

**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**MARCH 31, 2018 AND 2017**

-----  
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.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the “Group”) as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of \$1,297,605 thousand and \$2,568,558 thousand, constituting 10% and 20% of the consolidated total assets, and total liabilities of \$130,458 thousand and \$104,092 thousand, constituting 5% and 4% of the consolidated total liabilities as at March 31, 2018 and 2017, respectively, and total comprehensive loss of (\$84,170) thousand and (\$96,952) thousand, constituting (56%) and (76%) of the consolidated total comprehensive income for the three-month periods then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

May 4, 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Assets	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 3,938,230	30	\$ 3,910,791	31	\$ 3,715,269	29
1110	Financial assets at fair value through profit or loss - current	6(2) and 12	658	-	-	-	3,201	-
1136	Financial assets at amortised cost - current	6(3)	275,124	2	-	-	-	-
1170	Accounts receivable, net	6(4) and 12	589,093	4	567,318	4	635,495	5
1200	Other receivables		200,652	2	197,620	2	214,993	2
130X	Inventory	5 and 6(5)	1,616,556	12	1,675,088	13	1,941,214	15
1410	Prepayments		123,020	1	116,310	1	146,301	1
11XX	<b>Total current assets</b>		<u>6,743,333</u>	<u>51</u>	<u>6,467,127</u>	<u>51</u>	<u>6,656,473</u>	<u>52</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value through other comprehensive income - non-current	3(1), 6(6) and 12	539,572	4	-	-	-	-
1543	Financial assets carried at cost - non-current	3(1) and 12	-	-	391,097	3	364,089	3
1600	Property, plant and equipment	6(7)(9)(27)	5,041,202	38	5,088,713	40	5,154,883	40
1780	Intangible assets		21,812	-	23,334	-	21,681	-
1840	Deferred income tax assets	5 and 6(25)	587,770	5	503,570	4	431,905	3
1915	Prepayments for equipment	6(7)(27)	104,908	1	110,529	1	81,160	1
1920	Guarantee deposits paid		7,942	-	9,179	-	9,607	-
1960	Non-current prepayments for investments		-	-	-	-	27,008	-
1980	Other financial assets - non-current	8	29,270	-	28,831	-	28,831	-
1985	Long-term prepaid rents	6(8)	79,645	1	79,009	1	77,421	1
15XX	<b>Total non-current assets</b>		<u>6,412,121</u>	<u>49</u>	<u>6,234,262</u>	<u>49</u>	<u>6,196,585</u>	<u>48</u>
1XXX	<b>Total assets</b>		<u>\$ 13,155,454</u>	<u>100</u>	<u>\$ 12,701,389</u>	<u>100</u>	<u>\$ 12,853,058</u>	<u>100</u>

(Continued)

**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(10)	\$ 336,887	2	\$ 374,713	3	\$ 931,956	7
2130	Contract liabilities - current	6(19)	71,614	-	-	-	-	-
2150	Notes payable		306	-	1,161	-	44,443	-
2170	Accounts payable		78,020	1	90,784	1	97,289	1
2200	Other payables	6(11)(27)	386,963	3	350,117	3	368,303	3
2230	Current income tax liabilities	6(25)	86,202	1	50,251	-	158,421	1
2310	Advance receipts		-	-	28,896	-	60,700	1
2320	Long-term liabilities, current portion	6(12) and 9	222,618	2	219,536	2	30,461	-
21XX	<b>Total current liabilities</b>		<u>1,182,610</u>	<u>9</u>	<u>1,115,458</u>	<u>9</u>	<u>1,691,573</u>	<u>13</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(12) and 9	1,184,612	9	1,097,682	9	731,064	6
2570	Deferred income tax liabilities	6(25)	132	-	-	-	544	-
2640	Net defined benefit liabilities	6(13)	69,135	1	69,312	-	69,931	-
2645	Guarantee deposits received		1,713	-	1,712	-	1,706	-
25XX	<b>Total non-current liabilities</b>		<u>1,255,592</u>	<u>10</u>	<u>1,168,706</u>	<u>9</u>	<u>803,245</u>	<u>6</u>
2XXX	<b>Total liabilities</b>		<u>2,438,202</u>	<u>19</u>	<u>2,284,164</u>	<u>18</u>	<u>2,494,818</u>	<u>19</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital - common stock	6(14)	7,907,392	60	7,907,392	62	7,603,262	59
3200	<b>Capital surplus</b>	6(15)(16)	1,288,879	10	1,286,872	10	1,279,136	10
<b>Retained earnings</b>								
		6(14)(17)						
3310	Legal reserve		526,065	4	526,065	4	460,196	4
3320	Special reserve		22,829	-	22,829	-	22,829	-
3350	Unappropriated earnings		829,450	6	693,832	6	1,039,429	8
3400	<b>Other equity interest</b>	6(18)	142,637	1	(19,765)	-	(46,612)	-
3XXX	<b>Total equity</b>		<u>10,717,252</u>	<u>81</u>	<u>10,417,225</u>	<u>82</u>	<u>10,358,240</u>	<u>81</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 13,155,454</u>	<u>100</u>	<u>\$ 12,701,389</u>	<u>100</u>	<u>\$ 12,853,058</u>	<u>100</u>

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)  
(Reviewed, not audited)

				Three months ended March 31			
				2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(19) and 12	\$ 861,287	100	\$ 919,487	100	
5000	<b>Operating costs</b>	6(5)(13)(23)(24) and 9	( 526,746)	( 61)	( 449,097)	( 49)	
5900	<b>Net operating margin</b>		<u>334,541</u>	<u>39</u>	<u>470,390</u>	<u>51</u>	
	<b>Operating expenses</b>	6(8)(23)(24), 7 and 9					
6100	Selling expenses		( 34,207)	( 4)	( 32,403)	( 3)	
6200	General and administrative expenses		( 123,595)	( 14)	( 152,530)	( 17)	
6300	Research and development expenses		( 55,344)	( 7)	( 64,173)	( 7)	
6450	Gain on reversal of expected credit losses	12	54	-	-	-	
6000	<b>Total operating expenses</b>		<u>( 213,092)</u>	<u>( 25)</u>	<u>( 249,106)</u>	<u>( 27)</u>	
6900	<b>Operating profit</b>		<u>121,449</u>	<u>14</u>	<u>221,284</u>	<u>24</u>	
	<b>Non-operating income and expenses</b>						
7010	Other income	6(20)	10,032	1	9,869	1	
7020	Other gains and losses	6(2)(9)(21) and 12	( 21,604)	( 2)	( 26,815)	( 3)	
7050	Finance costs	6(7)(22)(27)	( 19,624)	( 2)	( 12,099)	( 1)	
7000	<b>Total non-operating income and expenses</b>		<u>( 31,196)</u>	<u>( 3)</u>	<u>( 29,045)</u>	<u>( 3)</u>	
7900	<b>Profit before income tax</b>		90,253	11	192,239	21	
7950	Income tax benefit (expense)	6(25)	45,269	5	( 22,110)	( 2)	
8200	<b>Profit for the period</b>		<u>\$ 135,522</u>	<u>16</u>	<u>\$ 170,129</u>	<u>19</u>	
	<b>Other comprehensive income (loss)</b>						
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>						
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	\$ 96	-	\$ -	-	
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations	6(18)	13,927	1	( 43,158)	( 5)	
8300	<b>Total other comprehensive income (loss) for the period</b>		<u>\$ 14,023</u>	<u>1</u>	<u>( \$ 43,158)</u>	<u>( 5)</u>	
8500	<b>Total comprehensive income for the period</b>		<u>\$ 149,545</u>	<u>17</u>	<u>\$ 126,971</u>	<u>14</u>	
	<b>Profit attributable to:</b>						
8610	Owners of the parent		<u>\$ 135,522</u>	<u>16</u>	<u>\$ 170,129</u>	<u>19</u>	
	<b>Comprehensive income attributable to:</b>						
8710	Owners of the parent		<u>\$ 149,545</u>	<u>17</u>	<u>\$ 126,971</u>	<u>14</u>	
	<b>Earnings per share (in dollars)</b>	6(26)					
9750	<b>Basic</b>		<u>\$ 0.17</u>		<u>\$ 0.22</u>		
9850	<b>Diluted</b>		<u>\$ 0.17</u>		<u>\$ 0.21</u>		

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)  
(Reviewed, not audited)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity		Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	
<u>For the three-month period ended March 31, 2017</u>									
Balance at January 1, 2017		\$ 7,603,262	\$ 1,275,660	\$ 460,196	\$ 22,829	\$ 869,300	(\$ 3,454 )	\$ -	\$ 10,227,793
Employee stock option compensation cost	6(15)(16)	-	3,476	-	-	-	-	-	3,476
Net income for the three-month period ended March 31, 2017		-	-	-	-	170,129	-	-	170,129
Other comprehensive loss for the three-month period ended March 31, 2017	6(18)	-	-	-	-	-	( 43,158 )	-	( 43,158 )
Balance at March 31, 2017		<u>\$ 7,603,262</u>	<u>\$ 1,279,136</u>	<u>\$ 460,196</u>	<u>\$ 22,829</u>	<u>\$ 1,039,429</u>	<u>(\$ 46,612 )</u>	<u>\$ -</u>	<u>\$ 10,358,240</u>
<u>For the three-month period ended March 31, 2018</u>									
Balance at January 1, 2018		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765 )	\$ -	\$ 10,417,225
Effect on retrospective application and restatement	3(1) and 6(18)	-	-	-	-	-	-	148,475	148,475
Balance after restatement on January 1, 2018		7,907,392	1,286,872	526,065	22,829	693,832	( 19,765 )	148,475	10,565,700
Employee stock option compensation cost	6(15)(16)	-	2,007	-	-	-	-	-	2,007
Net income for the three-month period ended March 31, 2018		-	-	-	-	135,522	-	-	135,522
Other comprehensive income for the three-month period ended March 31, 2018	6(18)(25)	-	-	-	-	96	13,927	-	14,023
Balance at March 31, 2018		<u>\$ 7,907,392</u>	<u>\$ 1,288,879</u>	<u>\$ 526,065</u>	<u>\$ 22,829</u>	<u>\$ 829,450</u>	<u>(\$ 5,838 )</u>	<u>\$ 148,475</u>	<u>\$ 10,717,252</u>

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)  
(Reviewed, not audited)

	Notes	For the three-month periods ended March 31,	
		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 90,253	\$ 192,239
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on valuation of financial assets and liabilities		( 658 )	( 6,023 )
Gain on reversal of expected credit losses	12	( 54 )	-
Gain on reversal of allowance	6(20)	-	( 617 )
Loss on inventory market price decline	6(5)	17,107	9,685
Provision for obsolescence of supplies		3,696	3,283
Depreciation	6(7)(23)	99,847	106,984
Loss on disposal of property, plant and equipment	6(21)	-	59
Gain on reversal of impairment loss	6(7)(9)(21)	( 187 )	-
Amortisation	6(23)	2,568	2,141
Amortisation of long-term prepaid rent	6(8)	469	460
Employee stock option compensation cost	6(15)(16)	2,007	3,476
Interest income	6(20)	( 7,082 )	( 5,584 )
Interest expense	6(22)	19,624	12,099
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 21,721 )	3,533
Other receivables		( 2,188 )	( 17,096 )
Inventory		41,425	( 116,161 )
Prepayments		( 14,246 )	61,619
Changes in operating liabilities			
Notes payable		( 855 )	43,442
Accounts payable		( 12,763 )	27,559
Other payables		50,867	( 5,643 )
Prepayments		-	( 1,684 )
Contract liabilities - current		42,718	-
Net defined benefit liabilities - non-current		( 177 )	( 122 )
Cash inflow generated from operations		310,650	313,649
Interest received		6,238	5,584
Interest paid		( 19,473 )	( 14,519 )
Income tax paid		( 414 )	( 255 )
Net cash flows from operating activities		<u>297,001</u>	<u>304,459</u>

(Continued)

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	For the three-month periods ended March 31,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost - current		(\$ 275,124 )	\$ -
Cash paid for acquisition of property, plant and equipment	6(27)	( 16,484 )	( 171,496 )
Interest paid for acquisition of property, plant and equipment	6(7)(22)(27)	-	( 8,143 )
Acquisition of intangible assets		( 872 )	( 320 )
Increase in prepayment for equipment		( 23,011 )	( 23,558 )
Decrease in guarantee deposits paid		1,237	132
Increase in other financial assets - non-current		( 439 )	-
Increase in other assets - non-current		-	( 27,008 )
Net cash flows used in investing activities		( 314,693 )	( 230,393 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(28)	( 42,024 )	( 50,749 )
Increase in long-term borrowings	6(28)	71,054	-
Decrease in long-term borrowings		-	( 41,468 )
Increase (decrease) in guarantee deposits received		1	( 20,005 )
Net cash flows from (used in) financing activities		29,031	( 112,222 )
Effect of foreign exchange rate changes		16,100	46,274
Net increase in cash and cash equivalents		27,439	8,118
Cash and cash equivalents at beginning of period	6(1)	3,910,791	3,707,151
Cash and cash equivalents at end of period	6(1)	\$ 3,938,230	\$ 3,715,269

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 THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(Reviewed, not audited)

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 reported to the Board of Directors on May 4, 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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board("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

New Standards, Interpretations and Amendments	Effective date by IASB
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
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.

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 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 subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

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 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.

In adopting the new standards endorsed by the FSC effective from 2018, the Group applied 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 new standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Group reclassified financial assets at cost in the amount of \$391,097, and made 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.

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

None.

(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.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

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", and IAS 34,

‘Interim Financial Reporting’ as endorsed by the FSC.

(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) Financial assets at fair value through other comprehensive income.
  - (c) 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as other equity as of January 1, 2018 and the financial statements for the first quarter of 2017 were not restated. The financial statements for the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(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 unrealised 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		Note
			March 31, 2018	December 31, 2017	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	(Note)
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	(Note)
SPT International, Ltd.	SciAnda (Kunshan) Biochemical Technology Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	(Note)
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale produced products, etc.	100.00	100.00	(Note)

Name of Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company		Note
			March 31, 2018	December 31, 2017	
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	(Note)

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

Note: The financial statements of the entity as of and for the three-month periods ended March 31, 2018 and 2017 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

The financial statements of certain non-significant subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2018 and 2017. Total assets of these subsidiaries amounted to \$1,297,605 and \$2,568,558, representing 10% and 20% of the related consolidated totals, and total liabilities amounted to \$130,458 and \$104,092, representing 5% and 4% of the related consolidated totals, as of March 31, 2018 and 2017,

respectively. Total comprehensive loss of these subsidiaries amounted to (\$84,170) and (\$96,952), constituting (56%) and (76%) of the related consolidated totals for the three-month periods ended March 31, 2018 and 2017, respectively.

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) Classification of current and non-current items

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) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair

value, and recognises the gain or loss in profit or loss.

- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit

losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Inventories

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.

(14) 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:

<u>Assets</u>	<u>Estimated useful lives</u>
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

(15) 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.

(16) 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.

(17) 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.

(18) Borrowings

Borrowings comprise long-term and short-term bank 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.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) 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.

(22) 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.

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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.

(23) 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.

(24) 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 financial 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 recognized 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.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(25) 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.

(26) 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.

(27) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells API, intermediates, etc. Sales are recognised when control of the products has transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue is recognised based on the price specified in the contract, net of the sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term, which is consistent with market practice.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the

consideration is unconditional because only the passage of time is required before the payment is due.

#### B. Sales of services

- (a) The Group provides technology development and consultation services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the service fulfilled to the end of the reporting period as a proportion of the total services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

#### C. Financing components

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

- D. Given that the contractual period lasts less than one year, the Group recognises the incremental costs (mainly comprised of sales commissions) of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

#### (28) 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:

#### Critical accounting estimates and assumptions

##### (1) 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 consuming, 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 March 31, 2018, the carrying amount of inventories was \$1,616,556.

(2) 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 March 31, 2018, the Group recognised deferred income tax assets amounting to \$587,770.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash:			
Cash on hand	\$ 189	\$ 235	\$ 57
Checking accounts and demand deposits	<u>421,308</u>	<u>287,317</u>	<u>365,999</u>
	<u>421,497</u>	<u>287,552</u>	<u>366,056</u>
Cash equivalents:			
Time deposits	3,223,000	3,385,448	3,114,471
Bill under repurchase agreements	<u>293,733</u>	<u>237,791</u>	<u>234,742</u>
	<u>3,516,733</u>	<u>3,623,239</u>	<u>3,349,213</u>
	<u>\$ 3,938,230</u>	<u>\$ 3,910,791</u>	<u>\$ 3,715,269</u>

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 March 31, 2018, December 31, 2017 and March 31, 2017 are provided in Note 8.

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<u>Items</u>	<u>March 31, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Derivatives	\$ <u>658</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	\$ 4,620
Valuation adjustment	( <u>4,620</u> )
	\$ <u>-</u>

- A. The Group recognised net gain of \$596 on financial assets at fair value through profit or loss (listed as “Other gains and losses”) for the three-month period ended March 31, 2018.
- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below (Units in thousands of currencies indicated):

<u>Items</u>	<u>March 31, 2018</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 10,558	1.2018~5.2018

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.

- C. The Group has no financial assets at fair value through profit or loss pledged to others as of March 31, 2018.
- D. Information relating to credit risk is provided in Note 12(2).
- E. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(3) FINANCIAL ASSETS AT AMORTISED COST-CURRENT

<u>Items</u>	<u>March 31, 2018</u>
Structured deposits	\$ <u>275,124</u>

- A. The Group entered into structured deposits, which are guaranteed yield financial products, with financial institutions,
- B. The Group has no financial assets at amortised cost as of December 31, 2017 and March 31, 2017.
- C. The Group recognised interest income of \$941 from financial assets at amortised cost for the three-month period ended March 31, 2018.
- D. The Group has no financial assets at amortised cost pledged to others as of March 31, 2018.
- E. Information relating to credit risk is provided in Note 12(2).

(4) ACCOUNTS RECEIVABLE, NET

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts receivable	\$ 589,169	\$ 567,448	\$ 635,519
Less: Loss allowance	( 76)	( 130)	( 24)
	<u>\$ 589,093</u>	<u>\$ 567,318</u>	<u>\$ 635,495</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Not past due	\$ 481,788	\$ 437,913	\$ 477,853
Less than 30 days	107,361	121,829	123,037
Between 31 to 90 days	<u>20</u>	<u>7,706</u>	<u>34,629</u>
	<u>\$ 589,169</u>	<u>\$ 567,448</u>	<u>\$ 635,519</u>

The above ageing analysis is based on past due date.

B. As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group does not hold any collateral as security.

C. Information relating to credit risk is provided in Note 12(2).

D. As at March 31, 2018, December 31, 2017 and March 31, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$589,093, \$567,318 and \$635,495, respectively.

(5) INVENTORIES

	<u>March 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 511,707	(\$ 139,896)	\$ 371,811
Supplies	42,622	( 2,443)	40,179
Work in process	598,179	( 165,659)	432,520
Finished goods	<u>1,035,504</u>	<u>( 263,458)</u>	<u>772,046</u>
	<u>\$ 2,188,012</u>	<u>(\$ 571,456)</u>	<u>\$ 1,616,556</u>

  

	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
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	<u>1,070,291</u>	<u>( 267,808)</u>	<u>802,483</u>
	<u>\$ 2,229,437</u>	<u>(\$ 554,349)</u>	<u>\$ 1,675,088</u>

March 31, 2017			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 416,196	(\$ 92,882)	\$ 323,314
Supplies	24,049	( 1,872)	22,177
Work in process	1,018,073	( 147,192)	870,881
Finished goods	988,690	( 263,848)	724,842
	<u>\$ 2,447,008</u>	<u>(\$ 505,794)</u>	<u>\$ 1,941,214</u>

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

	For the three-month periods ended March 31,	
	2018	2017
Cost of goods sold	\$ 425,269	\$ 361,044
Loss on physical inventory	1,471	1,077
Loss on inventory scrap	236	-
Under applied manufacturing overhead	72,738	64,098
Provision for inventory market price decline	17,107	9,685
	<u>\$ 516,821</u>	<u>\$ 435,904</u>

(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-  
NON-CURRENT

Items	March 31, 2018
Equity instruments	
Emerging stocks	\$ 223,424
Unlisted stocks	167,673
	<u>391,097</u>
Valuation adjustment	148,475
	<u>\$ 539,572</u>

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$539,572 as at March 31, 2018.
- B. The Group has no financial assets at fair value through other comprehensive income pledged to others as of March 31, 2018.
- C. Information relating to credit risk is provided in Note 12(2).
- D. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(7) PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2018</u>							
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)
	<u>\$ 2,577,534</u>	<u>\$ 1,363,451</u>	<u>\$ 3,289</u>	<u>\$ 42,680</u>	<u>\$ 42,403</u>	<u>\$ 1,059,356</u>	<u>\$ 5,088,713</u>
<u>For the three-month period ended March 31, 2018</u>							
At January 1	\$ 2,577,534	\$ 1,363,451	\$ 3,289	\$ 42,680	\$ 42,403	\$ 1,059,356	\$ 5,088,713
Additions	-	101	-	-	-	2,210	2,311
Reclassified from prepayments for equipment	-	-	-	-	-	29,130	29,130
Reclassified upon completion	1,525	24,835	-	689	2,710	( 29,759)	-
Depreciation charge	( 37,081)	( 55,478)	( 445)	( 4,424)	( 2,419)	-	( 99,847)
Disposals – Cost	-	-	-	( 50)	-	-	( 50)
– Accumulated depreciation	-	-	-	50	-	-	50
Reversal of impairment loss	-	187	-	-	-	-	187
Net currency exchange differences	13,115	6,862	11	152	567	1	20,708
At March 31	<u>\$ 2,555,093</u>	<u>\$ 1,339,958</u>	<u>\$ 2,855</u>	<u>\$ 39,097</u>	<u>\$ 43,261</u>	<u>\$ 1,060,938</u>	<u>\$ 5,041,202</u>
<u>March 31, 2018</u>							
Cost	\$ 3,551,872	\$ 5,118,763	\$ 27,297	\$ 215,732	\$ 159,228	\$ 1,060,938	\$ 10,133,830
Accumulated depreciation	( 996,779)	( 3,768,093)	( 24,442)	( 176,635)	( 115,967)	-	( 5,081,916)
Accumulated impairment	-	( 10,712)	-	-	-	-	( 10,712)
	<u>\$ 2,555,093</u>	<u>\$ 1,339,958</u>	<u>\$ 2,855</u>	<u>\$ 39,097</u>	<u>\$ 43,261</u>	<u>\$ 1,060,938</u>	<u>\$ 5,041,202</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2017</u>							
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)
	<u>\$ 2,128,405</u>	<u>\$ 1,347,268</u>	<u>\$ 5,753</u>	<u>\$ 60,668</u>	<u>\$ 56,256</u>	<u>\$ 1,610,548</u>	<u>\$ 5,208,898</u>
<u>For the three-month period ended March 31, 2017</u>							
At January 1	\$ 2,128,405	\$ 1,347,268	\$ 5,753	\$ 60,668	\$ 56,256	\$ 1,610,548	\$ 5,208,898
Additions	-	20	-	84	11	125,870	125,985
Reclassified from prepayments for equipment	-	-	-	-	-	5,316	5,316
Reclassified upon completion	1,709	22,954	-	70	459	( 25,192)	-
Depreciation charge	( 31,840)	( 63,411)	( 603)	( 6,579)	( 4,551)	-	( 106,984)
Disposals – Cost	-	( 2,152)	-	( 15)	-	-	( 2,167)
– Accumulated depreciation	-	2,095	-	13	-	-	2,108
Net currency exchange differences	( 21,426)	( 18,402)	( 72)	( 697)	( 2,688)	( 34,988)	( 78,273)
At March 31	<u>\$ 2,076,848</u>	<u>\$ 1,288,372</u>	<u>\$ 5,078</u>	<u>\$ 53,544</u>	<u>\$ 49,487</u>	<u>\$ 1,681,554</u>	<u>\$ 5,154,883</u>
<u>March 31, 2017</u>							
Cost	\$ 2,925,700	\$ 4,850,975	\$ 28,134	\$ 210,167	\$ 147,646	\$ 1,681,554	\$ 9,844,176
Accumulated depreciation	( 848,852)	( 3,547,963)	( 23,056)	( 156,623)	( 98,159)	-	( 4,674,653)
Accumulated impairment	-	( 14,640)	-	-	-	-	( 14,640)
	<u>\$ 2,076,848</u>	<u>\$ 1,288,372</u>	<u>\$ 5,078</u>	<u>\$ 53,544</u>	<u>\$ 49,487</u>	<u>\$ 1,681,554</u>	<u>\$ 5,154,883</u>

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

	For the three-month periods ended March 31,	
	2018	2017
Amount capitalised	\$ -	\$ 8,143
Interest rate	-	4.35% ~ 4.85%

- B. Information about reversal of impairment and impairment loss on property, plant and equipment is provided in Note 6(9).

- C. As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group has not pledged any property, plant and equipment as collateral.

(8) LONG-TERM PREPAID RENT

	March 31, 2018	December 31, 2017	March 31, 2017
Land use right	\$ 79,645	\$ 79,009	\$ 77,421

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 \$469 and \$460 for the three-month periods ended March 31, 2018 and 2017, respectively (listed as "General and administrative expenses").

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Group reversed the impairment loss amounting to \$187 and \$— for the three-month periods ended March 31, 2018 and 2017, 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(7).

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

Segments	For the three-month periods ended March 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
ScinoPharm Taiwan	\$ 187	\$ -	\$ -	\$ -

(10) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>March 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 336,887</u>	2.40% ~ 4.79%	None

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

<u>Type of borrowings</u>	<u>March 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 931,956</u>	4.35% ~ 4.57%	None

Please refer to Note 6(22) for interest expense recognised in profit or loss for the three-month periods ended March 31, 2017 and 2018,

(11) OTHER PAYABLES

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accrued salaries and bonuses	\$ 114,562	\$ 126,492	\$ 165,930
Payables on equipment	40,153	54,326	35,355
Others	232,248	169,299	167,018
	<u>\$ 386,963</u>	<u>\$ 350,117</u>	<u>\$ 368,303</u>

(12) LONG-TERM BORROWINGS

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>March 31, 2018</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 303,421 thousand 6.14.2016 ~ 6.14.2019	\$ 1,407,230	4.50% ~ 4.85%	Guaranteed by the Company
Less: Current portion		( 222,618)		
		<u>\$ 1,184,612</u>		

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

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>March 31, 2017</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 172,924 thousands 6.14.2016~ 6.14.2019	\$ 761,525	4.85%	Guaranteed by the Company
Less: Current portion		( 30,461)		
		<u>\$ 731,064</u>		

(13) PENSIONS

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.

- (a) The pension costs under the aforementioned defined benefit pension plan of the Company for the three-month periods ended March 31, 2018 and 2017 were \$564 and \$659, respectively.
- (b) As of March 31, 2018, the Company's expected contributions to the pension plan for the next annual reporting period amounted to \$2,938.

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 three-month periods ended March 31, 2018 and 2017, the pension costs recognised under the aforementioned defined contribution pension plans were \$7,990 and \$7,972, respectively.

(14) SHARE CAPITAL

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
At January 1 and March 31	<u>790,739</u>	<u>760,326</u>

B. On June 27, 2017, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalisation of retained earnings of \$304,130 and obtained approval from the SFC. The effective date of capitalisation was set on August 18, 2017. After the capitalisation mentioned above, the Company's total authorised 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.

C. As of March 31, 2018, the Company's authorised 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.

(15) 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:

	<u>For the three-month period ended March 31, 2018</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1,235,148	\$ 51,724	\$ 1,286,872
Employee stock options compensation cost			
- Company	-	2,007	2,007
At March 31	<u>\$ 1,235,148</u>	<u>\$ 53,731</u>	<u>\$ 1,288,879</u>

	<u>For the three-month period ended March 31, 2017</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1,233,286	\$ 42,374	\$ 1,275,660
Employee stock options compensation cost			
- Company	-	3,458	3,458
- Subsidiaries	-	18	18
At March 31	<u>\$ 1,233,286</u>	<u>\$ 45,850</u>	<u>\$ 1,279,136</u>

(16) 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 March 31, 2018, 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 \$2,007 and \$3,476 for the three-month periods ended March 31, 2018 and 2017, respectively.

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

	<u>For the three-month period ended March 31, 2018</u>	
	<u>Number of options (in thousand units)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the period	3,075	\$ 46.53
Options forfeited	( 62)	76.54
Options outstanding at end of the period	<u>3,013</u>	46.03
Options exercisable at end of the period	<u>1,146</u>	80.20

  

	<u>For the three-month periods ended March 31, 2017</u>	
	<u>Number of options (in thousand units)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the period	3,457	\$ 48.03
Options forfeited	( 145)	44.38
Options outstanding at end of the period	<u>3,312</u>	48.23
Options exercisable at end of the period	<u>497</u>	80.20

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

<u>Grant date</u>	<u>Expiry date</u>	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
		<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>	<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>
12.3.2013	12.2.2023	572	\$ 77.10	624	\$ 77.10
11.6.2015	11.5.2025	1,147	38.50	1,147	38.50
10.14.2016	10.13.2026	1,294	39.00	1,304	39.00

<u>Grant date</u>	<u>Expiry date</u>	<u>March 31, 2017</u>	
		<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>
12.3.2013	12.2.2023	659	\$ 80.20
11.6.2015	11.5.2025	1,241	40.00
10.14.2016	10.13.2026	1,412	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.

#### (17) 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. 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. Such dividend payable is not included in this consolidated financial report.

(18) OTHER EQUITY ITEMS

	<u>For the three-month period ended March 31, 2018</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 19,765)	\$ -	(\$ 19,765)
Adjustments under IFRS9	-	148,475	148,475
Balance after adjustment as of January 1	( 19,765)	148,475	128,710
Currency translation differences - group	13,927	-	13,927
At March 31	<u>(\$ 5,838)</u>	<u>\$ 148,475</u>	<u>\$ 142,637</u>

  

	<u>For the three-month period ended March 31, 2017</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 3,454)	\$ -	(\$ 3,454)
Currency translation differences - group	( 43,158)	-	( 43,158)
At March 31	<u>(\$ 46,612)</u>	<u>\$ -</u>	<u>(\$ 46,612)</u>

(19) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

<u>For the three-month period ended March 31, 2018</u>	<u>API Revenue</u>	<u>Technical Servical Revenue</u>	<u>Other Operating Revenue</u>	<u>Total</u>
Timing of revenue recognition:				
At a point in time	\$ 837,243	\$ -	\$ -	\$ 837,243
Over time	-	18,390	5,654	24,044
	<u>\$ 837,243</u>	<u>\$ 18,390</u>	<u>\$ 5,654</u>	<u>\$ 861,287</u>

B. The Group has recognised contract liabilities related to the contract revenue from advance customer payment of \$71,614 on March 31, 2018.

C. The revenue recognised that was included in the contract liability balance (listed as “Advance receipts”) at the beginning of the period amounted to \$2,181.

D. Related disclosures on operating revenue for the three-month period ended March 31, 2018 are

provided in Note 12(5).

(20) OTHER INCOME

	For the three-month periods ended March 31,	
	2018	2017
Interest income	\$ 7,082	\$ 5,584
Reversal of provision for doubtful accounts	-	617
Others	2,950	3,668
	<u>\$ 10,032</u>	<u>\$ 9,869</u>

(21) OTHER GAINS AND LOSSES

	For the three-month periods ended March 31,	
	2018	2017
Net gain on financial assets/liabilities at fair value through profit or loss	\$ 596	\$ 12,097
Loss on disposal of property, plant and equipment	-	( 59)
Gain on reversal of impairment loss	187	-
Net currency exchange loss	( 17,774)	( 35,116)
Miscellaneous	( 4,613)	( 3,737)
	<u>(\$ 21,604)</u>	<u>(\$ 26,815)</u>

(22) FINANCE COSTS

	For the three-month periods ended March 31,	
	2018	2017
Interest expense:		
Bank loans	\$ 19,624	\$ 20,242
Less: Capitalisation of qualifying assets	-	( 8,143)
	<u>\$ 19,624</u>	<u>\$ 12,099</u>

(23) EXPENSES BY NATURE

	For the three-month period ended March 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 102,215	\$ 89,530	\$ 191,745
Depreciation	70,315	29,532	99,847
Amortisation	1,010	1,558	2,568
	<u>\$ 173,540</u>	<u>\$ 120,620</u>	<u>\$ 294,160</u>

  

	For the three-month period ended March 31, 2017		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 114,102	\$ 103,058	\$ 217,160
Depreciation	73,222	33,762	106,984
Amortisation	1,112	1,029	2,141
	<u>\$ 188,436</u>	<u>\$ 137,849</u>	<u>\$ 326,285</u>

(24) EMPLOYEE BENEFIT EXPENSES

	For the three-month period ended March 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 85,507	\$ 76,216	\$ 161,723
Labor and health insurance expenses	7,610	5,147	12,757
Pension costs	5,223	3,331	8,554
Other personnel expenses	3,875	4,836	8,711
	<u>\$ 102,215</u>	<u>\$ 89,530</u>	<u>\$ 191,745</u>

  

	For the three-month period ended March 31, 2017		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 96,732	\$ 90,019	\$ 186,751
Labor and health insurance expenses	7,683	4,812	12,495
Pension costs	5,398	3,233	8,631
Other personnel expenses	4,289	4,994	9,283
	<u>\$ 114,102</u>	<u>\$ 103,058</u>	<u>\$ 217,160</u>

- 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 three-month periods ended March 31, 2018 and 2017, the employees' compensation was accrued at \$9,013 and \$20,646, respectively, while the directors' remuneration was accrued at \$2,439 and \$3,062, 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.

The actual amounts approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2017 were \$48,877 and \$7,608 which are the same as the estimated amounts in the 2017 financial statements. The employees' compensation and directors' remuneration for 2017 have not yet been distributed as of March 31, 2018.

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.

(25) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Current income tax:		
Income tax in current period	\$ 37,497	\$ 39,934
Under provision of prior year's income tax	<u>1,206</u>	<u>-</u>
Total current tax	<u>38,703</u>	<u>39,934</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 21,355)	( 17,824)
Impact of change in tax rate	<u>( 62,617)</u>	<u>-</u>
Total deferred tax	<u>( 83,972)</u>	<u>( 17,824)</u>
Income tax (benefit) expense	<u>(\$ 45,269)</u>	<u>\$ 22,110</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Impact of change in tax rate	<u>(\$ 96)</u>	<u>\$ -</u>

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of May 4, 2018.

C. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate and recognised in profit or loss or other comprehensive income based on the nature of temporary differences.



- A. 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.
- B. For the three-month periods ended March 31, 2018 and 2017, some abovementioned stock options issued are anti-dilutive; therefore they were not included in the EPS calculation.

(27) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Purchase of property, plant and equipment	\$ 2,311	\$ 125,985
Add: Beginning balance of payable on equipment (listed as "Other payables")	54,326	89,009
Less: Ending balance of payable on equipment (listed as "Other payables")	( 40,153)	( 35,355)
Capitalisation of interest	<u>-</u>	<u>( 8,143)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 16,484</u>	<u>\$ 171,496</u>

B. Investing activities with no cash flow effects:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 29,130</u>	<u>\$ 5,316</u>

(28) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term	Long-term	Liabilities from
	borrowings	borrowings	financing activities- gross
At January 1, 2018	\$ 374,713	\$ 1,317,218	\$ 1,691,931
activities	( 42,024)	71,055	29,031
rate	<u>4,198</u>	<u>18,957</u>	<u>23,155</u>
At March 31, 2018	<u>\$ 336,887</u>	<u>\$ 1,407,230</u>	<u>\$ 1,744,117</u>

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Management service fees:		
— Ultimate parent company	\$ 1,282	\$ 1,282

(4) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 11,713	\$ 15,889
Share-based payments	631	1,039
Post-employment benefits	124	164
Termination benefits	364	363
	<u>\$ 12,832</u>	<u>\$ 17,455</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>	<u>Purpose of collateral</u>
Time deposits (Note)	\$ 29,270	\$ 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 March 31, 2018, December 31, 2017 and March 31, 2017, the Group's unused letters of credit amounted to \$—, \$4,952 and \$39,889, respectively.

(2) As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group's remaining balance due for construction in progress and prepayments for equipment was \$112,151, \$132,783 and \$222,214, 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 \$5,894 and \$5,569 (listed as “operating costs” and “operating expenses”) was recognised in profit or loss for the three-month periods ended March 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Within one year	\$ 23,577	\$ 23,577	\$ 20,420
Later than one year but not exceeding five years	94,308	94,308	-
Later than five years	<u>351,692</u>	<u>357,586</u>	<u>-</u>
	<u>\$ 469,577</u>	<u>\$ 475,471</u>	<u>\$ 20,420</u>

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

	<u>Nature</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	<u>\$ 2,568,248</u>	<u>\$ 2,543,275</u>	<u>\$ 1,541,338</u>

As of March 31, 2018, December 31, 2017 and March 31, 2017, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$1,407,230, \$1,317,219 and \$761,525, respectively.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: None.

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. Financial instruments

For details of the Group’s financial instruments by category, please refer to Note 6 and 12(4) .

B. 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.

(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) Information about derivative financial instruments that are used to hedge financial risk are provided in Note 6(2).

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 the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, 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, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- (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:

	March 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,572	29.105	\$ 656,958
EUR:NTD	367	35.87	13,164
CNY:NTD	60	4.638	278
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,648	29.105	135,280
EUR:NTD	735	35.87	26,364
CNY:NTD	495	4.638	2,296

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

March 31, 2017				
	Foreign currency		Book value	
	amount (in thousands)	Exchange rate	(NTD)	
(Foreign currency functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 23,686	30.33	\$	718,396
EUR:NTD	300	32.43		9,729
CNY:NTD	99	4.404		436
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1,211	30.33		36,730
EUR:NTD	50	32.43		1,622
CNY:NTD	446	4.404		1,964

(iv) As of March 31, 2018 and 2017, 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 three-month periods ended March 31, 2018 and 2017 would increase/decrease by \$20,867 and \$34,083, 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 three-month periods ended March 31, 2018 and 2017 would increase/decrease by \$528 and \$405, 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 three-month periods ended March 31, 2018 and 2017 would increase/decrease by \$81 and \$76, 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 three-month periods

ended March 31, 2018 and 2017 amounted to \$17,774 and \$35,116, respectively.

## II. Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets (listed as "financial assets carried at cost - non-current"). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and set stop-loss amounts for these instruments. The Group expects no significant market risk.

## III. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates and exposes the Group to cash flow interest rate risk. During the three-month periods ended March 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in USD and CNY.

(ii) The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii) If the borrowing interest rates had increased/decreased by 10% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2018 and 2017 would have increased/decreased by \$361 and \$1,026, respectively. The main factor is that changes in interest expense result from 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

III. The Group adopts the following assumption under IFRS 9: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

IV. The Group manages its credit risk, whereby if the contract payments are past due over 180 days based on the terms, there has been impairment.

V. The Group classifies customer's accounts receivable in accordance with credit rating of customer and credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss, and use the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the three-month period ended March 31, 2018</u>
At January 1	\$ 130
Reversal of impairment	( 54)
At March 31	<u>\$ 76</u>

VI. Credit risk information for 2017 is provided in Note 12(4).

(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 \$5,042,558, \$2,974,463 and \$5,258,455 as of March 31, 2018, December 31, 2017 and March 31, 2017, 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.

<u>March 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 345,839	\$ -	\$ -	\$ -
Notes payable	306	-	-	-
Accounts payable	78,020	-	-	-
Other payables	386,963	-	-	-
Long-term borrowings	286,233	1,195,945	-	-
Guarantee deposits received	-	1,713	-	-

<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
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	-	-
<u>March 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 939,214	\$ -	\$ -	\$ -
Notes payable	44,443	-	-	-
Accounts payable	97,289	-	-	-
Other payables	368,303	-	-	-
Long-term borrowings	67,055	154,876	615,369	-
Guarantee deposits received	1,706	-	-	-

(3) Fair value estimation

A. 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. A market 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. The fair value of the Group's investment in equity investment without active market is included in Level 3

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost - current, accounts receivable, other receivables, guarantee deposits paid, other financial assets - non-current, short-term borrowings, notes payable, accounts payable, other payable, long - term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 658	\$ -	\$ 658
Financial assets at fair value through other comprehensive income				
Equity securities	-	297,217	242,355	539,572
	<u>\$ -</u>	<u>\$ 297,875</u>	<u>\$ 242,355</u>	<u>\$ 540,230</u>
<u>March 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward foreign contracts	<u>\$ -</u>	<u>\$ 3,201</u>	<u>\$ -</u>	<u>\$ 3,201</u>

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 three-month periods ended March 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- F. For the three-month period ended March 31, 2018, the movement of Level 3 held by the Group is immaterial.
- G. The Group's valuation procedures for fair value measurements is categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in

line with other resources and represented as the exercisable price, and frequently assess to make any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 242,355	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. If the net assets value increased or decreased by 10% for Level 3, however, other comprehensive income for the three-month period ended March 31, 2018 is immaterial.

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted in the first quarter of 2017:

(a) Financial assets at fair value through profit or loss

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

(i) Hybrid (combined) contracts; or

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

or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. 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.

(b) 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. They 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 without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(c) Available for sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They 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 carried at cost'.

(d) Impairment of financial assets

- i. 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.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (i) Significant financial difficulty of the issuer or debtor;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) 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;
  - (iv) 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;

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

iii. 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:

(i) Financial assets carried 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.

(ii) Financial assets 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.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

Under IFRS 9, financial assets carried at cost amounting to \$391,097 were not held for the purpose of trading, and the Group has made an irrevocable election to reclassify as "Financial assets at fair value through other comprehensive income" amounting to \$539,572, and increased other equity interest in the amount of \$148,475.

C. The significant accounts as of December 31, 2017 and March 31, 2017 are as follows:

(a) Financial assets at fair value through profit or loss

Items	December 31, 2017	March 31, 2017
Current items:		
Financial assets held for trading		
Non-hedging derivatives	\$ -	\$ 3,201

i. The Group recognised net gain of \$12,097 on financial assets held for trading (listed as "Other gains and losses") for the three-month period ended March 31, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as

follows (Unit in thousand of currencies indicated):

Item	March 31, 2017	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 9,680	2.2017~6.2017

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.

iii. As of December 31, 2017 and March 31, 2017, no financial assets at fair value through profit or loss held by the Group were pledged to others.

(b) Financial assets carried at cost - non-current

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

i. 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 carried at cost".

ii. As of December 31, 2017 and March 31, 2017, no financial assets carried at cost held by the Group were pledged to others.

D. Credit risk information as of December 31, 2017 and March 31, 2017 and first quarter of 2017 are as follows:

(a) As of December 31, 2017 and March 31, 2017, 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 three-month period ended March 31, 2017	
	Group provision	
At January 1	\$	647
Reversal for impairment (NOTE)	(	617)
Effects of exchange rate	(	6)
At March 31	\$	<u>24</u>

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 counterparties' industrial characteristics, business scale and profitability.
- (d) 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 analysing 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 utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents outstanding receivables. The Group also transacts with many different banks and financial institutions to diversity risk.
- (e) For the three-month period ended March 31, 2017, no credit limits were exceeded during the reporting periods.

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the first quarter of 2017 are set out below.

(a) Sales of goods

The Group manufactures and sells API and 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 technology development and research and development consulting. 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.

B. The revenue recognised by using above accounting policies for the first quarter of 2017 are as follows:

	<u>For the three-month period ended March 31, 2017</u>	
Sales revenue	\$	865,144
Less: Sales returns	(	42,470)
Technical services		<u>96,813</u>
	<u>\$</u>	<u>919,487</u>

C. If the Group continues adopting above accounting policies for the first quarter of 2018, the effect in balance sheets and statements of comprehensive income is immaterial.

### 13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the three-month period ended March 31, 2018.

#### (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: Please refer to table 4.
- 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: None.
- 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(2).
- 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) Segment information

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

	For the three-month period ended March 31, 2018			
	ScinoPharm	SciAnda (Changshu)	Others	Total
	Taiwan, Ltd.	Pharmaceuticals Ltd.		
Segment revenue	\$ 857,477	\$ 34,149	\$ 13,758	\$ 905,384
Revenue from internal customers	6,971	29,769	7,357	44,097
Revenue from external customers	850,506	4,380	6,401	861,287
Interest income	4,590	836	1,656	7,082
Depreciation and amortisation	73,540	28,872	3	102,415
Interest expense	156	19,468	-	19,624
Income (loss) from segment before income tax	188,227	( 94,358)	401	94,270
Segment assets	10,412,810	2,509,277	521,844	13,443,931
Other acquisition of non-current assets	23,429	2,765	-	26,194
Segment liabilities	684,653	1,925,819	70,551	2,681,023

	For the three-month period ended March 31, 2017			
	ScinoPharm	SciAnda (Changshu)	Others	Total
	Taiwan, Ltd.	Pharmaceuticals Ltd.		
Segment revenue	\$ 906,526	\$ 43,762	\$ 2,302	\$ 952,590
Revenue from internal customers	-	30,806	2,297	33,103
Revenue from external customers	906,526	12,956	5	919,487
Interest income	4,511	52	1,021	5,584
Depreciation and amortisation	91,289	17,813	23	109,125
Interest expense	22	12,077	-	12,099
Income (loss) from segment before income tax	260,254	( 62,270)	( 2,094)	195,890
Segment assets	10,335,835	2,338,286	432,019	13,106,140
Other acquisition of non-current assets	51,442	98,421	-	149,863
Segment liabilities	697,514	1,998,350	941	2,696,805

(3) 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 three-month periods ended March 31,	
	2018	2017
Reportable segments profit before income tax	\$ 93,869	\$ 197,984
Other segments income (loss) before income tax	401	( 2,094)
Internal segments transaction elimination	( 4,017)	( 3,651)
Profit before income tax	<u>\$ 90,253</u>	<u>\$ 192,239</u>

- 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:

	March 31, 2018	March 31, 2017
Assets of reportable segments	\$ 12,922,087	\$ 12,674,121
Assets of other operating segments	521,844	432,019
Internal segment transaction elimination	( 288,477)	( 253,082)
Total assets	<u>\$ 13,155,454</u>	<u>\$ 12,853,058</u>

- 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:

	March 31, 2018	March 31, 2017
Liabilities of reportable segments	\$ 2,610,472	\$ 2,695,864
Liabilities of other operating segments	70,551	941
Internal segment transaction elimination	( 242,821)	( 201,987)
Total liabilities	<u>\$ 2,438,202</u>	<u>\$ 2,494,818</u>

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the three-month period ended March 31, 2018

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		Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
														Item	Value			
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 231,894	\$ 231,894	\$ 231,894	2.00	2	\$ -	Additional operating capital and loan repayment	\$ -	-	\$ -	\$ -	\$ 428,211	\$ 428,211	-

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 1:4.638).

ScinoPharm Taiwan, Ltd. and Subsidiaries  
Provision of endorsements and guarantees to others  
For the three-month period ended March 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2018	Outstanding endorsement/ guarantee amount at March 31, 2018	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
		Relationship with the endorser/ guarantor (Note 1)	Company name											
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,717,252	\$ 2,568,248	\$ 2,568,248	\$ 1,407,230	\$ -	23.96%	\$ 10,717,252	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 1:4.638 ; USD:NTD 1:29.105).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

March 31, 2018

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2018			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
	Stocks:							
ScinoPharm Taiwan, Ltd.	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets at fair value through other comprehensive income - non - current	28,800,000	\$ 242,355	16.84%	\$ 242,355	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non - current	4,793,828	297,217	5.99%	297,217	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non - current	245,000	-	7.40%	-	—
	Structured Products:							
SciAnda (Changshu) Pharmaceuticals, Ltd.	Industrial and Commercial Bank of China, E- Principal-Guaranteed Products	—	Financial assets at amortised cost - current	-	205,556	-	-	—
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank (China) Co., Ltd. Structured Products	—	Financial assets at amortised cost - current	-	69,568	-	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in-capital

For the three-month period ended March 31, 2018

Table 4

Expressed in thousands of NTD

Investor	Type of securities	General ledger account	Name of the counter party	Relationship	Beginning balance		Addition		Disposal			Other increase(decrease)		Ending balance		
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain(loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Stocks:																
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	66,525	\$ 664,038	14,000	\$ 409,150	-	\$ -	\$ -	\$ -	-	(\$ 84,180)	80,525	\$ 989,008
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	-	260,930	-	409,150	-	-	-	-	-	( 86,622)	-	583,458

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

March 31, 2018

Table 5

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Balance as at March 31, 2018			Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount	Turnover rate	Amount	Action taken		
SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	An investee company of SPT International Ltd. accounted for under the equity method	Other receivables	\$ 232,036	—	\$ —	—	\$ —	—

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 March 31, 2018 (CNY:NTD 1:4.638).

ScinoPharm Taiwan, Ltd. and Subsidiaries  
Significant inter-company transactions during the reporting period  
For the three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transactions			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 26,958	Closes its accounts 90 days from the end of each month after acceptance	3%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	2,568,248	—	20%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	232,036	—	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 1:4.638).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the three-month period ended March 31, 2018

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Footnote
				Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 2,422,334	\$ 2,013,184	80,524,644	100.00	\$ 989,008	(\$ 94,089)	(\$ 98,106)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	89	9	9	Subsidiary

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China—Basic information

For the three-month period ended March 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee for the three-month period ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	\$ 116,420	(Note 1)	\$ 108,399	\$ -	\$ -	\$ 108,399	\$ 328	100%	\$ 328	\$ 428,211	\$ -	Subsidiary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	2,168,323	(Note 1)	1,760,853	407,470	-	2,168,323	( 94,358)	100%	( 94,358)	583,458	-	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	34,926	(Note 1)	34,926	-	-	34,926	87	100%	87	19,170	-	Subsidiary
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)</u>										
ScinoPharm Taiwan, Ltd.	\$ 2,347,275	\$ 2,347,275	\$ 6,430,351										

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 three-month period ended March 31, 2018 was based on audited financial statements of investee companies as of and for the three-month period ended March 31, 2018.

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 1:29.105).

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 three-month period ended March 31, 2018

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at March 31, 2018	%	Balance at March 31, 2018	Purpose	Maximum balance during the three-month period ended March 31, 2018	Balance at March 31, 2018	Interest rate	Interest during the three-month period ended March 31, 2018	Others (Note)
SciAnda (Changshu) Pharmaceuticals, Ltd.	(\$ 26,958)	(11%)	\$ -	-	\$ -	-	\$ 2,568,248	Secured financing amount	\$ -	\$ -	-	\$ -	-

Note: Only transactions over NT\$10 million are material.