assets measured at cost”.

B. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.

(5) PROPERTY, PLANT AND EQUIPMENT

January 1, 2017	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 2,948,766	$ 4,853,501	$ 28,601	$ 213,075	$ 154,986	$ 1,610,548	$ 9,809,477
Accumulated depreciation	(820,361)	(3,491,593)	(22,848)	(152,407)	(98,730)	-	(4,585,939)
Accumulated impairment	-	(14,640)	-	-	-	-	(14,640)
	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898
For the year ended December 31, 2017							
At January 1	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898
Additions	340	2,875	-	80	11	262,454	265,760
Reclassified from prepayments for equipment	-	-	-	-	-	56,122	56,122
Reclassified upon completion	585,165	256,234	-	6,411	2,424	(850,234)	-
Depreciation charge	(138,369)	(243,242)	(2,344)	(24,171)	(15,196)	-	(423,322)
Disposals－Cost	-	(23,600)	(1,266)	(4,430)	(783)	-	(30,079)
－Accumulated depreciation	-	23,467	1,177	4,380	705	-	29,729
Reversal of impairment loss	-	3,741	-	-	-	-	3,741
Net currency exchange differences	1,993	(3,292)	(31)	(258)	(1,014)	(19,534)	(22,136)
At December 31	$ 2,577,534	$ 1,363,451	$ 3,289	$ 42,680	$ 42,403	$ 1,059,356	$ 5,088,713
December 31, 2017							
Cost	$ 3,535,840	$ 5,084,982	$ 27,185	$ 214,262	$ 154,389	$ 1,059,356	$ 10,076,014
Accumulated depreciation	(958,306)	(3,710,632)	(23,896)	(171,582)	(111,986)	-	(4,976,402)
Accumulated impairment	-	(10,899)	-	-	-	-	(10,899)
	$ 2,577,534	$ 1,363,451	$ 3,289	$ 42,680	$ 42,403	$ 1,059,356	$ 5,088,713

January 1, 2016	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 2,499,181	$ 4,689,690	$ 29,690	$ 202,695	$ 141,302	$ 1,803,046	$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	-	(4,181,139)
Accumulated impairment	-	(13,751)	-	-	-	-	(13,751)
	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,321	$ 1,803,046	$ 5,170,714
For the year ended December 31, 2016							
At January 1	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,321	$ 1,803,046	$ 5,170,714
Additions	-	-	-	-	-	462,672	462,672
Reclassified from prepayments for equipment	-	-	-	-	-	121,118	121,118
Reclassified upon completion	485,874	203,159	-	15,558	25,589	(730,180)	-
Depreciation charge	(101,112)	(278,715)	(3,113)	(27,896)	(24,555)	-	(435,391)
Disposals－Cost	-	(8,619)	(405)	(895)	(1,233)	-	(11,152)
－Accumulated depreciation	-	7,543	405	847	1,176	-	9,971
Impairment loss	-	(889)	-	-	-	-	(889)
Net currency exchange differences	(32,270)	(24,507)	(147)	(1,071)	(4,042)	(46,108)	(108,145)
At December 31	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898
December 31, 2016							
Cost	$ 2,948,766	$ 4,853,501	$ 28,601	$ 213,075	$ 154,986	$ 1,610,548	$ 9,809,477
Accumulated depreciation	(820,361)	(3,491,593)	(22,848)	(152,407)	(98,730)	-	(4,585,939)
Accumulated impairment	-	(14,640)	-	-	-	-	(14,640)
	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2017	2016
Amount capitalized	$ 10,964	$ 22,847
Interest rate	4.09%～4.70%	1.72%～4.74%

B. Information about reversal of impairment and impairment loss on property, plant and equipment is provided in Note 6(7).

C. As of December 31, 2017 and 2016, the Group has not pledged any property, plant and equipment as collateral.

(6) LONG-TERM PREPAID RENT

	December 31, 2017	December 31, 2016
Land use right	$ 79,009	$ 82,110

In 2008, the Group's Mainland China subsidiary entered into a land use right contract with the local government relating to the acquisition of the right to use the land located in Changshu, Jiangsu province, with a lease term of 50 years. The subsidiary had prepaid all rental expenses on the contract date, and recognised rental expenses of $1,835 and $1,977 for the years ended December 31, 2017 and 2016, respectively (listed as "General and administrative expenses").

(7) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Group reversed the impairment loss amounting to $3,741 and $－ for the years ended December 31, 2017 and 2016, respectively, and the Group recognised impairment loss for the years ended December 31, 2017 and 2016 in the amount of $－ and $889, respectively, (listed as "Other gains and losses") as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(5).

B. The impairment loss and the reversal of impairment reported by operating segments is as follows:

	For the years ended December 31,			
	2017		2016	
Segments	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm Taiwan	($ 3,741)	$ －	$ 889	$ －

(8) SHORT-TERM BORROWINGS

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 374,713	4.79%～4.85%	None

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 982,705	4.35%～4.44%	None

(9) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31, 2017	December 31, 2016
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ -	$ 2,822

A. The Group recognised net gain of $10,917 and $3,981 on financial liabilities held for trading (listed as "Other gains and losses") for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows (Unit in thousands of currencies indicated):

	December 31, 2016	
Items	Contract Amount	Contract Period
Forward foreign exchange contracts	USD 6,940,000	11.2016～2.2017

As of December 31,2017, there are no financial instruments at fair value through profit or loss.

The Group entered into forward foreign contracts to hedge exchange rate risk of operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(10) OTHER PAYABLES

	December 31, 2017	December 31, 2016
Accrued salaries and bonuses	$ 126,492	$ 151,650
Payables on equipment	54,326	89,009
Others	169,299	189,361
	$ 350,117	$ 430,020

(11) LONG-TERM BORROWINGS

Type of borrowings	Borrowing period	December 31, 2017	Interest rate	Collateral
Long-term bank loans				
Secured bank loans	CNY 288,000 thousands 6.14.2016～ 6.14.2019	$ 1,317,218	4.85%	Guaranteed by the Company
Less: Current portion		(219,536)		
		$ 1,097,682		

Type of borrowings	Borrowing period	December 31, 2016	Interest rate	Collateral
Long-term bank loans				
Secured bank loans	CNY 172,924 thousands 6.14.2016～ 6.14.2019	$ 802,993	4.85%	Guaranteed by the Company
Less: Current portion		(32,120)		
		$ 770,873		

(12) PENSIONS

A. (a)The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement). The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last one months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by end of March next year.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 119,272	$ 118,242
Fair value of plan assets	(49,960)	(48,189)
Net defined benefit liability	$ 69,312	$ 70,053

(c) Movements in net defined benefit liabilities are as follows:

For the year ended December 31, 2017	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 118,242	($ 48,189)	$ 70,053
Current service cost	1,654	-	1,654
Interest expense (income)	1,656	(675)	981
	121,552	(48,864)	72,688
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	161	161
Change in financial assumptions	2,566	-	2,566
Experience adjustments	(3,043)	-	(3,043)
	(477)	161	(316)
Pension fund contribution	-	(3,060)	(3,060)
Paid pension	(1,803)	1,803	-
At December 31	$ 119,272	($ 49,960)	$ 69,312

For the year ended December 31, 2016	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 111,292	($ 48,438)	$ 62,854
Current service cost	1,926	-	1,926
Interest expense (income)	1,892	(823)	1,069
	115,110	(49,261)	65,849
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	379	379
Change in financial assumptions	3,950	-	3,950
Experience adjustments	3,064	-	3,064
	7,014	379	7,393
Pension fund contribution	-	(3,189)	(3,189)
Paid pension	(3,882)	3,882	-
At December 31	$ 118,242	($ 48,189)	$ 70,053

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2017	2016
Discount rate	1.20%	1.40%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2017 and 2016.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 3,195)	$ 3,319	$ 2,955	($ 2,866)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 3,304)	$ 3,438	$ 3,081	($ 2,982)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(f) Expected contributions to the defined benefit pension plan of the Company for 2018 is $2,938.

(g) As of December 31, 2017, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 3,001
2~5 years	28,748
Over 6 years	116,469
	$ 148,218

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (SciAnda (Kunshan) Biochemical Technology, Ltd., SciAnda (Changshu) Pharmaceuticals, Ltd., and SciAnda (Shanghai) Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the years ended December 31, 2017 and 2016, the pension costs recognised under the aforementioned defined contribution pension plans were $33,162 and $31,464, respectively.

(13) SHARE CAPITAL

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2017	2016
At January 1	760,326	731,083
Capitalization of retained earnings	30,413	29,243
At December 31	790,739	760,326

B. On June 27, 2016, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $292,433 and obtained approval from the SFC. The effective date of capitalization was set on August 16, 2016. After the capitalization mentioned above, the Company's total authorized capital was $10,000,000 and the paid-in capital was $7,603,262 (760,326 thousand shares) with a par value of $10 (in dollars) per share.

C. On June 27, 2017, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $304,130 and obtained approval from the SFC. The effective date of capitalization was set on August 18, 2017. After the capitalization mentioned above, the Company's total authorized capital was $10,000,000 and the paid-in capital was $7,907,392 (790,739 thousand shares) with a par value of $10 (in dollars) per share.

D. As of December 31, 2017, the Company's authorized capital was $10,000,000 and the paid-in capital was $7, 907,392 (790,739 thousand shares) with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) CAPITAL RESERVES

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movements on the Company's capital reserve are as follows:

	For the year ended December 31, 2017		
	Share premium	Stock options	Total
At January 1	$ 1,233,286	$ 42,374	$ 1,275,660
Employee stock options compensation cost			
- Company	–	11,036	11,036
- Subsidiaries	–	176	176
Employee stock options forfeited	1,862	(1,862)	–
At December 31	$ 1,235,148	$ 51,724	$ 1,286,872

	For the year ended December 31, 2016		
	Share premium	Stock options	Total
At January 1	$ 1,233,286	$ 32,258	$ 1,265,544
Employee stock options compensation cost			
- Company	–	10,025	10,025
- Subsidiaries	–	91	91
At December 31	$ 1,233,286	$ 42,374	$ 1,275,660

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the 'Grant Date'). The exercise price of the options was set at $91.70 (in dollars), $41.65 (in dollars) and $40.55 (in dollars), respectively, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of December 31, 2017, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to $77.10 (in dollars) per share, $38.50 (in dollars) per share and $39.00 (in dollars) per share, respectively.) Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Group recognised compensation costs relating to the employee stock options plan of $11,212 and $10,116 for the years ended December 31, 2017 and 2016, respectively.

B. Details of the share-based payment arrangements are as follows:

	For the year ended December 31, 2017	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,457	$ 48.03
Options forfeited	(382)	46.10
Options outstanding at end of the year	3,075	46.53
Options exercisable at end of the year	1,198	80.20

	For the year ended December 31, 2016	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,348	$ 56.92
Options granted	1,500	40.55
Options forfeited	(391)	62.47
Options outstanding at end of the year	3,457	48.03
Options exercisable at end of the year	503	80.20

C. The expiry date and exercise prices of the employee stock options outstanding at balance sheet date are as follows:

		December 31, 2017		December 31, 2016	
Grant date	Expiry date	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	624	$ 77.10	670	$ 80.20
11.6.2015	11.5.2025	1,147	38.50	1,299	40.00
10.14.2016	10.13.2026	1,304	39.00	1,488	40.55

D. The fair value of the Group's employee stock options on Grant Date was evaluated using the combination of Hull & White and the Ritchken trinomial option valuation model. Related information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Expected dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12.3.2013	$ 91.70	$ 91.70	28.50% (Note)	10 years	1.5%	1.7145%	$ 26.045
Employee stock options	11.6.2015	41.65	41.65	37.63% (Note)	10 years	1.5%	1.2936%	13.799
Employee stock options	10.14.2016	40.55	40.55	37.20% (Note)	10 years	1.5%	0.9223%	13.171

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.50%, 37.63% and 37.20%, respectively.

(16) RETAINED EARNINGS

A. Pursuant to the R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company’s paid-in capital.

B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company’s Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders’ dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.

C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends and stock dividends distributed to owners amounting to $228,098 ($0.30 (in dollars) per share) and $304,130 ($0.40 (in dollars) per share) for the year ended December 31, 2017, respectively, and $219,325 ($0.30 (in dollars) per share) and $292,433 ($0.40 (in dollars) per share) for the year ended December 31, 2016, respectively. On March 16, 2018, the Board of Directors proposed for the distribution of cash dividends of $379,555 ($0.48 (in dollars) per share) for the year 2017.

(17) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2017	2016
At January 1	($ 3,454)	$ 69,095
Currency translation differences - group	(16,311)	(72,549)
At December 31	($ 19,765)	($ 3,454)

(18) OPERATING REVENUE

	For the years ended December 31,	
	2017	2016
Sales revenue	$ 3,436,755	$ 3,912,641
Less: Sales returns	(224,923)	(64,812)
Sales discounts	-	(6,984)
Net sales revenue	3,211,832	3,840,845
Technical service revenue	164,596	190,076
Others	140,053	-
	$ 3,516,481	$ 4,030,921

(19) OTHER INCOME

	For the years ended December 31,	
	2017	2016
Interest income from bank deposits	$ 25,083	$ 27,844
Reversal of provision for doubtful accounts	516	-
Compensation revenue	6,003	7,404
Others	7,920	5,457
	$ 39,522	$ 40,705

(20) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2017	2016
Net gain on financial assets/liabilities at fair value through profit or loss	$ 10,917	$ 3,981
Loss on disposal of property, plant and equipment	(300)	(626)
Gain on reversal (impairment loss)	3,741	(889)
Net currency exchange loss	(45,595)	(42,982)
Miscellaneous	(15,314)	(21,749)
	($ 46,551)	($ 62,265)

(21) FINANCE COSTS

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank loans	$ 87,595	$ 58,963
Less: Capitalization of qualifying assets	(10,964)	(22,847)
	$ 76,631	$ 36,116

(22) EXPENSES BY NATURE

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 443,259	$ 377,655	$ 820,914
Depreciation	292,640	130,682	423,322
Amortization	3,380	5,837	9,217
	$ 739,279	$ 514,174	$ 1,253,453

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 448,862	$ 389,091	$ 837,953
Depreciation	328,259	107,132	435,391
Amortization	3,208	6,242	9,450
	$ 780,329	$ 502,465	$ 1,282,794

(23) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 370,547	$ 322,875	$ 693,422
Labor and health insurance expenses	31,219	21,162	52,381
Pension costs	21,905	13,892	35,797
Other personnel expenses	19,588	19,726	39,314
	$ 443,259	$ 377,655	$ 820,914

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 380,263	$ 337,437	$ 717,700
Labor and health insurance expenses	32,626	21,065	53,691
Pension costs	21,562	12,897	34,459
Other personnel expenses	14,411	17,692	32,103
	$ 448,862	$ 389,091	$ 837,953

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2017 and 2016, the employees' compensation was accrued at $48,877 and $83,181, respectively, while the directors' remuneration was accrued at $7,608 and $11,733, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company.

On March 16, 2018, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of $48,877 and $7,608, respectivily, and the employees' compensation will be distributed in the form of cash.

The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2016 was $93,915, which was different from the estimated amount of $93,914 recognised in the 2016 financial statements by $1. Such difference mainly resulted from estimation, and was recognised in profit or loss for 2017.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current income tax:		
Income tax in current year	$ 141,200	$ 185,902
10% tax on unappropriated retained earnings	5,446	6,537
(Over) under provision of prior year's income tax	(3,624)	2,471
Total current tax	143,022	194,910
Deferred income tax:		
Origination and reversal of temporary differences	(90,087)	(43,003)
Income tax expense	$ 52,935	$ 151,907

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2017	2016
Remeasurement of defined benefit obligations	$ 54	($ 1,258)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31, 2017	2016
Income tax at statutory tax rate	$ 80,801	$ 137,802
Effect of items disallowed by tax regulation	(9,946)	7,386
Effect of net operating loss carryforward	(19,309)	(2,519)
Effect of investment tax credits	(433)	230
10% tax on unappropriated retained earnings	5,446	6,537
(Over) under provision of prior year's income tax	(3,624)	2,471
Income tax expense	52,935	151,907

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

For the year ended December 31, 2017	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Unrealized loss on inventory market value decline	$ -	$ 73,417	$ -	$ 73,417
Investment loss	242,415	6,603	-	249,018
Technology know-how	17,872	(3,698)	-	14,174
Pensions	11,910	(73)	(54)	11,783
Employee benefits - unused compensated absences	2,686	1,310	-	3,996
Impairment of assets	2,489	(636)	-	1,853
Unrealized loss on financial liabilities	480	(480)	-	-
Loss carryforward	128,885	19,309	-	148,194
Investment tax credits	7,677	(7,677)	-	-
Unrealized exchange loss	-	1,135	-	1,135
	$ 414,414	$ 89,210	($ 54)	$ 503,570
Temporary differences				
Deferred tax liabilities:				
Unrealized exchange gain	($ 877)	$ 877	$ -	$ -
	$ 413,537	$ 90,087	($ 54)	$ 503,570

	For the year ended December 31, 2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Investment loss	$200,515	$ 41,900	$ -	$ 242,415
Technology know - how	21,570	(3,698)	-	17,872
Pensions	10,685	(33)	1,258	11,910
Employee benefits - unused compensated absences	2,888	(202)	-	2,686
Impairment of assets	2,337	152	-	2,489
Unrealized loss on financial liabilities	25	455	-	480
Loss carryforward	126,366	2,519	-	128,885
Investment tax credits	8,258	(581)	-	7,677
	$372,644	$ 40,512	$ 1,258	$ 414,414
Temporary differences				
Deferred tax liabilities:				
Unrealized exchange gain	($ 3,368)	$ 2,491	$ -	($ 877)
	$369,276	$ 43,003	$ 1,258	$ 413,537

D. According to "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China", details of investment tax credits and unrecognised deferred tax assets are as follows:

December 31, 2017			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	$ 7,677	$ 7,677	2018

December 31, 2016			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	$ 7,677	$ -	2018

E. Expiration dates of unused operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2013～2017	$ 1,267,104	$ 1,267,104	$ 674,327	2018～2022

December 31, 2016				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2012～2016	$ 1,247,509	$ 1,247,509	$ 731,971	2017～2021

F. The Group has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary differences unrecognised as deferred tax liabilities were $ － and $277,644, respectively.

G. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 16, 2018.

H. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

I. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2016 was generated after the year 1998.

J. As of December 31, 2016, the balance of the Company's imputation tax credit account was $240,761. The earnings distribution for 2016 was approved at the stockholders' meeting on June 27, 2017, and the date of dividend distribution was set on August 18, 2017, by the Board of Directors. The creditable tax rate was 23.81%.

(25) EARNINGS PER SHARE ("EPS")

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 422,367	790,739	$ 0.53
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 422,367	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	-	-	
Employees' compensation	-	1,839	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 422,367	792,578	$ 0.53

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 658,693	790,739	$ 0.83
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 658,693	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	-	263	
Employees' compensation	-	2,718	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 658,693	793,720	$ 0.83

A. The abovementioned stock options issued in 2013, 2015 and 2016 are anti-dilutive; therefore they were not included in the EPS calculation in 2017.

B. The abovementioned stock options issued in 2013 are anti-dilutive; therefore they were not included in the EPS calculation in 2016.

C. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2016.

(26) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 265,760	$ 462,672
Add: Beginning balance of payable on equipment (listed as “Other payables”)	89,009	44,817
Less: Ending balance of payable on equipment (listed as “Other payables”)	(54,326)	(89,009)
Capitalization of interest	(10,964)	(22,847)
Cash paid for acquisition of property, plant and equipment	$ 289,479	$ 395,633

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2017	2016
Prepayments for equipment reclassified to property, plant and equipment	$ 56,122	$ 121,118

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent and ultimate controlling party of the Company is Uni-President Enterprises Corp.

(2) Names of related parties and relationship

Names of related parties	Relatinship with the Company
Uni-President Enterprises Corp.	Ultimate parent company
President Tokyo Corp.	An entity controlled by key management individuals
President Chain Store Tokyo Marketing Corp.	An entity controlled by key management individuals
President Securities Corp.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

Other expenses

	For the years ended December 31,	
	2017	2016
Rental expense:		
－Entities controlled by key management individuals	$ 1,443	$ 1,583
Management service fees:		
－Ultimate parent company	$ 5,439	$ 5,397
－Associate of ultimate parent company	2,051	2,186
	$ 7,490	$ 7,583

(4) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 54,722	$ 58,939
Share-based payments	4,156	3,039
Post-employmant benefits	621	517
Termination benefits	1,450	1,450
	$ 60,949	$ 63,945

8. PLEDGED ASSETS

Details of the Group’s assets pledged as collateral are as follows:

Assets	December 31, 2017	December 31, 2016	Purpose of collateral
Time deposits (Note)	$ 28,831	$ 28,831	Customs duty and performance guarantee

Note: Listed as “Other financial assets - non-current”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2017 and 2016, the Group’s unused letters of credit amounted to $4,952 and $ －, respectively.

(2) As of December 31, 2017 and 2016, the Group’s remaining balance due for construction in progress and prepayments for equipment was $132,783 and $312,008, respectively.

(3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, and the new lease agreement has been signed in March with a new period from March 1, 2018 to February 28, 2038. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of

such adjustment. The rent expense of $22,276 (listed as "operating costs" and "operating expenses") was recognised in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Within one year	$ 23,577	$ 22,276
Later than one year but not exceeding five years	94,308	3,713
Later than five years	357,586	-
	$ 475,471	$ 25,989

(4)The amounts of endorsements and guarantees for subsidiaries were as follows:

	Nature	December 31, 2017	December 31, 2016
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	$ 2,543,275	$ 1,625,270

As of December 31, 2017 and 2016, the actual amount drawn down for endorsements and guarantees to subsidiaries was $1,317,219 and $802,993, respectively.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and income tax benefits by $62,173, which will be adjusted in the first quarter of 2018.

12. OTHERS

(1) Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to maintain an optimal capital structure, to reduce the cost of capital and to maintain an adequate capital structure to enable the expansion and enhancement of equipment. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return of capital to shareholders, and issue new shares or sell assets to reduce debts.

(2) Financial instruments

A. Fair value information of financial instruments

The Group's financial instruments which are not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, guarantee deposits paid, other financial assets - non-current, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) is approximate to their fair value. Please refer to Note 12(3) for details of fair value information of financial instruments measured at fair value.

B. Financial risk management policies

(a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b)The Group's treasury identifies, evaluates and hedges financial risks closely with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as use of derivative financial instruments and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, hedge accounting is not applied as transactions did not meet all criteria of hedge accounting.

(iii)The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 24,138	29.76	$ 718,347
EUR:NTD	65	35.57	2,312
CNY:NTD	60	4.574	274
Financial liabilities			
Monetary items			
USD:NTD	685	29.76	20,386
CNY:NTD	506	4.574	2,314

	December 31, 2016			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 21,996	32.25	$ 709,371	
EUR:NTD	413	33.90	14,001	
CNY:NTD	510	4.644	2,368	
Financial liabilities				
Monetary items				
USD:NTD	1,582	32.25	51,020	
EUR:NTD	49	33.90	1,661	
CNY:NTD	435	4.644	2,020	

(iv) As of December 31, 2017 and 2016, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2017 and 2016 would increase/decrease by $28,965 and $32,918, respectively. If the NTD:EUR exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2017 and 2016 would increase/decrease by $96 and $617, respectively. If the NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2017 and 2016 would increase/decrease by $85 and $17, respectively.

(v) Total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to $45,595 and $42,982, respectively.

II. Price risk

The Group has investments classified as financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets (listed as 'financial assets measured at cost - non-current'). Therefore, the Group is exposed to price risk on equity instruments investments. To manage this risk, the Group has set stop-loss amounts for these instruments. The Group expects no significant market risk.

III. Interest rate risk

(i) The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.

(ii) At December 31, 2017 and 2016, if interest rates had been 10% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and

2016 would have been $362 and $1,227 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, and outstanding receivables. The Group also transacts with many different banks and financial institutions to diversify risk.

II. No credit limits were exceeded during the years ended December 31, 2017 and 2016.

III. For more information regarding the Group's credit ratings on its financial assets, please refer to detailed explanation of financial assets in Note 6.

(c) Liquidity risk

I. Cash flow forecasting is performed by the Group's treasury department which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. The Group has undrawn borrowing facilities amounting to $2,974,463 and $3,082,497 as of December 31, 2017 and 2016, respectively.

III.The following table comprises the Group's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analyzed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analyzed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 384,670	$ -	$ -	$ -
Notes payable	1,161	-	-	-
Accounts payable	90,784	-	-	-
Other payables	350,117	-	-	-
Long-term borrowings	281,712	1,122,058	-	-
Guarantee deposits received	-	1,712	-	-

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 1,001,072	$ -	$ -	$ -
Notes payable	1,001	-	-	-
Accounts payable	69,730	-	-	-
Other payables	430,020	-	-	-
Long-term borrowings	71,096	164,866	656,660	-
Guarantee deposits received	21,711	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	2,822	-	-	-

(3) Fair value estimation

A. Details of the fair value of the Group’s financial assets and liabilities not measured at fair value are provided in Note 12(2) A.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Amarket is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward foreign contracts	$ -	$ 2,822	$ -	$ 2,822

December 31, 2017: None.

D. The methods and assumptions the Group used to measure fair value are as follows:

(a)Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(b)When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(c)Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. The Group did not have financial instruments that meet the definition of Level 3 instruments as of December 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2017.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(8).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Company's chief operating decision maker regularly reviews information in order to make decisions. The chief operating decision maker manages the Group's business from geographical and functional perspectives. Geographically, the Group focuses on its sales business in the U.S., Europe and Asia. In addition, the Group categorized its business units into manufacture, sales, research and development and investment management functions, and combines its segments that meet the disclosure threshold as "Others".

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income. For details of operating segments' accounting policies, please refer to Note 4.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2017			
	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals Ltd.	Others	Total
Segment revenue	$3,449,175	$ 309,288	$ 13,425	$ 3,771,888
Revenue from internal customers	2,878	241,727	10,802	255,407
Revenue from external customers	3,446,297	67,561	2,623	3,516,481
Interest income	18,612	235	6,236	25,083
Depreciation and amortization	334,045	98,241	253	432,539
Interest expense	22	76,609	-	76,631
Income (loss) from segment before income tax	805,257	(331,464)	(4,298)	469,495
Segment assets	10,320,695	2,267,126	216,681	12,804,502
Other acquisition of non-current assets	261,160	115,084	-	376,244
Segment liabilities	567,588	2,006,197	722	2,574,507

	For the year ended December 31, 2016			
	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals Ltd.	Others	Total
Segment revenue	$ 3,888,611	$ 324,111	$ 23,882	$ 4,236,604
Revenue from internal customers	-	182,176	23,507	205,683
Revenue from external customers	3,888,611	141,935	375	4,030,921
Interest income	13,371	2,900	11,573	27,844
Depreciation and amortization	356,628	88,068	145	444,841
Interest expense	11	36,105	-	36,116
Income (loss) from segment before income tax	1,078,510	(265,797)	(9,522)	803,191
Segment assets	10,145,420	2,358,119	369,234	12,872,773
Other acquisition of non-current assets	365,803	136,908	-	502,711
Segment liabilities	734,481	1,949,789	849	2,685,119

(4) Reconciliation for segment

A. The sales between segments were at arms' length. The external revenues reported to the chief operating decision maker adopt the same measurement basis for revenues in statement of comprehensive income. The reconciliations of pre-tax income between reportable segments and continuing operations were as follows:

	For the years ended December 31,	
	2017	2016
Reportable segments profit before income tax	$ 473,793	$ 812,713
Other segments loss before income tax	(4,298)	(9,522)
Internal segments profit	5,807	7,409
Profit before income tax	$ 475,302	$ 810,600

B. The amount of total assets provided to the chief operating decision-maker adopts the same measurement for assets in the Group's financial statements. A reconciliation of assets of reportable segments and total assets is as follows:

	December 31, 2017	December 31, 2016
Assets of reportable segments	$ 12,587,821	$ 12,503,539
Assets of other operating segments	216,681	369,234
Internal segment transaction elimination	(103,113)	(89,773)
Total assets	$ 12,701,389	$ 12,783,000

C. The amount of total liabilities provided to the chief operating decision-maker adopts the same measurement for liabilities in the Group's financial statements. A reconciliation of liabilities of reportable segments and total liabilities is as follows:

	December 31, 2017	December 31, 2016
Liabilities of reportable segments	$ 2, 573, 785	$ 2, 684, 270
Liabilities of other operating segments	722	849
Internal segment transaction elimination	(290, 343)	(129, 912)
Total liabilities	$ 2, 284, 164	$ 2, 555, 207

(5) Information on product and service

The Group is engaged in the research and development and manufacture of API, as well as the provision of related consulting and technical services. The reconciliations of total segment and operating revenue were as follows:

	For the years ended December 31,	
	2017	2016
Revenue from sales of products	$ 3, 211, 832	$ 3, 840, 755
Revenue from technical services	164, 596	190, 076
Others	140, 053	90
	$ 3, 516, 481	$ 4, 030, 921

(6) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 102, 032	$ 3, 686, 153	$ 166, 644	$ 3, 755, 409
USA	1, 343, 964	–	1, 985, 533	–
India	388, 386	–	400, 738	–
Asia	521, 445	1, 615, 432	529, 415	1, 625, 143
Europe	1, 126, 095	–	839, 776	–
Others	34, 559	–	108, 815	–
	$ 3, 516, 481	$ 5, 301, 585	$ 4, 030, 921	$ 5, 380, 552

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
A	$ 1, 008, 847	ScinoPharm Taiwan, Ltd.	$ 1, 716, 484	ScinoPharm Taiwan, Ltd.

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2017

Table 1 Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged Item	Assets pledged Value	Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	$ 359,112	$ 228,684	$ 228,684	2.00	2	$ -	Additional operating capital and loan repayment	$ -	—	$ -	$ 421,960	$ 421,960	—

Note 1: The code represents the nature of financing activities as follows:
1.Trading partner.
2.Short-term financing.

Note 2: (1) For trading partner: the maximum amount for individual trading partner shall not exceed the higher of purchase or sales amount of the most recent year or the current year, the maximum amount for total loan is 20% of its net worth.(2) For short-term financing: the maximum amount for individual is 20% of its net worth, the maximum amount for total loan is 40% of its net worth. If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net worth.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.574).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2017	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	$ 10,417,225	$ 2,543,275	$ 2,543,275	$ 1,317,219	$ -	24.41%	$ 10,417,225	Y	N	Y	—

Note 1: The following code represents the relationship with the Company:

1.The endorsed/ guaranteed parent company and its subsidiaries jointly own more than 50% voting shares of the endorser/ guarantor subsidiary.

Note 2: 1.The limit of total amount of endorsement is 50% of the Company's net worth, for 100% directly or indirectly owned subsidiaries, the maximum amount is 100% of its net worth.

The limit of total amount of the Group's endorsement and guarantee is 100% of the Group's net worth.

2. For any endorsement or guarantee provided by the Company due to business dealings, the amount of endorsement or guarantees shall be limited to the business dealing amount of the most recent year or the current year.

The business dealing amount is product purchase or sale amount between the entities, whichever is higher.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.574；USD:NTD 1:29.76).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2017

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
ScinoPharm Taiwan, Ltd.	Stocks:							
	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost-non-current	28,800,000	$ 167,673	16.84%	$ -	—
	SYNGEN, INC.	—	Financial assets measured at cost-non-current	245,000	-	7.40%	-	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets measured at cost-non-current	4,793,828	223,424	5.99%	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD

			Transactions				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
ScinoPharmTaiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidary (SPT International, Ltd.)	Purchases	$ 226,163	27%	Closes its accounts 90 days from the end of each month after acceptance	$ -	—	($ 53,928)	(42%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(226,163)	(74%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	53,928	99%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

December 31, 2017

Table 5

Expressed in thousands of NTD

			Balance as at December 31, 2017			Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Purchaser/seller	Counterparty	Relationship with the counterparty	Items	Amount	Turnover rate	Amount	Action taken		
SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	An investee company of SPT Interrnationl Ltd. accounted for under the equity method	Other receivables	$ 228,824	—	$ -	—	$ -	$ -

Note : Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at December 31, 2017 (CNY:NTD 1:4.574).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transactions: General ledger account	Transactions: Amount	Transactions: Transaction terms	Transactions: Percentage of consolidated total operating revenues or total assets (Note 4)
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	$ 226,163	Closes its accounts 90 days from the end of each month after acceptance	6%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	(53,928)	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	2,543,275	—	20%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	228,824	—	2%

Note 1: Significant inter-company transactions during the reporting periods are not disclosed since these were corresponding transactions. Only transactions over NT$10 million are material.

Note 2: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 3: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.574).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland china)

For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized by the Company for the year ended December 31, 2017	Footnote
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 2,013,184	$ 1,833,304	66,524,644	100.00	$ 664,038	($ 322,302)	($ 316,495)	Subsidary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	80	14	14	Subsidary

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China－Basic information

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	$ 119,040	(Note 1)	$ 110,839	$ -	$ -	$ 110,839	($ 2,957)	100	($ 2,957)	$ 421,958	$ -	Subsidary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	1,800,480	(Note 1)	1,621,920	178,560	-	1,800,480	(317,948)	100	(317,948)	260,930	-	Subsidary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	35,712	(Note 1)	35,712	-	-	35,712	(936)	100	(936)	18,818	-	Subsidary

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 1,983,460	$ 2,400,100	$ 6,250,335

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.
Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2017 was based on audited financial statements of investee companies as of and for the year ended December 31, 2017.
Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.
Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:29.76).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017	Others
SciAnda (Changshu) Pharmaceuticals, Ltd.	($ 226,163)	(27%)	−	−	($ 53,928)	(42%)	$ 2,543,275	Secured financing amount	−	−	−	−	Management service revenue $ 8,662 Joint loan guaratee revenue $ 2,806 Research and development expense $ 385 Other receivables $ 2,597
SciAnda Shanghai Biochemical Technology, Ltd.	−	−	−	−	−	−	−	−	−	−	−	−	Management consultancy fee $ 7,208