

**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**JUNE 30, 2019 AND 2018**

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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 June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statement of changes in equity and of cash flows for the six-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 and supplementary disclosures of Note 13 were not reviewed by independent accountants. Those statements reflect total assets of \$738,404 thousand and \$1,031,435 thousand, constituting 5% and 8% of the consolidated total assets, and total liabilities of \$58,682 thousand and \$28,513 thousand, constituting 2% and 1% of the consolidated total liabilities as at June 30, 2019 and 2018, respectively, and total comprehensive loss of (\$54,748) thousand, (\$107,623) thousand, (\$95,129) thousand and (\$191,793) thousand, constituting 506%, (57%), (35%) and (56%) of the consolidated total comprehensive income

for the three-month and six-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 insignificant subsidiaries and supplementary disclosures of Note 13 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 June 30, 2019 and 2018, and its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month period 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

August 2, 2019

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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 June 30, 2019 and 2018 are reviewed, not audited)

Assets			June 30, 2019		December 31, 2018		June 30, 2018				
			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
Current assets											
1100	Cash and cash equivalents	6(1)	\$	4,533,737	33	\$	4,203,338	34	\$	4,017,339	30
1110	Financial assets at fair value through profit or loss - current	6(2)		1,602	-		409	-		-	-
1136	Financial assets at amortised cost - current	6(3)		180,929	1		178,615	1		275,065	2
1170	Accounts receivable, net	6(4) and 12		434,024	3		558,950	4		709,231	5
1200	Other receivables			91,105	1		104,021	1		195,395	2
130X	Inventories	5 and 6(5)		1,294,003	10		1,363,797	11		1,516,556	12
1410	Prepayments			141,344	1		97,037	1		131,167	1
1476	Other financial assets - current	8		-	-		-	-		6,240	-
11XX	Total current assets			6,676,744	49		6,506,167	52		6,850,993	52
Non-current assets											
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)		589,354	4		468,117	4		605,853	5
1600	Property, plant and equipment	6(7)(10)(28)		4,596,851	34		4,758,846	38		4,957,074	37
1755	Right-of-use assets	3(1) and 6(8)		966,657	7		-	-		-	-
1780	Intangible assets	6(7)(28)		18,626	-		16,753	-		20,570	-
1840	Deferred income tax assets	5 and 6(26)		603,288	5		593,103	5		604,722	4
1915	Prepayments for equipment	6(7)(28)		108,688	1		108,869	1		101,080	1
1920	Guarantee deposits paid			11,285	-		6,885	-		7,400	-
1980	Other financial assets - non-current	8		29,270	-		29,270	-		29,270	-
1985	Long-term prepaid rents	3(1) and 6(9)		-	-		75,318	-		78,535	1
15XX	Total non-current assets			6,924,019	51		6,057,161	48		6,404,504	48
1XXX	Total assets		\$	13,600,763	100	\$	12,563,328	100	\$	13,255,497	100

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**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity		Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)(29)	\$ 282,019	2	\$ 233,290	2	\$ 443,441	3
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	-	-	4,936	-
2130	Contract liabilities - current	6(20)	25,668	-	30,617	-	27,408	-
2150	Notes payable		1,810	-	1,148	-	1,779	
2170	Accounts payable		102,520	1	89,393	1	91,902	1
2200	Other payables	6(12)(28)	671,044	5	347,319	3	666,514	5
2230	Current income tax liabilities	6(26)	38,384	-	65,374	-	81,778	1
2280	Lease liabilities - current	3(1) and 6(29)	23,433	-	-	-	-	-
2320	Long-term liabilities, current portion	6(13)(29) and 9	-	-	1,178,503	9	1,336,086	10
21XX	Total current liabilities		1,144,878	8	1,945,644	15	2,653,844	20
Non-current liabilities								
2540	Long-term borrowings	6(13)(29) and 9	1,085,571	8	-	-	-	-
2570	Deferred income tax liabilities	6(26)	876	-	81	-	876	-
2580	Lease liabilities - non-current	3(1) and 6(29)	870,136	6	-	-	-	-
2640	Net defined benefit liabilities	6(14)	76,537	1	76,863	1	68,939	1
2645	Guarantee deposits received	6(29)	1,709	-	1,708	-	1,712	-
25XX	Total non-current liabilities		2,034,829	15	78,652	1	71,527	1
2XXX	Total liabilities		3,179,707	23	2,024,296	16	2,725,371	21
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(15)	7,907,392	58	7,907,392	63	7,907,392	60
3200	Capital surplus	6(16)(17)	1,293,857	9	1,292,555	10	1,290,908	9
	Retained earnings	6(18)						
3310	Legal reserve		612,600	5	568,302	4	568,302	4
3320	Special reserve		22,829	-	22,829	-	22,829	-
3350	Unappropriated earnings		412,178	3	708,338	6	538,736	4
3400	Other equity interest	6(19)	172,200	2	39,616	1	201,959	2
3XXX	Total equity		10,421,056	77	10,539,032	84	10,530,126	79
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		\$ 13,600,763	100	\$ 12,563,328	100	\$ 13,255,497	100

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

**SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(Reviewed, not audited)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(20)	\$ 617,573	100	\$ 985,607	100	\$ 1,389,618	100	\$ 1,846,894	100
5000 <b>Operating costs</b>	6(5)(24)(25) and 9	( 343,592)	( 56)	( 564,765)	( 57)	( 785,887)	( 56)	( 1,091,511)	( 59)
5900 <b>Net operating margin</b>		<u>273,981</u>	<u>44</u>	<u>420,842</u>	<u>43</u>	<u>603,731</u>	<u>44</u>	<u>755,383</u>	<u>41</u>
<b>Operating expenses</b>	6(9)(24)(25), 7, 9 and 12								
6100 Selling expenses		( 34,813)	( 5)	( 38,347)	( 4)	( 70,131)	( 5)	( 72,554)	( 4)
6200 General and administrative expenses		( 128,819)	( 21)	( 128,537)	( 13)	( 255,487)	( 19)	( 252,132)	( 14)
6300 Research and development expenses		( 48,798)	( 8)	( 93,909)	( 10)	( 99,108)	( 7)	( 149,253)	( 8)
6450 Gain on reversal of (expected credit losses)		45	-	( 195)	-	15	-	( 141)	-
6000 <b>Total operating expenses</b>		( 212,385)	( 34)	( 260,988)	( 27)	( 424,711)	( 31)	( 474,080)	( 26)
6900 <b>Operating profit</b>		<u>61,596</u>	<u>10</u>	<u>159,854</u>	<u>16</u>	<u>179,020</u>	<u>13</u>	<u>281,303</u>	<u>15</u>
<b>Non-operating income and expenses</b>									
7010 Other income	6(3)(21)	43,683	7	12,953	1	53,799	4	22,985	1
7020 Other gains and losses	6(2)(10)(22) and 12	( 23,138)	( 4)	6,264	1	( 28,024)	( 2)	( 15,340)	( 1)
7050 Finance costs	6(23)	( 18,948)	( 3)	( 21,038)	( 2)	( 37,625)	( 3)	( 40,662)	( 2)
7000 <b>Total non-operating income and expenses</b>		<u>1,597</u>	<u>-</u>	<u>( 1,821)</u>	<u>-</u>	<u>( 11,850)</u>	<u>( 1)</u>	<u>( 33,017)</u>	<u>( 2)</u>
7900 <b>Profit before income tax</b>		<u>63,193</u>	<u>10</u>	<u>158,033</u>	<u>16</u>	<u>167,170</u>	<u>12</u>	<u>248,286</u>	<u>13</u>
7950 Income tax (expense) benefit	6(26)	( 6,054)	( 1)	( 26,955)	( 3)	( 31,570)	( 2)	( 18,314)	( 1)
8200 <b>Profit for the period</b>		<u>\$ 57,139</u>	<u>9</u>	<u>\$ 131,078</u>	<u>13</u>	<u>\$ 135,600</u>	<u>10</u>	<u>\$ 266,600</u>	<u>14</u>
<b>Other comprehensive income</b>									
<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>									
8316 Unrealised (losses) gains from equity instrument measured at fair value through other comprehensive income	6(6)(19)	( \$ 56,871)	( 9)	\$ 66,281	7	\$ 121,237	8	\$ 66,281	4
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	-	-	-	-	-	-	96	-
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>									
8361 Financial statements translation differences of foreign operations	6(19)	( 11,082)	( 2)	( 6,959)	( 1)	11,347	1	6,968	-
8300 <b>Total other comprehensive (loss) income for the period</b>		<u>( \$ 67,953)</u>	<u>( 11)</u>	<u>\$ 59,322</u>	<u>6</u>	<u>\$ 132,584</u>	<u>9</u>	<u>\$ 73,345</u>	<u>4</u>
8500 <b>Total comprehensive (loss) income for the period</b>		<u>( \$ 10,814)</u>	<u>( 2)</u>	<u>\$ 190,400</u>	<u>19</u>	<u>\$ 268,184</u>	<u>19</u>	<u>\$ 339,945</u>	<u>18</u>
<b>Profit attributable to:</b>									
8610 Owners of the parent		<u>\$ 57,139</u>	<u>9</u>	<u>\$ 131,078</u>	<u>13</u>	<u>\$ 135,600</u>	<u>10</u>	<u>\$ 266,600</u>	<u>14</u>
<b>Comprehensive (loss) income attributable to:</b>									
8710 Owners of the parent		<u>( \$ 10,814)</u>	<u>( 2)</u>	<u>\$ 190,400</u>	<u>19</u>	<u>\$ 268,184</u>	<u>19</u>	<u>\$ 339,945</u>	<u>18</u>
<b>Earnings per share (in dollars)</b>	6(27)								
9750 <b>Basic</b>		\$ 0.07		\$ 0.17		\$ 0.17		\$ 0.34	
9850 <b>Diluted</b>		\$ 0.07		\$ 0.17		\$ 0.17		\$ 0.34	

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)

		Equity attributable to owners of the parent							
		Retained earnings					Other equity interest		
		Share capital - common stock	Capital reserve	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	Total equity
Notes									
For the six-month period ended June 30, 2018									
		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765 )	\$ -	\$ 10,417,225
Balance at January 1, 2018									
Effect on retrospective application and restatement	6(19)	-	-	-	-	-	-	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
Net income for the six-month period ended June 30, 2018		-	-	-	-	266,600	-	-	266,600
Other comprehensive income for the six-month period ended June 30, 2018	6(19)(26)	-	-	-	-	96	6,968	66,281	73,345
Total comprehensive income for the six-month period ended June 30, 2018		-	-	-	-	266,696	6,968	66,281	339,945
Distribution of 2017 net income:									
Legal reserve		-	-	42,237	-	( 42,237 )	-	-	-
Cash dividends	6(18)	-	-	-	-	( 379,555 )	-	-	( 379,555 )
Employee stock option compensation cost	6(16)(17)	-	4,036	-	-	-	-	-	4,036
Balance at June 30, 2018		\$ 7,907,392	\$ 1,290,908	\$ 568,302	\$ 22,829	\$ 538,736	(\$ 12,797 )	\$ 214,756	\$ 10,530,126
For the six-month period ended June 30, 2019									
Balance at January 1, 2019		\$ 7,907,392	\$ 1,292,555	\$ 568,302	\$ 22,829	\$ 708,338	(\$ 41,252 )	\$ 80,868	\$ 10,539,032
Net income for the six-month period ended June 30, 2019		-	-	-	-	135,600	-	-	135,600
Other comprehensive income for the six-month period ended June 30, 2019	6(19)	-	-	-	-	-	11,347	121,237	132,584
Total comprehensive income for the six-month period ended June 30, 2019		-	-	-	-	135,600	11,347	121,237	268,184
Distribution of 2018 net income:									
Legal reserve		-	-	44,298	-	( 44,298 )	-	-	-
Cash dividends	6(18)	-	-	-	-	( 387,462 )	-	-	( 387,462 )
Employee stock option compensation cost	6(16)(17)	-	1,302	-	-	-	-	-	1,302
Balance at June 30, 2019		\$ 7,907,392	\$ 1,293,857	\$ 612,600	\$ 22,829	\$ 412,178	(\$ 29,905 )	\$ 202,105	\$ 10,421,056

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 six-month periods ended June 30,	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 167,170	\$ 248,286
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on valuation of financial assets and liabilities		( 1,193 )	4,936
(Gain on reversal of) expected credit losses	12	( 15 )	141
(Reversal of allowance for) loss on inventory market price decline	6(5)	( 29,351 )	37,217
Provision for obsolescence of supplies		5,195	6,314
Depreciation of property, plant and equipment	6(7)(24)	190,703	201,767
Depreciation of right-of-use assets	6(8)(24)	9,933	-
Property, plant and equipment transferred to loss	6(7)	22,726	-
(Gain) loss on disposal of property, plant and equipment	6(22)	( 61 )	25
Gain on reversal of impairment loss	6(7)(10)(22)	-	( 221 )
Amortisation	6(24)	6,583	5,181
Prepayments for equipment transferred to loss		1,967	-
Amortisation of long-term prepaid rent	6(9)	-	945
Employee stock option compensation cost	6(16)(17)	1,302	4,036
Interest income	6(21)	( 19,349 )	( 15,628 )
Interest expense	6(23)	37,625	40,662
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		124,941	( 142,054 )
Other receivables		14,337	3,204
Inventories		97,395	121,315
Prepayments		( 49,303 )	( 23,118 )
Changes in operating liabilities			
Contract liabilities - current		( 4,949 )	( 1,488 )
Notes payable		662	618
Accounts payable		13,127	1,118
Other payables		( 54,259 )	( 48,444 )
Net defined benefit liabilities - non-current		( 326 )	( 373 )
Cash inflow generated from operations		534,860	444,439
Interest received		17,928	14,649
Interest paid		( 40,443 )	( 39,198 )
Income tax paid		( 67,950 )	( 49,467 )
Net cash flows from operating activities		444,395	370,423

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

	Notes	For the six-month periods ended June 30, 2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in financial assets at amortised cost		( \$ 456,587 )	( \$ 686,480 )
Proceeds from disposal of financial assets at amortised cost		456,587	411,415
Increase in other financial assets - current		-	( 6,240 )
Cash paid for acquisition of property, plant and equipment	6(28)	( 16,235 )	( 24,950 )
Proceeds from disposal of property, plant and equipment		172	-
Acquisition of intangible assets		( 1,827 )	( 2,330 )
Increase in prepayment for equipment		( 31,875 )	( 42,354 )
(Increase) decrease in guarantee deposits paid		( 4,400 )	1,779
Increase in other financial assets - non-current		-	( 439 )
Net cash flows used in investing activities		( 54,165 )	( 349,599 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(29)	47,410	64,884
Repayment of the principal portion of lease liabilities	6(29)	( 6,719 )	-
Increase in long-term borrowings	6(29)	1,094,640	94,788
Decrease in long-term borrowings	6(29)	( 1,203,744 )	( 83,550 )
Net cash flows (used in) from financing activities		( 68,413 )	76,122
Effect of foreign exchange rate changes		8,582	9,602
Net increase in cash and cash equivalents		330,399	106,548
Cash and cash equivalents at beginning of period	6(1)	4,203,338	3,910,791
Cash and cash equivalents at end of period	6(1)	\$ 4,533,737	\$ 4,017,339

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 SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018  
(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 August 2, 2019.

**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 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
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.

#### IFRS 16, 'Leases'

- A. 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.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively referred herein as the "IFRSs") effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use assets' by \$975,606, increased 'lease liabilities' by \$900,288 and decreased 'long-term prepaid rents' by \$75,318 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - i. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - ii. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - iii. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.13%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at	
December 31, 2018	\$ 457,057
Add: Adjustment as a result of a different treatment of extension	726,960
Less: Short-term leases	( 2,397)
Low-value assets	( 2,765)
Total lease contracts amount recognised as lease liabilities by applying	
IFRS 16 on January 1, 2019	<u>\$ 1,178,855</u>
Incremental borrowing interest rate at the date of initial application	<u>1.13%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 900,288</u>

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021

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

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

### (3) Basis of consolidation

#### A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and 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
			June 30, 2019	December 31, 2018	June 30, 2018	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	100.00	(Note)
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	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	100.00	(Note)
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale of self-produced products, etc.	100.00	100.00	100.00	(Note)
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	100.00	(Note)

Note: The financial statements of the entity as of and for the six-month periods ended June 30, 2019 and 2018 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 six-month periods ended June 30, 2019 and 2018. Total assets of these subsidiaries amounted to \$738,404 and \$1,031,435, representing 5% and 8% of the related consolidated totals, and total liabilities amounted to \$58,682 and \$28,513, representing 2% and 1% of the related consolidated totals, as of June 30, 2019 and 2018, respectively. Total comprehensive loss of these subsidiaries amounted to (\$54,748), (\$107,623), (\$95,129) and (\$191,793), constituting 506%, (57%), (35%) and (56%) of the related consolidated totals for the three-month and six-month periods ended June 30, 2019 and 2018, 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 capitalised.
- 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 ~ 5 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) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities (Effective 2019)

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments less any lease incentives receivable. The Group subsequently measures the lease liabilities at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost under the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee) (Prior to 2019)

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.

(18) 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.

(19) 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.

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

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

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) 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.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) 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.

#### (25) 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.

#### (26) 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 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. 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.
- G. 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.

(27) 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.

(28) 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.

(29) 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. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (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 rendered up 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. Incremental costs of obtaining a contract

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.

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

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

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

(a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. As the manufacturing process is relatively complicated and time 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. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, there might be material changes to the evaluation.

(b) As of June 30, 2019, the carrying amount of inventories was \$1,294,003.

B. Realisability of deferred income tax assets

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



(b) As of June 30, 2019, the Group recognised deferred income tax assets amounting to \$603,288.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) CASH AND CASH EQUIVALENTS

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash:			
Cash on hand	\$ 137	\$ 138	\$ 169
Checking accounts and demand deposits	<u>319,305</u>	<u>289,723</u>	<u>166,550</u>
	<u>319,442</u>	<u>289,861</u>	<u>166,719</u>
Cash equivalents:			
Time deposits	3,994,396	3,633,833	3,551,000
Bill under repurchase agreements	<u>219,899</u>	<u>279,644</u>	<u>299,620</u>
	<u>4,214,295</u>	<u>3,913,477</u>	<u>3,850,620</u>
	<u>\$ 4,533,737</u>	<u>\$ 4,203,338</u>	<u>\$ 4,017,339</u>

A. The Group transacts 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 - current" and "Other financial assets - non-current") as of June 30, 2019, December 31, 2018 and June 30, 2018 are provided in Note 8.

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

<u>Items</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current items:			
Financial assets (liabilities) mandatorily measured at fair value through profit or loss			
Derivatives	<u>\$ 1,602</u>	<u>\$ 409</u>	<u>(\$ 4,936)</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 4,620	\$ 4,620	\$ 4,620
Valuation adjustment	<u>( 4,620)</u>	<u>( 4,620)</u>	<u>( 4,620)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognised net (loss) gain of (\$2,980), (\$14,542), (\$6,233) and (\$13,946) on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

B. The Group entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below (Units in thousands of currencies indicated):

Items	June 30, 2019	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 5,535	5.2019~8.2019

  

Items	December 31, 2018	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 8,870	11.2018~2.2019

  

Items	June 30, 2018	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 9,880	5.2018~8.2018

The Group entered into forward foreign exchange 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 June 30, 2019, December 31, 2018 and June 30, 2018.

(3) FINANCIAL ASSETS AT AMORTISED COST - CURRENT

Items	June 30, 2019	December 31, 2018	June 30, 2018
Structured deposits	\$ 180,929	\$ 178,615	\$ 275,065

- A. The Group entered into structured deposits, which are guaranteed yield financial products, with financial institutions.
- B. The Group recognised interest income of \$1,486, \$2,419, \$3,231 and \$3,360 from financial assets at amortised cost for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.
- C. The Group has no financial assets at amortised cost pledged to others as of June 30, 2019, December 31, 2018 and June 30, 2018.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) ACCOUNTS RECEIVABLE, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	\$ 434,054	\$ 558,995	\$ 709,502
Less: Loss allowance	( 30)	( 45)	( 271)
	<u>\$ 434,024</u>	<u>\$ 558,950</u>	<u>\$ 709,231</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	\$ 393,331	\$ 520,461	\$ 553,488
Less than 30 days	38,097	34,841	146,315
Between 31 to 90 days	2,626	3,693	8,164
Between 91 to 180 days	-	-	1,535
	<u>\$ 434,054</u>	<u>\$ 558,995</u>	<u>\$ 709,502</u>

The above ageing analysis is based on past due date.

B. As of June 30, 2019 and 2018, accounts receivable was all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$567,448.

C. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group does not hold any collateral as security.

D. As at June 30, 2019, December 31, 2018 and June 30, 2018, 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 is the book value.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) INVENTORIES

June 30, 2019			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 350,345	(\$ 66,734)	\$ 283,611
Supplies	38,339	( 4,802)	33,537
Work in process	498,427	( 110,429)	387,998
Finished goods	904,789	( 315,932)	588,857
	<u>\$ 1,791,900</u>	<u>(\$ 497,897)</u>	<u>\$ 1,294,003</u>
December 31, 2018			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 291,883	(\$ 73,595)	\$ 218,288
Supplies	40,159	( 3,790)	36,369
Work in process	689,639	( 160,350)	529,289
Finished goods	867,614	( 287,763)	579,851
	<u>\$ 1,889,295</u>	<u>(\$ 525,498)</u>	<u>\$ 1,363,797</u>
June 30, 2018			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 452,744	(\$ 108,731)	\$ 344,013
Supplies	44,059	( 2,711)	41,348
Work in process	711,632	( 204,870)	506,762
Finished goods	899,687	( 275,254)	624,433
	<u>\$ 2,108,122</u>	<u>(\$ 591,566)</u>	<u>\$ 1,516,556</u>

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

	For the three-month periods ended June 30,	
	2019	2018
Cost of goods sold	\$ 258,326	\$ 467,083
Loss on physical inventory	456	284
Loss on inventory scrap	90	299
Under applied manufacturing overhead	84,464	57,301
(Reversal of allowance for) loss on inventory		
market price decline (Note)	( 15,830)	20,110
Revenue from sale of scraps	( 515)	-
Total cost of goods sold	<u>\$ 326,991</u>	<u>\$ 545,077</u>
	For the six-month periods ended June 30,	
	2019	2018
Cost of goods sold	\$ 599,368	\$ 892,352
Loss on physical inventory	648	1,755
Loss on inventory scrap	90	535
Under applied manufacturing overhead	172,775	130,039
(Reversal of allowance for) loss on inventory		
market price decline (Note)	( 29,351)	37,217
Revenue from sale of scraps	( 7,444)	-
Total cost of goods sold	<u>\$ 736,086</u>	<u>\$ 1,061,898</u>

Note: The Group reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold because certain inventory which were previously provided with allowance were again utilised in production.

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Equity instruments			
Listed stocks	\$ 219,576	\$ 219,576	\$ 223,424
Unlisted stocks	<u>167,673</u>	<u>167,673</u>	<u>167,673</u>
	387,249	387,249	391,097
Valuation adjustment	<u>202,105</u>	<u>80,868</u>	<u>214,756</u>
	<u>\$ 589,354</u>	<u>\$ 468,117</u>	<u>\$ 605,853</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 is the book value as at June 30, 2019, December 31, 2018 and June 30, 2018.

- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	For the three-month periods ended June 30,	
	2019	2018
Fair value change recognised in other comprehensive income	(\$ <u>56,871</u> )	\$ <u>66,281</u>
Equity instruments at fair value through other comprehensive income	For the six-month periods ended June 30,	
	2019	2018
Fair value change recognised in other comprehensive income	\$ <u>121,237</u>	\$ <u>66,281</u>

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of June 30, 2019, December 31, 2018 and June 30, 2018.

(7) PROPERTY, PLANT AND EQUIPMENT

						Construction in progress and equipment before acceptance	
	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	inspection	Total
<u>January 1, 2019</u>							
Cost	\$ 3,521,175	\$ 5,147,057	\$ 26,668	\$ 219,135	\$ 152,211	\$ 1,056,179	\$ 10,122,425
Accumulated depreciation	( 1,103,014)	( 3,922,795)	( 24,393)	( 186,675)	( 118,076)	-	( 5,354,953)
Accumulated impairment	-	( 8,577)	-	( 34)	( 15)	-	( 8,626)
	<u>\$ 2,418,161</u>	<u>\$ 1,215,685</u>	<u>\$ 2,275</u>	<u>\$ 32,426</u>	<u>\$ 34,120</u>	<u>\$ 1,056,179</u>	<u>\$ 4,758,846</u>
<u>For the six-month period ended</u>							
<u>June 30, 2019</u>							
At January 1	\$ 2,418,161	\$ 1,215,685	\$ 2,275	\$ 32,426	\$ 34,120	\$ 1,056,179	\$ 4,758,846
Additions	1,450	721	-	926	-	6,477	9,574
Reclassified from prepayments for equipment	-	-	-	-	-	30,283	30,283
Reclassified upon completion	6,590	42,803	-	4,806	-	( 54,199)	-
Transferred to intangible assets	-	-	-	-	-	( 6,500)	( 6,500)
Transferred to loss (Note)	-	-	-	-	-	( 22,726)	( 22,726)
Depreciation charge	( 73,758)	( 106,216)	( 837)	( 6,479)	( 3,413)	-	( 190,703)
Disposals — Cost	-	( 11,461)	( 936)	( 11,891)	( 23)	-	( 24,311)
— Accumulated depreciation	-	11,461	843	11,860	21	-	24,185
— Accumulated impairment	-	-	-	15	-	-	15
Net currency exchange differences	11,573	6,060	10	105	447	( 7)	18,188
At June 30	<u>\$ 2,364,016</u>	<u>\$ 1,159,053</u>	<u>\$ 1,355</u>	<u>\$ 31,768</u>	<u>\$ 31,152</u>	<u>\$ 1,009,507</u>	<u>\$ 4,596,851</u>
<u>June 30, 2019</u>							
Cost	\$ 3,542,305	\$ 5,187,340	\$ 25,842	\$ 213,712	\$ 154,109	\$ 1,009,507	\$ 10,132,815
Accumulated depreciation	( 1,178,289)	( 4,019,710)	( 24,487)	( 181,925)	( 122,942)	-	( 5,527,353)
Accumulated impairment	-	( 8,577)	-	( 19)	( 15)	-	( 8,611)
	<u>\$ 2,364,016</u>	<u>\$ 1,159,053</u>	<u>\$ 1,355</u>	<u>\$ 31,768</u>	<u>\$ 31,152</u>	<u>\$ 1,009,507</u>	<u>\$ 4,596,851</u>

						Construction in progress and equipment before acceptance inspection	
	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment		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 six-month period ended June 30, 2018</u>							
At January 1	\$ 2,577,534	\$ 1,363,451	\$ 3,289	\$ 42,680	\$ 42,403	\$ 1,059,356	\$ 5,088,713
Additions	-	1,083	-	-	-	7,689	8,772
Reclassified from prepayments for equipment	-	-	-	-	-	52,282	52,282
Reclassified upon completion	2,457	49,955	341	4,959	2,540	( 60,252)	-
Depreciation charge	( 74,229)	( 111,542)	( 865)	( 9,036)	( 6,095)	-	( 201,767)
Disposals—Cost	-	( 551)	-	( 353)	-	-	( 904)
— Accumulated depreciation	-	551	-	328	-	-	879
Gain on reversal of impairment loss	-	221	-	-	-	-	221
Net currency exchange differences	5,670	2,869	5	71	264	( 1)	8,878
At June 30	<u>\$ 2,511,432</u>	<u>\$ 1,306,037</u>	<u>\$ 2,770</u>	<u>\$ 38,649</u>	<u>\$ 39,112</u>	<u>\$ 1,059,074</u>	<u>\$ 4,957,074</u>
<u>June 30, 2018</u>							
Cost	\$ 3,544,358	\$ 5,138,897	\$ 27,573	\$ 219,210	\$ 157,791	\$ 1,059,074	\$ 10,146,903
Accumulated depreciation	( 1,032,926)	( 3,822,182)	( 24,803)	( 180,561)	( 118,679)	-	( 5,179,151)
Accumulated impairment	-	( 10,678)	-	-	-	-	( 10,678)
	<u>\$ 2,511,432</u>	<u>\$ 1,306,037</u>	<u>\$ 2,770</u>	<u>\$ 38,649</u>	<u>\$ 39,112</u>	<u>\$ 1,059,074</u>	<u>\$ 4,957,074</u>

Note : The Group did not accept the customized equipment ordered from the vender as its format and efficiency did not meet expectations. In April 2019, the two sides reached a consensus. The vendor refunded and terminated the purchase of equipment and the Group will transfer the balance of the related construction in progress and equipment before acceptance inspection to loss.

- A. The Group has not capitalised borrowing costs as part of property, plant and equipment for the three-month and six-month periods ended June 30, 2019 and 2018.
- B. The Group's property, plant and equipment were owner-occupied.
- C. Information about impairment loss and reversal of impairment on property, plant and equipment is provided in Note 6(10).
- D. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group has not pledged any property, plant and equipment as collateral.

(8) Leasing arrangements — lessee (Effective 2019)

- A. The Group leases land. Rental contracts are typically made for periods of 20 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less pertain to office premises and low-value assets pertain to multi-function printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	June 30, 2019	For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
	Carrying amount	Depreciation charge	Depreciation charge
Land	\$ 966,657	\$ 4,966	\$ 9,933

- D. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,531	\$ 5,071
Expense on short-term lease contracts	1,315	2,622
Expense on leases of low-value assets	227	422

- F. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases was \$14,854.



(9) LONG-TERM PREPAID RENT (Prior to 2019)

	December 31, 2018	June 30, 2018
Land use right	\$ 75,318	\$ 78,535

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 \$476 and \$945 for the three-month and six-month period ended June 30, 2018 (listed as "General and administrative expenses").

(10) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Group recognised the reversal of impairment loss amounting to \$ —, \$34, \$ — and \$221 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively (listed as "Other gains and losses") as some of the idle machineries were again utilised 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:

For the three-month periods ended June 30,				
	2019		2018	
	Recognised in other		Recognised in other	
Segments	profit or loss	comprehensive income	profit or loss	comprehensive income
ScinoPharm Taiwan	\$ -	\$ -	\$ 34	\$ -
SciAnda (Changshu)	15	-	-	-
	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ -</u>
For the six-month periods ended June 30,				
	2019		2018	
	Recognised in other		Recognised in other	
Segments	profit or loss	comprehensive income	profit or loss	comprehensive income
ScinoPharm Taiwan	\$ -	\$ -	\$ 221	\$ -
SciAnda (Changshu)	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ -</u>

(11) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>June 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>282,019</u>	4.35%	None

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>233,290</u>	3.17% ~ 4.35%	None

<u>Type of borrowings</u>	<u>June 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>443,441</u>	2.66% ~ 4.79%	None

Please refer to Note 6(23) for interest expense recognised in profit or loss for the three-month and six-month periods ended June 30, 2019 and 2018.

(12) OTHER PAYABLES

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accrued salaries and bonuses	\$ 69,478	\$ 79,971	\$ 69,932
Accrued employees' compensation and directors' remuneration	18,974	54,605	29,614
Payables on equipment	34,756	41,417	38,148
Cash dividends payable	387,462	-	379,555
Others	160,374	171,326	149,265
	<u>\$ 671,044</u>	<u>\$ 347,319</u>	<u>\$ 666,514</u>

(13) LONG-TERM BORROWINGS

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>June 30, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 240,000 thousand 6.13.2019 ~ 7.12.2020	<u>\$ 1,085,571</u>	4.35%	Guaranteed by the Company

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>December 31, 2018</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 263,921 thousand 6.14.2016~ 12.7.2019	\$ 1,178,503	4.60%~4.85%	Guaranteed by the Company
Less: Current portion		( <u>1,178,503</u> )		
		<u>\$ -</u>		

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>June 30, 2018</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 290,421 thousand 6.14.2016~ 6.14.2019	\$ 1,336,086	4.50%~4.85%	Guaranteed by the Company
Less: Current portion		( <u>1,336,086</u> )		
		<u>\$ -</u>		

Please refer to Note 6(23) for interest expense recognised in profit or loss for the three-month and six-month periods ended June 30, 2019 and 2018.

#### (14) 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 and six-month periods ended June 30, 2019 and 2018 were \$587, \$564, \$1,174 and \$1,128, respectively.
  - (b) As of June 30, 2019, the Company's expected contributions to the pension plan for the next annual reporting period amounted to \$3,066.
- 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 and six-month periods ended June 30, 2019 and 2018, the pension costs recognised under the aforementioned defined contribution pension plans were \$7,664, \$7,650, \$15,382 and \$15,640, respectively.

#### (15) SHARE CAPITAL

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

	For the six-month periods ended June 30,	
	2019	2018
At January 1 and June 30	790,739	790,739

- B. As of June 30, 2019, 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.

(16) 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 capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

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

	For the six-month period ended June 30, 2019		
	Share premium	Stock options	Total
At January 1	\$ 1,237,787	\$ 54,768	\$ 1,292,555
Employee stock options compensation cost			
- Company	-	1,302	1,302
At June 30	<u>\$ 1,237,787</u>	<u>\$ 56,070</u>	<u>\$ 1,293,857</u>

	For the six-month period ended June 30, 2018		
	Share premium	Stock options	Total
At January 1	\$ 1,235,148	\$ 51,724	\$ 1,286,872
Employee stock options compensation cost			
- Company	-	4,036	4,036
At June 30	<u>\$ 1,235,148</u>	<u>\$ 55,760</u>	<u>\$ 1,290,908</u>

(17) 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 June 30, 2019, 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 \$75.90 (in dollars) per share, \$37.90 (in dollars) per share and \$38.40 (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 \$654, \$2,029, \$1,302 and \$4,036 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

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

		For the six-month period ended June 30, 2019	
		Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period		2,725	\$ 46.08
Options forfeited	(	139)	51.10
Options outstanding at end of the period		2,586	45.81
Options exercisable at end of the period		1,796	53.90

  

		For the six-month period ended June 30, 2018	
		Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period		3,075	\$ 46.53
Options forfeited	(	73)	71.16
Options outstanding at end of the period		3,002	46.05
Options exercisable at end of the period		1,146	57.77

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

		June 30, 2019		December 31, 2018	
<u>Grant date</u>	<u>Expiry date</u>	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	524	\$ 75.90	572	\$ 75.90
11.6.2015	11.5.2025	721	37.90	1,037	37.90
10.14.2016	10.13.2026	551	38.40	1,116	38.40

  

		June 30, 2018	
<u>Grant date</u>	<u>Expiry date</u>	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	572	\$ 77.10
11.6.2015	11.5.2025	1,147	38.50
10.14.2016	10.13.2026	1,283	39.00

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 annualised volatility is 28.50%, 37.63% and 37.20%, respectively.

#### (18) RETAINED EARNINGS

- A. Pursuant to the amended 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 distribution of the reserve is limited to the portion in 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 distributed to owners amounting to \$379,555 (\$0.48 (in dollars) per share) for the year ended December 31, 2018. On June 27, 2019, the Board of Directors proposed for the distribution of cash dividends of \$387,462 (\$0.49 (in dollars) per share) for the year 2018.

(19) OTHER EQUITY ITEMS

For the six-month period ended June 30, 2019			
Unrealised gain (loss)			
	Currency translation	on valuation	Total
At January 1	(\$ 41,252)	\$ 80,868	\$ 39,616
Revaluation	-	121,237	121,237
Currency translation differences			
- group	11,347	-	11,347
At June 30	(\$ 29,905)	\$ 202,105	\$ 172,200

  

For the six-month period ended June 30, 2018			
Unrealised gain (loss)			
	Currency translation	on valuation	Total
At January 1	(\$ 19,765)	\$ -	(\$ 19,765)
Effect on retrospective application and restatement	-	148,475	148,475
Balance after restatement on January 1	( 19,765)	148,475	128,710
Revaluation	-	66,281	66,281
Currency translation differences			
- group	6,968	-	6,968
At June 30	(\$ 12,797)	\$ 214,756	\$ 201,959

(20) 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:

For the three-month period ended	API	Technical	Other	
June 30, 2019	Revenue	Servical	Operating	Total
		Revenue	Revenue	
Timing of revenue recognition:				
At a point in time	\$ 575,266	\$ -	\$ -	\$ 575,266
Over time	-	37,126	5,181	42,307
	<u>\$ 575,266</u>	<u>\$ 37,126</u>	<u>\$ 5,181</u>	<u>\$ 617,573</u>



For the three-month period ended June 30, 2018	API Revenue	Technical Servical Revenue	Other Operating Revenue	Total
Timing of revenue recognition:				
At a point in time	\$ 933,201	\$ -	\$ -	\$ 933,201
Over time	-	40,951	11,455	52,406
	<u>\$ 933,201</u>	<u>\$ 40,951</u>	<u>\$ 11,455</u>	<u>\$ 985,607</u>
For the six-month period ended June 30, 2019	API Revenue	Technical Servical Revenue	Other Operating Revenue	Total
Timing of revenue recognition:				
At a point in time	\$ 1,309,115	\$ -	\$ -	\$ 1,309,115
Over time	-	57,504	22,999	80,503
	<u>\$ 1,309,115</u>	<u>\$ 57,504</u>	<u>\$ 22,999</u>	<u>\$ 1,389,618</u>
For the six-month period ended June 30, 2018	API Revenue	Technical Servical Revenue	Other Operating Revenue	Total
Timing of revenue recognition:				
At a point in time	\$ 1,770,444	\$ -	\$ -	\$ 1,770,444
Over time	-	59,341	17,109	76,450
	<u>\$ 1,770,444</u>	<u>\$ 59,341</u>	<u>\$ 17,109</u>	<u>\$ 1,846,894</u>

B. The Group has recognised contract liabilities related to the contract revenue from advance customer payment of \$25,668, \$27,408 and \$28,896 on June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

C. The revenue recognised that was included in the contract liability balance at the beginning of the period amounted to \$5,580, \$3,873, \$15,234 and \$6,054 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

(21) OTHER INCOME

	For the three-month periods ended June 30,	
	2019	2018
Interest income	\$ 11,034	\$ 8,546
Others	32,649	4,407
	<u>\$ 43,683</u>	<u>\$ 12,953</u>

	For the six-month periods ended June 30,	
	2019	2018
Interest income	\$ 19,349	\$ 15,628
Others	34,450	7,357
	<u>\$ 53,799</u>	<u>\$ 22,985</u>

(22) OTHER GAINS AND LOSSES

	For the three-month periods ended June 30,	
	2019	2018
Net loss on financial assets/liabilities at fair value through profit or loss	(\$ 2,980)	(\$ 14,542)
Loss on disposal of property, plant and equipment	( 45)	( 25)
Gain on reversal of impairment loss	15	34
Net currency exchange gain	8,829	23,582
Miscellaneous	( 28,957)	( 2,785)
	<u>(\$ 23,138)</u>	<u>\$ 6,264</u>

	For the six-month periods ended June 30,	
	2019	2018
Net loss on financial assets/liabilities at fair value through profit or loss	(\$ 6,233)	(\$ 13,946)
Gain (loss) on disposal of property, plant and equipment	61	( 25)
Gain on reversal of impairment loss	-	221
Net currency exchange gain	9,855	5,808
Miscellaneous	( 31,707)	( 7,398)
	<u>(\$ 28,024)</u>	<u>(\$ 15,340)</u>

(23) FINANCE COSTS

	For the three-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank loans	\$ 16,417	\$ 21,038
Interest on lease liabilities	2,531	-
	<u>\$ 18,948</u>	<u>\$ 21,038</u>

	For the six-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank loans	\$ 32,554	\$ 40,662
Interest on lease liabilities	5,071	-
	<u>\$ 37,625</u>	<u>\$ 40,662</u>

(24) EXPENSES BY NATURE

	For the three-month period ended June 30, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 107,708	\$ 75,556	\$ 183,264
Depreciation of property, plant and equipment	69,022	26,228	95,250
Depreciation of right-of-use assets	-	4,966	4,966
Amortisation	1,081	2,186	3,267
	<u>\$ 177,811</u>	<u>\$ 108,936</u>	<u>\$ 286,747</u>

	For the three-month period ended June 30, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 110,091	\$ 90,860	\$ 200,951
Depreciation of property, plant and equipment	72,178	29,742	101,920
Amortisation	939	1,674	2,613
	<u>\$ 183,208</u>	<u>\$ 122,276</u>	<u>\$ 305,484</u>

	For the six-month period ended June 30, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 212,442	\$ 156,937	\$ 369,379
Depreciation of property, plant and equipment	137,372	53,331	190,703
Depreciation of right-of-use assets	-	9,933	9,933
Amortisation	2,186	4,397	6,583
	<u>\$ 352,000</u>	<u>\$ 224,598</u>	<u>\$ 576,598</u>

	For the six-month period ended June 30, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 212,306	\$ 180,390	\$ 392,696
Depreciation of property, plant and equipment	142,493	59,274	201,767
Amortisation	1,949	3,232	5,181
	<u>\$ 356,748</u>	<u>\$ 242,896</u>	<u>\$ 599,644</u>

(25) EMPLOYEE BENEFIT EXPENSES

For the three-month period ended June 30, 2019			
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 90,511	\$ 63,423	\$ 153,934
Labor and health insurance expenses	8,119	5,250	13,369
Pension costs	5,173	3,078	8,251
Other personnel expenses	3,905	3,805	7,710
	<u>\$ 107,708</u>	<u>\$ 75,556</u>	<u>\$ 183,264</u>

For the three-month period ended June 30, 2018			
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 93,990	\$ 76,920	\$ 170,910
Labor and health insurance expenses	7,357	5,283	12,640
Pension costs	4,869	3,345	8,214
Other personnel expenses	3,875	5,312	9,187
	<u>\$ 110,091</u>	<u>\$ 90,860</u>	<u>\$ 200,951</u>

For the six-month period ended June 30, 2019			
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 178,347	\$ 129,991	\$ 308,338
Labor and health insurance expenses	15,980	9,967	25,947
Pension costs	10,359	6,197	16,556
Other personnel expenses	7,756	10,782	18,538
	<u>\$ 212,442</u>	<u>\$ 156,937</u>	<u>\$ 369,379</u>

For the six-month period ended June 30, 2018			
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 179,497	\$ 153,136	\$ 332,633
Labor and health insurance expenses	14,967	10,430	25,397
Pension costs	10,092	6,676	16,768
Other personnel expenses	7,750	10,148	17,898
	<u>\$ 212,306</u>	<u>\$ 180,390</u>	<u>\$ 392,696</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, 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 and six-month periods ended June 30, 2019 and 2018, the employees' compensation was accrued at \$6,217, \$15,802, \$16,533 and \$24,815, respectively, while the directors' remuneration was accrued at \$1,029, \$2,360, \$2,441 and \$4,799, 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 2018 were \$46,765 and \$7,840, respectively which are the same as the estimated amounts in the 2018 financial statements. 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.

(26) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended June 30,	
	2019	2018
Current income tax:		
Income tax in current year	\$ 9,038	\$ 45,541
Tax on unappropriated retained earnings	227	84
Over provision of prior year's income tax	( 3,902)	( 2,462)
Total current tax	<u>5,363</u>	<u>43,163</u>
Deferred income tax:		
Origination and reversal of temporary differences	691	( 16,208)
Income tax expense	<u>\$ 6,054</u>	<u>\$ 26,955</u>

  

	For the six-month periods ended June 30,	
	2019	2018
Current income tax:		
Income tax in current year	\$ 41,017	\$ 83,038
Tax on unappropriated retained earnings	227	84
Over provision of prior year's income tax	( 284)	( 1,256)
Total current tax	<u>40,960</u>	<u>81,866</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 9,390)	( 37,563)
Impact of change in tax rate	-	( 62,617)
Total deferred tax	<u>( 9,390)</u>	<u>( 100,180)</u>
Income tax expense (benefit)	<u>\$ 31,570</u>	<u>\$ 18,314</u>

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

	For the three-month periods ended June 30,	
	2019	2018
Impact of change in tax rate	\$ -	\$ -
	For the six-month periods ended June 30,	
	2019	2018
Impact of change in tax rate	\$ -	(\$ 96)

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of August 2, 2019.

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.

(27) EARNINGS PER SHARE ("EPS")

	For the three-month period ended June 30, 2019		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 57,139	790,739	\$ 0.07
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 57,139	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	598	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 57,139	791,337	\$ 0.07

For the three-month period ended June 30, 2018			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 131,078	790,739	\$ 0.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 131,078	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	767	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 131,078	791,506	\$ 0.17

For the six-month period ended June 30, 2019			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 135,600	790,739	\$ 0.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 135,600	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	2,258	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 135,600	792,997	\$ 0.17

For the six-month period ended June 30, 2018			
		Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 266,600	790,739	\$ 0.34
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 266,600	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,378	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 266,600	792,117	\$ 0.34

For the three-month and six-month periods ended June 30, 2019 and 2018, some abovementioned stock options issued are anti-dilutive; therefore they were not included in the EPS calculation.

(28) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2019	2018
Purchase of property, plant and equipment	\$ 9,574	\$ 8,772
Add: Beginning balance of payable on equipment (listed as "Other payables")	41,417	54,326
Less: Ending balance of payable on equipment (listed as "Other payables")	(34,756)	(38,148)
Cash paid for acquisition of property, plant and equipment	\$ 16,235	\$ 24,950

B. Investing activities and financing activities with no cash flow effects:

	For the six-month periods ended June 30,	
	2019	2018
(a) Prepayments for equipment reclassified to property, plant and equipment	\$ 30,283	\$ 52,282
(b) Property, plant and equipment reclassified to intangible assets	\$ 6,500	\$ -
(c) Cash dividends distribution	\$ 387,462	\$ 379,555



(29) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2019	\$ 233,290	\$ -	\$ 1,178,503	\$ 1,708	\$ 1,413,501
Effect on retrospective application and restatement	-	900,288	-	-	900,288
Changes in cash flow from financing activities	47,410	( 6,719)	( 109,104)	-	( 68,413)
Impact of changes in foreign exchange rate	<u>1,319</u>	<u>-</u>	<u>16,172</u>	<u>1</u>	<u>17,492</u>
At June 30, 2019	<u>\$ 282,019</u>	<u>\$893,569</u>	<u>\$ 1,085,571</u>	<u>\$ 1,709</u>	<u>\$ 2,262,868</u>

  

	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	\$ 374,713	\$ -	\$ 1,317,218	\$ 1,712	\$ 1,693,643
Changes in cash flow from financing activities	64,884	-	11,238	-	76,122
Impact of changes in foreign exchange rate	<u>3,844</u>	<u>-</u>	<u>7,630</u>	<u>-</u>	<u>11,474</u>
At June 30, 2018	<u>\$ 443,441</u>	<u>\$ -</u>	<u>\$ 1,336,086</u>	<u>\$ 1,712</u>	<u>\$ 1,781,239</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 Securities Corp.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

Other expenses

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Management service fees:		
— Ultimate parent company	\$ 3,563	\$ 1,666
— Associate of ultimate parent company	<u>357</u>	<u>536</u>
	<u>\$ 3,920</u>	<u>\$ 2,202</u>

	For the six-month periods ended June 30,	
	2019	2018
Management service fees:		
— Ultimate parent company	\$ 4,801	\$ 2,948
— Associate of ultimate parent company	887	1,055
	<u>\$ 5,688</u>	<u>\$ 4,003</u>

(4) Key management compensation

	For the three-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 10,716	\$ 12,724
Share-based payments	113	638
Post-employment benefits	179	125
Termination benefits	368	690
	<u>\$ 11,376</u>	<u>\$ 14,177</u>

	For the six-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 21,790	\$ 24,437
Share-based payments	225	1,269
Post-employment benefits	333	249
Termination benefits	735	1,054
	<u>\$ 23,083</u>	<u>\$ 27,009</u>

8. PLEDGED ASSETS

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

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Purpose of collateral
Time deposits (Note)	<u>\$ 29,270</u>	<u>\$ 29,270</u>	<u>\$ 35,510</u>	Customs duty and performance

Note: Listed as "Other financial assets - current" and "Other financial assets - non-current".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's unused letters of credit amounted to \$ —, \$3,571 and \$5,470, respectively.
- (2) As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's remaining balance due for construction in progress and prepayments for equipment was \$44,394, \$102,016 and \$104,179, 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 covering a 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. In addition, the Group entered into operating lease agreement for the office and personal computer in 1~4 years. 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 \$5,895 and \$11,789 (listed as “operating costs” and “operating expenses”) was recognised in profit or loss for the three-month and six-month period ended June 30, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Within one year	\$ 27,704	\$ 23,577
Later than one year but not exceeding five years	95,325	94,308
Later than five years	<u>334,028</u>	<u>345,798</u>
	<u>\$ 457,057</u>	<u>\$ 463,683</u>

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

	<u>Nature</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing	<u>\$ 3,413,542</u>	<u>\$ 2,499,643</u>	<u>\$ 2,563,452</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$1,085,571, \$1,178,504 and \$1,336,086, 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.

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:

	June 30, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 27,600	31.06	\$ 857,256
CNY:NTD	122	4.523	552
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,346	31.06	103,927
EUR:NTD	57	35.38	2,017
CNY:NTD	555	4.523	2,510

December 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	\$ 28,219	30.715	\$ 866,747
EUR:NTD	50	35.20	1,760
CNY:NTD	102	4.465	455
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,764	30.715	115,611
EUR:NTD	84	35.20	2,957
CNY:NTD	505	4.465	2,255

June 30, 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	\$ 23,818	30.46	\$ 725,496
EUR:NTD	169	35.40	5,983
CNY:NTD	60	4.601	276
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	9,207	30.46	280,445
EUR:NTD	50	35.40	1,770

(iv) As of June 30, 2019 and 2018, 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 six-month periods ended June 30, 2019 and 2018 would increase/decrease by \$30,133 and \$17,802, respectively. If the NTD:EUR and NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Group's net profit after tax for the six-month periods ended June 30, 2019 and 2018 is immaterial.

(v) Total exchange gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2019 and 2018 amounted to \$8,829, \$23,582, \$9,855 and \$5,808, 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 six-month periods ended June 30, 2019 and 2018, 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 six-month periods ended June 30, 2019 and 2018 would have increased/decreased by \$418 and \$466, 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 customers' 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:

	For the six-month periods ended June 30,	
	2019	2018
At January 1	\$ 45	\$ 130
(Gain on reversal of) expected credit losses	(15)	141
At June 30	<u>\$ 30</u>	<u>\$ 271</u>

(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 \$6,615,259, \$5,519,200 and \$5,022,182 as of June 30, 2019, December 31, 2018 and June 30, 2018, 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 analysed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analysed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

June 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 290,480	\$ -	\$ -	\$ -
Notes payable	1,810	-	-	-
Accounts payable	102,520	-	-	-
Other payables	671,044	-	-	-
Long-term borrowings	-	1,137,385	-	-
Leased liabilities	23,577	23,577	70,731	1,049,181
Guarantee deposits received	-	1,709	-	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 235,348	\$ -	\$ -	\$ -
Notes payable	1,148	-	-	-
Accounts payable	89,393	-	-	-
Other payables	347,319	-	-	-
Long-term borrowings	1,204,844	-	-	-
Guarantee deposits received	-	1,708	-	-
June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 450,493	\$ -	\$ -	\$ -
Notes payable	1,779	-	-	-
Accounts payable	91,902	-	-	-
Other payables	666,514	-	-	-
Long-term borrowings	1,397,902	-	-	-
Guarantee deposits received	-	1,712	-	-
Derivative financial liabilities:				
Forward exchange contracts	4,936	-	-	-

(3) Fair value information

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. The fair value of the Group's investment in listed stocks is included in Level 1.

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 payables, 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>June 30, 2019</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	\$ -	\$ 1,602	\$ -	\$ 1,602
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 355,230	\$ -	\$ 234,124	\$ 589,354
<u>December 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	\$ -	\$ 409	\$ -	\$ 409
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 268,071	\$ -	\$ 200,046	\$ 468,117
<u>June 30, 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 other comprehensive income				
Equity securities	\$ 279,001	\$ -	\$ 326,852	\$ 605,853
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 4,936	\$ -	\$ 4,936

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

- (a) The instruments the Group used market quoted prices as its fair values (that is, Level 1) is listed below by characteristics:

Market quoted price	<u>Listed shares</u> Closing price
---------------------	---------------------------------------

- (b) 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.
- (c) 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.
- (d) Forward foreign exchange contracts are usually valued based on the current forward exchange rate.
- E. For the six-month periods ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the six-month periods ended June 30, 2019 and 2018:

	For the six-month periods ended June 30,	
	2019	2018
	Equity instrument	Equity instrument
At January 1	\$ 200,046	\$ -
Effect on retrospective application and restatement	-	242,355
Balance after restatement on January 1	200,046	242,355
Gain recognised in other comprehensive income	34,078	84,497
At June 30	<u>\$ 234,124</u>	<u>\$ 326,852</u>

- G. The Group's valuation procedures for fair value measurements is categorised 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 June 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 234,124	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 200,046	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

	Fair value at June 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 326,852	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 1% for Level 3, however, the effect on other comprehensive income for the six-month period ended June 30, 2019 is immaterial.

### 13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the six-month period ended June 30, 2019.

#### (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: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- 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 7.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 2 and 6.

### 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 six-month period ended June 30, 2019				
	ScinoPharm	SciAnda (Changshu)		
	Taiwan, Ltd.	Pharmaceuticals Ltd.	Others	Total
Segment revenue	\$ 1,353,966	\$ 220,233	\$ 13,300	\$ 1,587,499
Revenue from internal customers	4,944	184,928	8,009	197,881
Revenue from external customers	1,349,022	35,305	5,291	1,389,618
Interest income	15,190	182	3,977	19,349
Depreciation and amortisation	149,296	57,903	20	207,219
Interest expense	5,092	32,533	-	37,625
Income (loss) from segment before income tax	271,793	(102,658)	3,646	172,781
Segment assets	11,587,672	1,881,036	453,327	13,922,035
Other acquisition of non-current assets	33,443	9,526	307	43,276
Segment liabilities	1,817,049	1,614,558	2,252	3,433,859

For the six-month period ended June 30, 2018				
	ScinoPharm	SciAnda (Changshu)		
	Taiwan, Ltd.	Pharmaceuticals Ltd.	Others	Total
Segment revenue	\$ 1,830,780	\$ 113,893	\$ 18,251	\$ 1,962,924
Revenue from internal customers	6,986	97,257	11,787	116,030
Revenue from external customers	1,823,794	16,636	6,464	1,846,894
Interest income	9,383	3,124	3,121	15,628
Depreciation and amortisation	146,960	59,985	3	206,948
Interest expense	1,445	39,217	-	40,662
Income (loss) from segment before income tax	446,916	(188,437)	1,207	259,686
Segment assets	10,816,532	2,403,653	449,515	13,669,700
Other acquisition of non-current assets	47,005	6,451	-	53,456
Segment liabilities	1,167,879	1,917,620	1,036	3,086,535

(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 six-month periods ended June 30,	
	2019	2018
Reportable segments profit before income tax	\$ 169,135	\$ 258,479
Other segments income before income tax	3,646	1,207
Internal segments transaction elimination	( 5,611)	( 11,400)
Profit before income tax	<u>\$ 167,170</u>	<u>\$ 248,286</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:

	June 30, 2019	June 30, 2018
Assets of reportable segments	\$ 13,468,708	\$ 13,220,185
Assets of other operating segments	453,327	449,515
Internal segment transaction elimination	( 321,272)	( 414,203)
Total assets	<u>\$ 13,600,763</u>	<u>\$ 13,255,497</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:

	June 30, 2019	June 30, 2018
Liabilities of reportable segments	\$ 3,431,607	\$ 3,085,499
Liabilities of other operating segments	2,252	1,036
Internal segment transaction elimination	( 254,152)	( 361,164)
Total liabilities	<u>\$ 3,179,707</u>	<u>\$ 2,725,371</u>

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the six-month period ended June 30, 2019

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
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 275,242	\$ 180,929	\$ 180,929	3.0%	2	\$ -	Additional operating capital and loan repayment	\$ -	—	\$ -	\$ 430,410	\$ 430,410	—

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 1:4.523).

ScinoPharm Taiwan, Ltd. and Subsidiaries  
Provision of endorsements and guarantees to others  
For the six-month period ended June 30, 2019

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser/ guarantor ( Note 1 )	Limit on endorsements/ guarantees provided for a single party ( Note 2 )	Maximum outstanding endorsement/ guarantee amount as of June 30, 2019	Outstanding endorsement/ guarantee amount at June 30, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided ( Note 2 )	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	SciNoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,421,056	\$ 5,489,008	\$ 3,413,542	\$ 1,085,571	\$ -	32.76%	\$ 10,421,056	Y	N	Y	—

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

1.A company in which the Company directly and indirectly holds 50% of the voting shares.

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 1:4.523 ; USD:NTD 1:31.06).



ScinoPharm Taiwan, Ltd. and Subsidiaries

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

June 30, 2019

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	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	\$ 234,124	16.84%	\$ 234,124	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,711,269	355,230	4.70%	355,230	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non-current	245,000	-	7.40%	-	—
	Structured Products:							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank (China) Co., Ltd. Structured Products	—	Financial assets at amortised cost - current	-	180,929	-	-	—

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 six-month period ended June 30, 2019

Table 4

Expressed in thousands of NTD

					Beginning balance		Addition		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of the counterparty	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
SciAnda (Kunshan) Biochemical Technology, Ltd.	Structured Products: Fubon Bank (China) Co., Ltd. Structured Products	Financial assets at amortised cost - current	—	—	-	\$ 178,615	-	\$ 456,587	-	\$ 460,664	(\$ 456,587)	\$ 4,077	-	\$ 2,314	-	\$ 180,929

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the six-month period ended June 30, 2019

Table 5

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
ScinoPharmTaiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidiary	Purchases	\$ 183,251	47%	Closes its accounts 90 days from the end of each month after acceptance	\$ -	—	\$ 60,472	(37%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	( 183,251)	(83%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	60,472	93%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

June 30, 2019

Table 6

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount		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	\$ 181,079	—	\$ —	—	\$ —	\$ —

Note : Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and subsequent collections were translated using the exchange rate as at June 30, 2019 (CNY:NTD 1:4.523).

ScinoPharm Taiwan, Ltd. and Subsidiaries  
Significant inter-company transactions during the reporting period  
For the six-month period ended June 30, 2019

Table 7

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	\$ 183,251	Closes its accounts 90 days from the end of each month after acceptance	13%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	60,472	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	3,413,542	—	25%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	181,079	—	1%

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 1:4.523 ; USD:NTD 1:31.06).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the six-month period ended June 30, 2019

Table 8

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 2,501,095	\$ 2,501,095	80,524,644	100.00	\$ 650,323	(\$ 100,867)	(\$ 106,477)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	110	13	13	Subsidiary

Note : Initial investment amount in the table that involves foreign currencies are expressed in New Taiwan Dollars according to exchange rate posted on the date of consolidated financial statements (USD: NTD 1:31.06).

ScinoPharm Taiwan, Ltd. and Subsidiaries  
Information on investments in Mainland China—Basic information  
For the six-month period ended June 30, 2019

Table 9

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	\$ 124,240	(Note 1)	\$ 115,680	\$ -	\$ -	\$ 115,680	\$ 2,536	100%	\$ 2,536	\$ 430,410	\$ -	Subsidiary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	2,313,970	(Note 1)	2,313,970	-	-	2,313,970	( 102,658)	100%	( 102,658)	266,478	-	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	37,272	(Note 1)	37,272	-	-	37,272	( 726)	100%	( 726)	16,806	-	Subsidiary
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019</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.	\$ 2,504,943	\$ 2,504,943	\$ 6,252,634										

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.

Note 2: The investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 was based on unreviewed financial statements of investee companies as of and for the six-month period ended June 30, 2019.

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 1:31.06).