

ScinoPharm Taiwan, Ltd.

2018 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I Letter to Shareholders

Dear Shareholders:

The competition in the global pharmaceutical market is still fierce, and the consolidation between various types of pharmaceutical companies in the world continues to increase. ScinoPharm effectively leverages its existing competitive advantages and accurately grasps market development trend to formulate a more flexible sales strategy that will enable ScinoPharm to maintain its operating stability in the turbulent atmosphere of the market. At the same time, ScinoPharm also increases the intensity of internal control to continuously optimize the process, accurately calculate its costs and expenses, comprehensively assess the appropriateness of resource allocation, and strive to overcome the impact on its revenue due to unclear market prospects and uncertainties.

In 2018, the company's consolidated annual revenue was NT\$3.524 billion, the net profit after tax was NT\$443 million, and the after-tax earnings per share was NT\$0.56. By the end of 2018, the company's paid-in capital was NT\$7.907 billion, shareholders' equity was NT\$10.54 billion, accounting for 84% of total assets of NT\$12.56 billion. The long-term capital was 2.23 times that of the fixed assets, with the current ratio of 3.34. The financial structure was stable and sound.

Working toward the goal of becoming a full-scale pharmaceutical company

From the overall performance of the previous year, the APIs for the Generic Drug still account for more than 60% of the performance. Some APIs for the Generic Drug include: the APIs for the colorectal cancer drugs that continue to have demand and increasing demand for other anti-cancer APIs, which makes up for the impact of the reduction in demand for Paclitaxel. Meanwhile, the importance of the Japanese market is increased and its performance has slightly eased the sales pressure brought by other markets. In the business of CDMO, the overall performance is good, as there has been improvement in the ratio of the total revenue. At the end of 2017, the customer's new antibiotic drug, Baxdela™, was approved by the U.S. FDA as a new antibiotic drug product launch for treatment of infectious diseases. Last year, it became an important product for ScinoPharm, as it brought in considerable revenue for ScinoPharm. Besides, as the shipment of intermediate products for clinical use continues, it also helps to stabilize its overall sales.

In recent years, it has been effective for ScinoPharm to engage in the business of making injectable formulations based on the Generic Drug. The anti-blood cancer generic drug developed in cooperation with a major pharmaceutical company, Sagent, has received an approval and thereby been ready for sale in the United States at the beginning of last year. It has become the first injectable formulation product to bring in a profit. Regarding another self-developed anticoagulant product that used the highly difficult synthetic technology, Fondaparinux Sodium, ScinoPharm had signed a deal and authorized an Indian International pharmaceutical company to sell the product. This product has officially obtained regulatory approval in the US. It is expected that in addition to sales in the US, this product will be sold in emerging markets, and it is expected that ScinoPharm will further expand its sales network in the future.

Strengthening internal control and accelerates the strategic deployment

ScinoPharm continues to reasonably accelerate the process of product development by optimizing the process, controlling the costs and improving the management efficiency. And ScinoPharm also actively cooperates with global strategic partners to accelerate its transformation into a differential pharmaceutical company of special dosage forms. At the same time, ScinoPharm also actively expands the business of CDMO for its customers and improves the utilization of its capacity. The self-built injectable plant adopts a quality-oriented and diversified production method. ScinoPharm will complete the registration batch according to the scheduled time, send out the self-produced ANDA injection products, and drive the Taiwan FDA to conduct on-site inspection to in turn drive up its revenue.

ScinoPharm has also achieved fruitful results in establishing its own technologies. ScinoPharm obtained a total of 805 drug master files (DMFs) worldwide by the end of 2018. 60 DMFs were registered in the United States, and up to 31 DMFs were about anti-cancer products. The patent applications have also yielded fruitful results. A total of 61 inventions have obtained 361 patents worldwide, and a total of 81 patent applications for its inventions are under review.

Mastering the competitive advantages of ScinoPharm (Changshu) and actively seeking international strategic partners

As China accelerates the reform of the pharmaceutical system and actively seeks to fully integrate with advanced countries on the institutional level, it is also sufficient to show China's emphasis on drug review. Under the huge changes on the regulatory level, ScinoPharm's subsidiary in Jiangsu, ScinoPharm (Changshu), is still not as fast as expected in terms of its business progress. Last year, ScinoPharm (Changshu) re-examined and constructed different development plans and conducted internal mobilization. At present, it also actively excludes uncertain factors in the development process and gradually achieves the staged goals in line with the Company's expectations. In the short-term, ScinoPharm (Changshu) will work hard to develop projects that can increase capacity utilization. ScinoPharm will also explore international strategic partners that can combine the competitive advantages of both parties, seek more business opportunities in CDMO, and strive to accelerate the pace of operation of ScinoPharm (Changshu).

Inheriting high standards of quality management and setting off to realize the corporate philosophy of pursuing excellence

Setting off a manufacturer of the APIs for the anti-cancer drug, ScinoPharm has strictly abided by international cGMP manufacturing specifications for more than 20 years and used its strengths to provide the high-quality APIs, and has been repeatedly recognized by the authorities of pharmaceutical affairs in Taiwan, Europe, America and Japan through field inspections. Last year, for the 2nd time, it successfully passed the GMP field inspections by the Pharmaceuticals and Medical Devices Agency (PMDA) as an Independent Administrative Corporation in Japan, and for the 5th time, passed the field inspection by the Mexican Authority of Pharmaceutical Affairs (COFEPRIS), which served as an important indicator of ScinoPharm's quality assurance. ScinoPharm has always been committed to improving corporate governance while assuming the corporate social responsibility (CSR). Last year, ScinoPharm obtained Taiwan's "2018 Excellence in CSR Award" by CommonWealth Magazine, which affirmed ScinoPharm's performance in corporate commitment, social participation, environmental protection and corporate governance. In the same year, in the 4th corporate governance evaluation by the Taiwan Stock Exchange, it was one of the top 5% listed companies, and also the only biotech company among the top 5% listed companies.

Pursuing for excellence and emphasizing the professional management attitude

Since its establishment, ScinoPharm Taiwan has established its reputation in the international anti-cancer API market with its rigorous attitude and professional ability. It has rich experience and the ability to provide high-quality products and become a reliable partner of its customers. ScinoPharm continuously improves the overall profitability of APIs for the Generic Drug, and also successfully expands its business sales reach into the field of injectable product. Meanwhile, ScinoPharm will also make good use of strategic alliances to develop alliance partners for the pharmaceutical injectable formulation business to obtain the multiple benefits from the cooperative business model. In the business of CDMO, ScinoPharm will continue to invest in various projects that have been cultivated for many years, consolidate the cooperation with existing customers, and develop new business opportunities that may create profits.

ScinoPharm will continue to optimize its product assortment, strengthen risk management and enhance internal operational efficiency. In the fiercely competitive market, it will also grasp the trends and market opportunities in the global pharmaceutical industry, hoping to continuously improve operational efficiency and profitability. In addition, ScinoPharm will faithfully fulfill the corporate social responsibility with concrete actions, return the support of shareholders, and have a positive impact on society. Finally, ScinoPharm would like to thank its customers, shareholders and dedicated employees for their long-standing support. ScinoPharm hereby expresses sincere gratitude!

Chih-Hsien Lo, Chairman

II. Company Profile

2.1 Date of Incorporation: Established date: November 11th 1997

2.2 Company History

- November 1997 ScinoPharm Taiwan, Ltd. was founded with paid-in capital of NT\$675 million.
- May 1998 The Food and Drug Administration (FDA) of the U.S. screened the Company's plant layout design and validation plan.
- July 1998 Started to rent a laboratory.
- October 1999 Relocated to the present site in Southern Taiwan Science Park, and started to use its own laboratory and office.
Completed capital increment to NT\$2.7 billion from NT\$1.89 billion.
- January 2000 Inaugurated the first Kilo Lab.
- March 2000 Delivered the first batch of GMP (Good Manufacturing Practices) medicines to clients.
- April 2000 Establishment of the reinvested Xinjiang President-ScinoPharm Technology Co., Ltd.
- May 2000 Inaugurated the Pilot Plant.
- November 2000 Inaugurated the Mini Plant.
- January 2001 Delivered the first DMF (Drug Master File) raw medicine to the FDA for examination.
- February 2001 Establishment of the reinvested ScinoPharm (Kunshan) Biochemical Technology, Ltd.
- May 2001 The Customer submitted to the U.S.FDA abbreviated new drug application(ANDA) for the generic drug, The first one using the Company's active pharmaceutical ingredient(API)
Establishment of the reinvested ScinoPharm Biotech Ltd.
- June 2001 Inaugurated the small manufacturing unit (SMU).
- October 2001 Passed U.S. FDA's first comprehensive site inspection.
- April 2002 Completed the validation of the first production line Bay2 in the Production Building.
- October 2002 Completed equipment installation at Bay 1 and Bay3 production lines in the Production Building.
- November 2002 Inaugurated the Production Building.
- February 2003 Establishment of the reinvested Yunnan Ziyun Scino Bio-tech Co., Ltd.
- August 2005 Passed U.S. FDA's second site inspection.
- January 2007 Establishment of the reinvested HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- May 2007 Completed expansion of production lines, including Kilo II and ESP II.
- October 2007 Passed the site inspection by the Therapeutic Goods Administration (TGA) of the Australian Government Department of Health.
- May 2008 Kicked off construction of the Quality Inspection Laboratory Building.
- June 2008 Acquired subsidiary ScinoPharm Biotech Ltd.

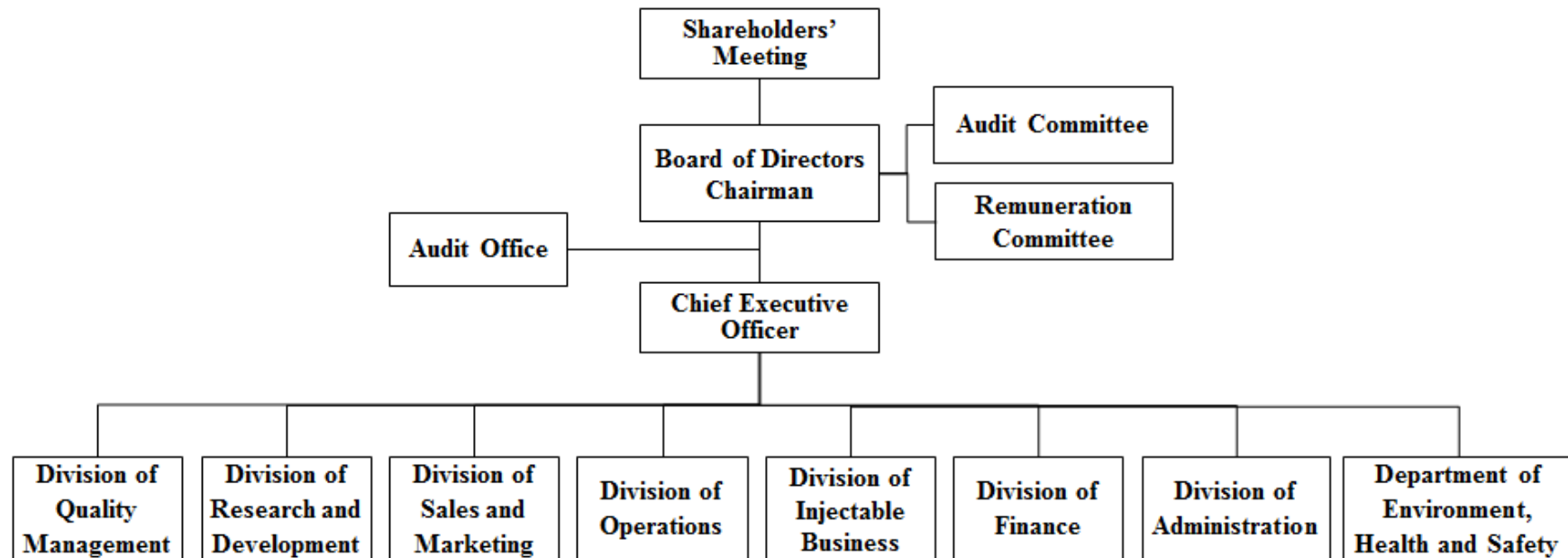
- June 2008 Passed the site inspection by the National Institute of Pharmacy (NIP) of Hungary, a member state of the European Union.
- June 2008 Passed the site inspection by Pharmaceuticals and Medical Devices Agency (PMDA) Japan.
- September 2008 Passed the site inspection by Korea Food and Drug Administration (KFDA).
- October 2008 Passed U.S. FDA's third site inspection.
- December 2008 Inaugurated the Quality Inspection Laboratory Building.
- December 2008 Business revenues broke the US\$100 million mark.
- August 2009 Establishment of the reinvested ScinoPharm (Changshu) Pharmaceuticals, Ltd.
- June 2010 Liquidation of reinvestment in Xinjiang President-Scino Pharm Technology Co., Ltd.
- August 2010 Signed an investment cooperation pact with Tanvex Biologics, Inc. and Ruentex Group to jointly develop Biosimilars.
- September 2010 Completed initial public offering of its shares in Taiwan.
- November 2010 Obtained the Authorized Economic Operator (AEO) certificate from the Customs Administration under the Ministry of Finance as the first pharmaceuticals maker to do so.
- June 2011 Liquidation of reinvestment in HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- July 2011 Inaugurated the second peptide plant.
- September 2011 Liquidation of reinvestment in Yunnan Ziyun Scino Bio-tech Co., Ltd.
- September 2011 Listing shares on the Taiwan Stock Exchange, with stock code 1789
- November 2011 Establishment of the reinvested ScinoPharm Shanghai Biochemical Technology, Ltd.
- August 2012 Passed U.S. FDA's fourth site inspection.
- August 2012 Established an R&D team to venture into the development of injection medical preparations.
- December 2012 Production lines Bay4 and Bay 5 became operational.
- December 2012 ScinoPharm (Changshu) Pharmaceuticals, Ltd. won a production permit for pharmaceuticals.
- December 2012 Sent the first DMF of pharmaceuticals turned out by ScinoPharm (Changshu) Pharmaceuticals, Ltd. to the U.S. FDA for examination.
- August 2013 Passed the first EMA site inspection by European Medicine Agency.
- December 2013 Obtained the second AEO certificate from the Customs Administration of the Ministry of Finance.
- December 2013 Plant of ScinoPharm (Changshu) Pharmaceuticals, Ltd. has been completed and inaugurated.
- July 2014 Won the A++ rating in the 11th assessment on information disclosure by listed companies, conducted by the Taiwan Securities Exchange Corp. (TWSE).
- August 2014 Passed the second EMA site inspection.

- October 2014 Selected by the Institutional Investor, a leading financial monthly magazine in the world, as Taiwan's only biotech company to rank among the most esteemed enterprises in Asia.
- March 2015 Passed the U.S. FDA's fifth site inspection.
- April 2015 Won the A++ rating in the information disclosure assessment conducted by the TWSE on listed companies, for the second straight year.
- June 2015 Won the Outstanding Innovation Enterprise Award in the "People's Well-being" Category of the 4th National Industrial Innovation Award hosted by the Ministry of Economic Affairs.
- August 2015 Ranked among the "Top 100 CSR Enterprises" in the "Excellence in Corporate Social Responsibility" Award hosted by the CommonWealth Magazine.
- October 2015 ScinoPharm (Changshu) Pharmaceuticals, Ltd. passed the U.S. FDA site inspection.
- June 2016 Won the A++ rating in the information disclosure assessment conducted by the TWSE on listed companies, for the second straight year.
- July 2016 Awarded 2016 Taiwan API Manufacturing Company of the Year by Frost & Sullivan
- October 2016 Passed the first EDQM site inspection by European Directorate for the quality of Medicine.
- November 2016 Awarded for paradigm of healthy workplace by Southern Taiwan Science Park Bureau
- December 2016 Obtained the third AEO certificate from the Customs Administration of the Ministry of Finance.
- February 2017 Passed U.S. FDA's Sixth site inspection.
- August 2017 Awarded in "Excellence in Corporate Social Responsibility" hosted by the Common Wealth Magazine.
- December 2017 Granted the honor of exporter/importer with good performance by the Bureau of Foreign Trade, the Ministry of Economic Affairs.
- December 2017 2nd place, the biotech industry category, best investment-relationship service, greater China, IR Magazine.
- May 2018 Passed second-time factory inspection undertaken by Pharmaceuticals and Medical Devices Agency (PMDA) under the Japan government.
- May 2018 SciAnda (Changshu) Pharmaceuticals, Ltd. passed the first plant inspection by PMDA of Japan.
- May2018 Ranked among the top-5% of listed companies under Corporate Governance Evaluation.
- August 2018 Among the top-100 CSR (corporate social responsibility) awards selected by CommonWealth Magazine in 2018
- November 2018 Acquisitions of export permit for the U.S. for the self-developed anti-coagulation medicine via ANDA procedure.
- April 2019 Had cumulatively obtained 813 DMFs (drug master files) globally as of April 2019, with 60 ones from the US Food and Drug Administration and 31 ones for treatment of cancers.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



Updated : 2019/04/30

3.1.2 Introduction to Organizational Functions

Division of Quality Management

- Quality guarantee, quality control, and quality auditing of active pharmaceutical ingredients (API) and preparations

Division of Research & Development

- R&D on process, technology, platform, and analysis of active pharmaceutical ingredients and preparations

Division of Marketing & Sales

- Marketing and customer service for products, talk on contracted R&D, strategic alliance, application for registration and technological support

Division of Operation

- Operational management, development of production technology, and planning for plant affairs of API plant premises

Division of Injectable Operation

- Production management and planning of plant affairs for ampoule preparations

Division of Finance

- Execution of financial affairs and accounting and investor relationship and communications

Division of Administration

- Human resources, information safety, general-affairs administration, procurement, public relations, and other business management
- Supreme unit chief serves as corporate spokesperson

Department of Environment, Health and Safety

- Industrial safety, occupational hygiene, environmental protection, and risk management

Audit Office

- Supervising internal risk control and conducting independent evaluation on observation of management regulations.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

3.2.1.1 Information Regarding Directors

As of 12/31/2018

Title	Nationality/ Country of Origin	Name	Gen der	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director (Institutional Shareholder)	Tainan City	Uni-President Enterprises Corp.	-	2018.06.27	3	1997.10.16	266,671,029	37.94%	299,968,639	37.94%	-	-	-	-	-	-	-	-	-
Chairman (Representative)	R.O.C.	Chih-Hsien Lo (Note 3)	M	2018.06.27	3	2010.07.06	-	-	-	-	-	-	-	-	Education: MBA, U.C.L.A, U.S.A. Experience: Executive Vice President of Uni-President Enterprises. Corp.	(Note 9)	director	Shiow- Ling Kao	spouse
Director (Representative)	R.O.C.	Tsung-Ming Su (Note 3)	M	2018.06.27	3	2010.07.06	-	-	-	-	-	-	-	-	Education: MBA, Iowa State Univ., U.S.A. Experience: CFO of Uni-President Enterprises Corp.	(Note 9)	-	-	-
Director (Representative)	R.O.C.	Kun-Shun Tsai (Note 3)	M	2018.06.27	3	2015.06.23	4,160	0.00%	4,678	0.00%	-	-	-	-	Education: Master of Science, University of Minnesota, U.S.A. Experience: Director, Uni-President Natural Corp., Director, Taiwan Association for Lactic Acid Bacteria, Supervisor, Association of Taiwan Tea, Member, Technical Committee of Natural Standards, Bureau of Standards, Metrology & Inspection, MOEA, R.O.C., Commissioner of the Review Committee, Academic Technology Development Program, MOEA, R.O.C., Director, Taiwan Association for Food Science and Technology	Chairman of: Uni-President Oven Bakery Corp. Director of: Tung – Ren Pharmaceutical Corp. ∙ ScinoPharm Taiwan, Ltd.	-	-	-
Director (Representative)	R.O.C.	Tsung-Pin Wu (Note 3)	M	2018.06.27	3	2015.06.23	-	-	-	-	-	-	-	-	Education: Accounting, Chung Yuan Christian University Experience: Financial Planning Division Manager (Accounting Supervisor), Uni-President Enterprises Corp.	(Note 9)	-	-	-

Title	Nationality/ Country of Origin	Name	Gen der	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director (Representative)	R.O.C.	Jia-Horng Guo (Note 3)	M	2018.06.27	3	2017.08.18	-	-	-	-	-	-	-	-	Education: Master of Finance, University of Illinois, Master of Business Administration, University of Minnesota, BS, National Taiwan University. Experience: Managing Director & head of UBS Investment Banking, Taiwan, Executive Director of Citigroup Investment Bank, Taiwan 、 Director of ING Barings Investment Bank 、 Director of Citi Investment Bank(HK).	(Note 9)	-	-	-
Director (Representative)	R.O.C.	Fu-Jung Lai (Note 3)	M	2018.10.29	3	2018.10.29	-	-	-	-	-	-	-	-	Education: MBA, Kun Shan Univ., R.O.C. Experience: Chief Secretary of Presiden`t office of Uni-President Enterprises Corp. Manager of the Secretariat to the Board of Directors of Uni-President Enterprises Corp., Executive Secretary of Uni-President Social Welfare Charity Foundation	-	-	-	-
Director (Institutional Shareholder)	Tainan City	Kao Chyuan Inv. Co., Ltd.	-	2018.06.27	3	2002.06.13	13,186,248	1.88%	14,832,733	1.88%	-	-	-	-	-	-	-	-	-
Director (Representative)	R.O.C.	Shiow-Ling Kao (Note 4)	F	2018.06.27	3	2010.07.05	-	-	-	-	-	-	-	-	Education: Marymount College, University of Southern California Experience: Chairman and President of Kao Chyuan Inv. Co., Ltd.	(Note 9)	chairman	Chih- Hsien Lo	spouse
Director Institutional Shareholder	Tainan City .	Tainan Spinning Co., Ltd.	-	2018.06.27	3	1997.10.16	20,985,578	2.99%	23,605,921	2.99%	-	-	-	-	-	-	-	-	-
Director (Representative)	R.O.C.	Po-Ming Hou (Note 5)	M	2018.06.27	3	2016.11.10	-	-	-	-	-	-	-	-	Education: Chinese Culture Univ., R.O.C Experience: Vice Chairman and President of Tainan Spinning Co., Ltd.	(Note 9)	-	-	-
Director (Institutional Shareholder)	Taipei City	President International Development Corp.	-	2018.06.27	3	2010.07.06	25,490,569	3.63%	28,673,421	3.63%	-	-	-	-	-	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gen der	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director (Representative)	R.O.C.	Chiou-Ru Shih (Note 6)	F	2018.06.27	3	2010.07.06	-	-	-	-	-	-	-	-	Education: MA in Economics, University of Hawaii Experience: Vice General Managert, President International Development Corp., Director, President Biosystems Co., Ltd., Department Director, President Life Sciences Co., Ltd. Investment	(Note 9)	-	-	-
Director (Institutional Shareholder)	Taipei City	National Development Fund, Executive Yuan	-	2018.06.27	3	1997.10.16	97,379,785	15.85%	109,539,014	13.85%	-	-	-	-	-	-	-	-	-
Director (Representative)	R.O.C.	Ming-Chuan Hsieh (Note 7)	F	2018.06.27	3	2018.06.27	-	-	-	-	-	-	-	-	Education: Master of Health Services Administration, China Medical University Experience: Executive supervisor, Taiwan Health & Wellness Counseling Association	(Note 9)	-	-	-
Director (Representative)	R.O.C.	Ya-Po Yang (Note 7)	M	2018.06.27	3	2018.06.27	-	-	-	-	-	-	-	-	Education; Ph.D. in Economics, Department of Economics National Taiwan University Experience: Professor and Chairperson of Institute of International Business, College of Business, Southern Taiwan University of Science and Technology	Professor of Institute of Business and Management, College of Management, National University of Kaohsiung	-	-	-
Director (Institutional Shareholder)	Tainan City.	Taiwan Sugar Corporation	-	2018.06.27	3	2012.06.13	28,965,248	4.12%	32,581,963	4.12%	-	-	-	-	-	-	-	-	-
Director (Representative)	R.O.C.	Kuo-Hsi Wang (Note 8)	M	2018.06.27	3	2016.01.11	-	-	-	-	-	-	-	-	Education: Ph.D in Agricultural, Department of Agricultura Chemistry, National Taiwan University Experience: Taiwan Sugar Corporation Chief, Deputy Chief Executive Officer and Acting temporary Chief Executive Officer, Institute Chair and Acting temporary Chief Executive Officer, Institute Chair	Vice President of Taiwan Sugar Corporation Director of Taigen Biopharmaceutical s Holdings Limited	-	-	-

Title	Nationality/ Country of Origin	Name	Gen der	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Wei-Te Ho	M	2018.06.27	3	2012.06.13	-	-	-	-	-	-	-	-	Education: Ph.D, Department of Accountancy, National Cheng Kung University Experience: Deputy Section Chief, Audit Department, Diwan, Ernst & Young (now Ernst & Young), Full-Time Lecturer, Department of Accounting Information, Southern Taiwan University of Science and Technology	Assistant Professor, Dept. of Accounting Information, Southern Taiwan University of Science and Technology, Independent Director, Tainan Spinning Co., Ltd.	-	-	-
Independent Director	R.O.C.	Wen-Chang Chang	M	2018.06.27	3	2018.06.27	-	-	-	-	-	-	-	-	Education: Ph.D. Physiological Chemistry, University of Tokyo, Faculty of Pharmaceutical Sciences, Tokyo, Japan Experience: 1.Vice Chairman, Institute for Biotechnology and Medicine Industry 2.Deputy Minister, National Science Council、General Director, Department of Life Sciences, National Science Council, Taiwan 3.Visiting Professor, Biosignal Research Center, Kobe University 4.Visiting Scholar, William Harvey Research Institute (Director Sir John R. Vane), London, U. K. 5.National Cheng Kung University, Tainan, Taiwan : Professor, Department of Pharmacology, College of Medicine、Chairman, Department of Pharmacology, National Cheng Kung University、Chairman, Institute of Basic Medical Sciences, National Cheng Kung University、Associate Dean, College of Medical、University Chair Professor、Director, Center for Biosciences and Biotechnology、Dean, College of Bioscience and Biotechnology、Distinguished Chair Professor、Emeritus Distinguished Chair Professor 6.Visiting Scientist, College of Pharmacy, University of Kentucky, Lexington, Kentucky, USA 7.Visiting Scientist, Tokyo Metropolitan Institute of Gerontology, Tokyo, Japan 8.Visiting Fellow, Gerontology Research Center, National Institute on Aging, NIH, Baltimore, Maryland, USA	(Note 9)	-	-	-

Title	Nationality/ Country of Origin	Name	Gen der	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Li-Tzong Chen	M	2018.06.27	3	2018.06.27	-	-	-	-	-	-	-	-	Education: Ph.D, Kaohsiung Medical University Graduate Institute of Clinical Medicine Experience: 1.Organization Planner of Committee Chairman in Department of Ministry of Science and Technology, Division of Internal Medicine(2) 2.Deputy Organization Planner of Committee Chairman in Department of Ministry of Science and Technology, Division of Internal Medicine(2) 3.Research Vice President, Kaohsiung Medical University Chung-Ho Memorial Hospital 4.Director, Cancer Center of Kaohsiung Medical University Chung-Ho Memorial Hospital 5.Acting Temporary Board Director of Taiwan Oncology Society 6.Acting Temporary Supervisor of The Gastroenterological Society of Taiwan 7.Deputy Chair of National Institute of Cancer Research, National Health Research Institutes 8.Acting Temporary Attending Physician of National Taiwan University Hospital Department of Oncology 9.Acting Temporary Attending Physician of Taipei Veterans general Hospital-Department of Internal Medicine	(Note 9)	-	-	-

Note 1: Amount of shares held and Percentage of shares held as of April 29, 2019

Note 2: If the Company's Directors have held any position in the Chartered Accounting firm or its affiliates: None

Note 3: Uni-President Enterprises Corp. Representative

Note 4: Kao Chyuan Inv. Co., Ltd. Representative

Note 5: Tainan Spinning Co., Ltd. Representative

Note 6: President International Development Corp. Representative

Note 7: National Development Fund, Executive Yuan Representative

Note 8: Taiwan Sugar Corporation Representative

Note 9 : Current position with other company

Name	Current Position with Other Company
Chih-Hsien Lo	<p>Chairman of : Uni-President Enterprises corp., President Chain Store Corp., Ton Yi Industrial Corp., ScinoPharm Taiwan, Ltd. TTET Union Corp., Prince Housing & development Corp., Prince Corp., Prince Real Estate Co., Cheng-Shi Investment Holding Co., Time Square International Co., Ltd., Time Square International Holding Co., Ltd., Times Square International Stays Corp., President Natural Industrial Corp., Kai Yu Investment Co., President Packaging Corp., President International Development Corp., President Property Corporation, Uni-President Cold Chain Corp., Presco Netmarketing Inc., Uni-President Dream Parks Corp., Uni-OAO Travel Service Corp., Kai Nan Investment Co., Ltd., President Century Corp., Uni-President (Vietnam) Co., Ltd., Uni-President (Thailand) Ltd., ZhangliaGang President Nissan Food Co., Ltd., Uni-President (Philippines) Corp., Uni-President China Holdings Ltd., President Enterprises (China) Investment Co., Ltd., Tong Ren Corp., Vice Chairman of : President Nisshin Corp.</p> <p>Director of : President Baseball Team Corp., Nanlien International Corp., Tone Sang Construction Corp., Retail Support International Corp., Presicarre Corp., President Fair Development Corp., Uni-Wonder Corp., Uni-President Organics Corp., PK Venture Capital Corp., Uni-President Glass Industrial Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Uni-President Development Corp., Tait Marketing & Distribution Co., Ltd., Weilih Food Corp., Keng Ting Enterprises Co., Ltd., Prince Property Management Consulting Co., Kao Chyuan Inv. Corp., PCS (BVI) Holdings Ltd., PCS (Labuan) Holdings Ltd., Cayman President Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., President Packing Holdings Ltd., Uni-President Southeast Asia Holdings Ltd., President Energy Development (Cayman) Ltd. , Uni-President Asia Holdings Ltd., Uni- President International (HK) Co., Ltd., Champ Green Capital Limited, Champ Green (Shanghai) Consulting Co. Ltd., Guiyang President Enterprises Co., Ltd., President Enterprises (Shanghai) Co., Ltd., Taizhou President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Hefei President Enterprises Co., Ltd., Ningxia President Enterprises Co., Ltd., Xuzhou President Enterprises Co., Ltd., Hangzhou President Enterprises Co., Ltd., Jinan President Enterprises Co., Ltd., Guangzhou President Enterprises Co., Ltd., Hainan President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Nanning President Enterprises Co., Ltd., Zhanjiang President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Zhenzhou President Enterprises Co., Ltd., Chongqing President Enterprises Co., Ltd., Jiangsu President Enterprises Co., Ltd., Hunan President Enterprises Co., Ltd., Uni-President Enterprises (Tianjin) Co., Ltd., Shanxi President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Changchun President Enterprises Co., Ltd., Shaanxi President Enterprises Co., Ltd., Henan President Enterprises Co., Ltd., Baiyin President Enterprises Co., Ltd., Akesu President Enterprises Co., Ltd., Shijiazhuang President Enterprises Co., Ltd., Harbin President Enterprises Co., Ltd., President Enterprises (Inner Mongolia) Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Chengdu President Enterprises Food Co., Ltd., Kunming President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Bama President Mineral Water Co., Ltd., Wuyuan President Enterprises Mineral Water Co., Ltd., Wuxue Uni Mineral Water Co., Ltd., Changbaishan Mountain President Enterprises (Jilin) Mineral Water Co., Ltd., President (Kunshan) Trading Co.,Ltd., Uni-President Trading (Hubei) Co., Ltd., President (Shanghai) Trading Co., Ltd., Uni-Presodent Enterprises (Kunshan) Food Technology Co., Ltd., Beijing President Enterprise Drink&Food Co., Ltd., Beijing President Enterprises Drinks Co., Ltd., Uni-President Enterprises (Shanghai) Drink & Food Co., Ltd., Uni-President Enterprise (Hutubi) Tomato Products Technology Co., Ltd., Yantai Tongli Beverage Industries Co., Ltd., President Enterprises (Kunshan) Real Estate Development Co., Ltd., Uni-President (Shanghai) Pearly Century Co., Ltd., Uni-President Shanghai Management Consulting Co., Ltd. President of : Presco Netmarketing Inc.</p>
Shiow-Ling Kao	<p>Chairman of : Kao Chyuan Inv. Corp., President Being Corp., Uni-President Department Store Corp., President Pharmaceutical Corp., President Fair Development Corp., President Drugstore Business Corp.,</p> <p>Director of : Uni-President Enterprises Corp., President Chain Store Corp., Ton Yi Industrial Corp., ScinoPharm Taiwan, Ltd., Prince Housing &Development Corp., President International Development Corp., Uni-President Development Corp., Times Square International Hotel Corp., Time Square International Holding Co., Uni-Wonder Corp., President Century Corp., President (Shanghai) Health Product Trading Company Ltd., Beauty Wonder (Zhejiang) Trading Co, Ltd</p> <p>President of : Kao Chyuan Inv. Corp.</p>

Tsung-Ming Su	<p>Chairman of : Uni-President Development Corp., President Life Sciences Co., Ltd., Tong Yu Investment Corp., AndroSciences Corp.</p> <p>Director of : President Chain Store Corp., ScinoPharm Taiwan, Ltd., Kai Yu Investment Co., Ltd., Grand Bills Finance Corp., President Fair Development Corp., President International Development Corp., Tong Yu Investment Corp., President Property Corporation, ScinoPharm Taiwan, Ltd., President Tokyo Corp., President Tokyo Auto Leasing Corp., Tong-Sheng Finance Leasing Co., Ltd., Tong-Sheng (Suzhou) Car Rental Co., Ltd., CDIM & Partners Investment Holding Corp., Kai Nan Investment Co., Ltd., Xiang Lu Industrial Ltd., AndroSciences Corp., Tanvex Biologics, Inc., President Life Sciences Cayman Co., Ltd., President (BVI) International Investment Holdings Ltd., President Energy Development (Cayman Islands) Ltd., SPT International Ltd., Uni-President China Holdings Ltd., Uni-President Hong Kong Holdings Limited, President Life Sciences Co., Ltd., Uni-President Development Corp.</p> <p>Independent Director of : Senao International Co., Ltd.</p> <p>Supervisor of : Presicarre Corp., Presco Netmarketing Inc., Uni-President Enterprises (China) Investment Co., Ltd.</p> <p>President of : ScinoPharm Taiwan, Ltd., President International Development Corp., President Property Corporation</p>
Tsung-Pin Wu	<p>Chairman of : Tung –Ren Pharmaceutical Corp., President Assets Management Co., Ltd.</p> <p>Director of : President International Trade & Investment Corp., President Chain Store Corp., Prince Housing & Development Corp., Prince RealEstate Co., Ltd., Time Square International Holding Co., Ltd., Times Square International Hotel Corp., Tone Sang Construction Corp., ScinoPharm Taiwan, Ltd., Kai Nan Investment Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Tong Yu Investment Corp., Uni-President Hong Kong Holdings Limited, Uni-President (Vietnam) Co., Ltd.</p> <p>Supervisor of : President Baseball Team Corp., Nanlien International Corp., Tung Lo Development Co., Ltd., President Kikkoman Inc., Kai Yu Investment Co., Ltd., President International Development Corp., President Century Corp., President Property Corporation, President Life Sciences Co., Ltd., Times Square International Stays Corp., Mean Time Enterprise Co., Ltd., Kunshan President Kikkoman Biotechnology Co., Ltd. President Kikkoman Zhenji Foods Co., Ltd.</p>
Po-Ming Hou	<p>Chairman of : Tainan Spinning Co., Ltd., Nan-Fan Housing Development Co., Ltd. Tainan Spinning Retail & Distribution Co., Ltd., Tainan Spinning Co., Ltd. (Vietnam)</p> <p>Vice Chairman of : Tainan Spinning Retail & Distribution Co., Ltd.</p> <p>Managing Director of : Nantex Industry Co., Ltd.</p> <p>Director of : Prince Housing Development Corp., Uni-President Enterprises Corp., President International Trade & Investment Corp, ScinoPharm Taiwan Ltd., Keng Ting Enterprises Co., Ltd.,</p>
Chiou-Ru Shih	<p>Director of : Kang Na Hsiung Enterprise Co., Ltd. SyNergy ScienTech Corp., ScinoPharm Taiwan, Ltd., President Life Sciences Co., Ltd. Outlook Investment Pte Ltd. , Origene Technologies, Inc. , President Life Sciences Cayman Co., Ltd., Helios Bioelectronics Inc. Grand Bills Finance Corp., IMQ Technology Inc., Dabomb Protein Corp.</p> <p>Vice President of : President International Development Corp.</p>
Jia-Horng Guo	<p>Chairman of : Taishin Securities Co., Ltd.</p> <p>Director of : ScinoPharm Taiwan, Ltd.</p> <p>Independent Director of : Partner Tech Corporation, Global Brands Manufacture Ltd.</p> <p>Supervisor : Standard Motor Corp.</p>
Ming-Chuan Hsieh	<p>Assistant Professor of Chia Nan University of Pharmacy & Science</p> <p>Director of : Harbinger VI Venture Capital Corp., Harbinger VII Venture Capital Corp.,</p> <p>Independent Director of : Uni Pharma Co., Ltd</p> <p>Supervisor of : Han Tong Investment Inc.</p> <p>Remuneration Committee member of : PharmaEssentia Corp.</p>
Wen-Chang Chang	<p>Chair Professor and Chairman, Board of Trustees, of Graduate Institute of Medical Sciences, College of Medicine, Taipei Medical University, Chair Professor, Graduate Institute of Medical Sciences, College of Medicine, Taipei Medical University, Emeritus Distinguished Chair Professor of National Cheng Kung University, Academician of Academia Sinica, Independent Director of Universal Cement Corporation 、ScinoPharm Taiwan, Ltd.</p>
Li-Tzong Chen	<p>Distinguished Investigator & Director, National Institute of Cancer Research, National Health Research Institutes, Organization Planner of Committee Chairman in Department of Ministry of Science and Technology, Department of Life Sciences, Division of Hematology and Immunology, Adjunct Professor ,College of Medical Science and Technology, Taipei Medical University, Adjunct Professor , Internal Medicine, Kaohsiung Medical University, Acting Temporary Director of Taiwan Pancreas Society, Professor, jointly appointed, Institute of Molecular Medicine, NCKU, Professor, jointly appointed, Institute of Clinical Pharmacy and Pharmaceutical Sciences, NCKU, Attending Physician, Department of Internal Medicine, National Cheng-Kung University Hospital, Tainan, Independent Director of ScinoPharm Taiwan, Ltd.</p>

Table I List of Major Shareholders of ScinoPharm's Institutional Shareholders

As of 12/31/2018

ScinoPharm 's Institutional Shareholders	Major Shareholders of ScinoPharm 's Institutional Shareholders (Holding Percentage)
National Development Fund, Executive Yuan	—
Uni-President Enterprises Corp.	Kao Chyuan Investment Co., Ltd.(4.91%), BNP Paribas's Wealth Management HK. Branch(3.04%), Hou Po-Ming(2.60%), Hou Po-Yu(2.27%), Government of Singapore – GOS-EFMC (1.76%), First State Investment ICVC-Stewart Investors Asia Pacific Leaders Fund (1.70%), Kao Shiow-Ling (1.64%), J.P. Morgan Chase Bank N.A. Taipei Brach in custody for Saudi Arabian Monetary Agency(1.47%), Vanguard Emerging Markets Stock Index Fund (1.30%), J.P. Morgan Chase Bank N.A.(1.20%)
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.15%), Northern Region Branch of National Property Administration under the Ministry of Finance (9.92%), First Commercial Bank (0.75%), Changhwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Holding (0.14%), Mega Bank (0.13%), Land Bank of Taiwan (0.08%), and Taiwan Cooperative Bank (0.08%).
President International Development Corp.	Uni-President Enterprises Corp. (69.37%), Tainan Spinning Company (9.00%), Prince Housing & Development (6.63%), President Chain Store Corp. (3.33%), Ton Yi Industrial Corp. (3.33%), Tainan Spinning Construction (3.00%), Kao Chuan Investment Corp. (1.87%), NANTEX Industry Co., Ltd. (0.67%), and Nanlien International Corp. (0.67%).
Tainan Spinning Co., Ltd.	Hou Po-yu (6.255%), Hou Po-ming (6.223%), Hou Po-yi (6.156%) , Hsin Yung Hsing Investment Co., Ltd. (4.639%), Hsin Fu Hsing Industrial Co., Ltd. (4.200%), Fubon Life (3.585%), Hou Chen Pi-hua (1.572%), Chuang Ying-chih (1.464%), Chuang Ying-nan (1.411%), Cheng Long Inv.Co., Ltd.(1.223%)
Kao Chyuan Investment Co., Ltd	Kao Hsiu-ling (63.17%), Chih-Hsien Lo (20.71%), Kao Han-Di (5.70%), Kao Chi-Yi (5.26%), Lo His-Ai (5.16%)

Table II Key members of Main Corporate Shareholders Listed in Table I

As of 12/31/2018

Names of corporate bodies	Main shareholders of corporate bodies
Ministry of Economic Affairs	Government unit
Northern Region Branch, National Property Administration, Ministry of Finance	Government unit
First Commercial Bank	First Financial Holding (100%)
Changhwa Commercial Bank	Taishin Financial Holding (22.55%), Ministry of Finance (12.19%), Lungyen Life Services Corporation (3.92%), First Commercial Bank (2.86%), National Development Fund, Executive Yuan (2.75%), Cheng Chang Investment Co., Ltd. (1.84%), Chunghwa Post Co. Ltd.(1.77%), Excel Chemical Co., Ltd. (1.58%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.08%), Taiwan Business Bank (0.99%), Lee's Investment Ltd.. (0.99%)
Bank of Taiwan	Taiwan Financial Holdings (100%)
Hua Nan Commercial Bank	Hua Nan Financial Holdings (100%)
Central Investment Holding	KMT (100%)

Names of corporate bodies	Main shareholders of corporate bodies
Taiwan Business Bank	Bank of Taiwan (17.22%), Land Bank of Taiwan (2.43%), Ministry of Finance (2.21%), Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds (1.19%), Kin Ming Investment Co., Ltd (1.09%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds (1.05%), Shi Chun-Jin (1.04%), BES Engineering Corporation (0.92%), China Man-Made Fiber Corporation (0.90%), Morgan Stanley & Co. International Plc(0.83%)
Mega Bank	Mega Holdings (100%).
Land Bank of Taiwan	Ministry of Finance (100%)
Taiwan Cooperative Bank	Taiwan Cooperative Holdings (100%)
Prince Housing & Development Corp.	Uni-President Enterprises Corp. (10.03%), Tai Po Investment Co., Ltd. (5.62%), Tainan Spinning Construction (3.65%), Kao Chuan Investment (3.23%), Nan Shan Life Insurance (2.91%), Wu Tseng Chao-mei (2.40%), Universal Cement Corporation (2.20%), Jiou Fu Investment Co., Ltd. (1.73%), Hsin Yung Hsing Investment Co., Ltd. (1.73%), and Cheng Lung Investment Co., Ltd. (1.59%)
President Chain Store Corp.	Uni-President Enterprises Corp. (45.40%), First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund(2.65%), Matthews Pacific Tiger Fund (2.07%), PCSC Employees Benefits Trust account in the custody of CTBC Bank (1.86%), Government of Singapore (1.41%), Labor Insurance Fund (1.30%), Labor Pension Fund (New Scheme) (1.27%), Cathay United Bank (1.21%), Vanguard Emerging Markets Stock Index Fund (0.96%), Virtus Vontobel Emerging Markets Opportunities Fund (0.82%)
Kai Yu Investment Co., Ltd.	Uni-President Enterprises Corp. (100%)
Tainan Spinning Construction Corp.	Tainan Spinning Co. (99.99%)
NANTEX Industry Co., Ltd.	Tainan Spinning Co., Ltd. (21.43%), Tainan Spinning Construction Corp.(5.56%), Jiou Fu Investment Co., Ltd. (4.87%), Cheng Kao Huei (2.92%), Ta Chen Construction & Engineering Corp. (2.71%), Hon Han Enterprise Co., Ltd. (2.18%), Hsin Ho Hsing Investment Co., Ltd. (2.06%), T.H. Wu Foundation. Intro, Forum, Scholarship, Award, Mr.Wu. (1.58%), Prince Housing & development Corp.,(1.54%), Hou Sin Liang (1.47%),
Nanlien International Corp.	Uni-President Enterprises Corp. (100%)
Hsin Yung Hsing Investment Co., Ltd.	Hou Po-yi (31.09%), Hou Po-yu (32.09%), Hou Po-ming (31.94%), Hou Cheng Pi-hua (1.42%), Hou Su Chin-chien(0.93%), Hou Chih-Sheng (0.85%), Hou Chih-Yuan(0.85%), Ho Ching-Hua (0.62%), Hou Hsing Overseas Company(0.21%)
Hsin Fu Hsing Investment Co., Ltd.	Hou Po-yi (23.51%), Hou Po-yu (24.11%), Hou Po-ming (24.09%), Hou Chen Pi-hua (9.88%), Hou Su Chin-chien(3.00%), Hou Hsing Overseas Company(0.10%), Hsin Yung Hsing Investment Co. , Ltd. (14.68%), Hou Chih-Sheng (0.33%), Hou Chih-Yuan(0.30%),
Fubon Life	Fubon Financial Holdings (100%)
Cheng Long Inv. Co., Ltd.	RuiXing International Investment Corp.(100%)

3.2.1.2 Professional qualifications and independence analysis of directors and supervisors

As of 4/30/2019

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Uni-President Enterprises Representative: Chih-Hsien Lo				✓			✓						✓		0
Uni-President Enterprises Representative: Tsung-Ming Su			✓	✓			✓	✓				✓	✓		1
Uni-President Enterprises Representative: Kun-Shun Tsai				✓			✓	✓				✓	✓		0
Uni-President Enterprises Representative: Tsung-Pin Wu				✓			✓	✓				✓	✓		0
Uni-President Enterprises Representative: Jia Horng Guo				✓	✓		✓	✓	✓	✓	✓	✓	✓		2
Uni-President Enterprises Representative: Fu-Jung Lai				✓			✓	✓				✓	✓		0
Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao				✓	✓		✓						✓		0
Tainan Spinning Co., Ltd. Representative: Po-Ming Hou				✓			✓	✓				✓	✓		0
President International Development Corp. Representative: Chiou-Ru Shih				✓			✓	✓		✓	✓	✓	✓		0
National Development Fund, Executive Yuan Representative: Ming-Chuan Hsieh	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
National Development Fund, Executive Yuan Representative: Ya-Po Yang	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Taiwan Sugar Corporation Representative: Kuo-Hsi Wang				✓			✓	✓				✓	✓		0
Wei-Te Ho	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wen-Chang Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li-Tzong Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The Same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Information of Management Team

As of 2018.12.31 Unit : Shares ; %

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Chief Strategy Officer	R.O.C.	Chih-Hsien Lo	M	2017.08.18	-	-	-	-	-	-	Education: U.C.LA, U.S.A. Experience: Executive Vice President, President of Uni-President Enterprises. Corp.MBA, U.C.LA, U.S.A.	Chairman of : Uni-President Enterprises Corp., President Chain Store Corp., Ton Yi Industrial Corp, TTET Union Corp., Prince Housing & development Corp., Uni-President China Holdings Ltd. › President Enterprises (China) Investment Co., Ltd. (Please refer to Page 13 for more details)	-	-	-
President & CEO	R.O.C.	Tsung-Ming Su	M	2018.07.05	-	-	-	-	-	-	Education: MBA, Iowa State Univ., U.S.A. Work Experience: CFO & Vice President of Uni-President Enterprises Corp., President of President International Development Corp., President Life Sciences Co., Ltd.,	Chairman of: President Life Sciences Co., Ltd., Uni-President Development Corp., AndroSciences Corp. (Please refer to Page 14 for more details)	-	-	-
Vice-President Marketing and Sales & Strategic Officer	R.O.C.	Ching-Wen Lin	F	2010.06.01	106,619	0.013%	33,512	0.004%	-	-	Education: Ph.D in Chemistry at The Hong Kong Polytechnic University. Work Experience: Researcher, senior marketing manager and marketing director at ScinoPharm..	President and Director of: SciAnda Shanghai Biochemical Technology, Ltd. Director of: SciAnda(Changshu) Pharmaceuticals, Ltd., SciAnda (Kunshan) Biochemical Technology Ltd, SPT International, Ltd., Medical and Pharmaceutical Industry Technology and Development Center Director › Chung Hsing Science and Culture Education Foundation Director Supervisor of: Taiwan Generic Pharmaceutical Association	-	-	-
Vice President Operations	R.O.C.	Chih-Fang Chen	M	2007.08.23	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Cheng Kung University Work Experience: Director at TASCO and Tuntex; Director at ScinoPharm's pilot plant, senior manager at the firm's production center, director of production center and senior director of production center.	President and Director of: SciAnda(Changshu) Pharmaceuticals, Ltd. Director of: SciAnda Shanghai Biochemical Technology, Ltd.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President Administration	R.O.C.	Li-An(Susan) Lu	F	2018.08.01	-	-	-	-	-	-	Education: University of Business Administration/Institute Financial Management, National Sun Yat-Sen University Work Experience: Vice President of IBT Securities Co. Ltd., Assistant Manager of Taiwan International Securities Corporation, Division Head of Treasury Division, Uni-President Enterprises Corp., Director of President Transnet Corp., and President Collect Service Corp, Supervisor of Tong Kuan Enterprise Co., Ltd.,	Director of: President Securities Corp., president Transnet Corp., President Collect Service Corp. Supervisor of: Tong Kuan Enterprise Co., Ltd.	-	-	-
Vice President of Injectable Business Division & CSO	R.O.C.	Li-Chiao Chang	F	2007.11.19	8	0.000%	-	-	-	-	Education: Ph.D in Chemistry, National Taiwan University Work Experience: Senior researcher, quality control director, senior analysis and research manager, senior director of pharmaceutical preparation & peptide products development at ScinoPharm.	Director of: SciAnda(Changshu) Pharmaceuticals, Ltd. 、 SciAnda(Changshu) Pharmaceuticals, Ltd	-	-	-
Senior Director Product Portfolio Management	R.O.C.	Yu-Fen Hung	F	2010.09.15	107,194	0.014%	-	-	-	-	Education : PhD in Chemistry, Stanford University, USA Work Experience : Research Scientist, Roche Palo Alto. Chief Researcher, Manager, Senior Manager, Director, ScinoPharm Taiwan	NA	-	-	-
Senior Director Plant Support Services	R.O.C.	Chin-Lin Liu	M	2007.11.01	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Tsing Hua University Work Experience: Deputy plant chief at Tuntex Petrochemicals Inc.; senior director of ScinoPharm's production procedure technology department.	NA	-	-	-
Senior Director Accounting	R.O.C.	Chih-Hui Lin	F	2010.06.01	-	-	-	-	-	-	Education: Accounting, Chung Yuan Christian University 、 Executive Master of Business Administration of National Cheng Kung University Work Experience: Manager of finance and accounting at Airmate (Cayman) International Co Ltd.; accounting manager, senior accounting manager at ScinoPharm.	Director of: SPT International, Ltd 、 ScinoPharm Singapore Pte Ltd. Supervisor of: SciAnda (Kunshan) Biochemical Technology Co., Ltd. 、 SciAnda (Changshu) Pharmaceuticals, Ltd. 、 SciAnda Shanghai Biochemical Technology, Ltd	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Director Finance	R.O.C.	Chih-Ching Hsu	F	2018.08.20	-	-	-	-	-	-	Education: MBA, Leonard N. Stern School of Business, New York University Work Experience: SVP, Credit Risk, HSBC Taiwan, SVP/VP, Credit Risk, HSBC China, AVP/VP, Risk Analysis Unit, GBM, HSBC Taiwan, Senior Financial Analyst, Hudson Advisors, Asia Pacific	NA	-	-	-
Director Purchasing & IT	R.O.C.	Chao-An Chou	M	2010.07.16	6,675	0.001%	-	-	-	-	Education: Department of Economics, Chinese Culture University Work Experience: Specialist, Teco Electric & Machinery Co.; vice president, Wang Laboratories Inc.; central information manager, Hon Hai Precision Industry Co., vice president, Ole Technology Ltd.; and production material control & information technology department director at ScinoPharm.	NA	-	-	-
Director of Custom Synthesis	R.O.C.	Ling-Hsiao Lien (Note 2)	M	2011.01.03	-	-	-	-	-	-	Education: Bachelor & Master in Chemical Engineering, National Cheng Kung University Work Experience: Researcher, Kao (Taiwan) Corp.; quality assurance engineer at ASE Group; researcher, production procedure research manager, and senior manager, and production procedure technology senior manager at ScinoPharm.	NA	-	-	-
Director Regulatory Technical Service	R.O.C.	Luh-Chian Chang	F	2012.05.01	-	-	-	-	-	-	Education: PhD in pharmacy, University of IOWA Work Experience: researcher at GeneLab and Scios Inc. of the U.S.; chief analyst and researcher, senior quality assurance specialist, manager & senior manager of pharmaceutical regulations at ScinoPharm.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Injectable Plant	R.O.C.	Nan-Sheng Chan	M	2012.11.07	89,196	0.011%	-	-	-	-	Education: PhD in Chemical Engineering, Texas A&M University Work Experience: Researcher, ITRI's Materials & Chemical Research Laboratories; chief researcher, Standard Chem.& Pharm. Co.; chemical engineer, Jurox Pty Ltd. of Australia; marketing research manager and senior manager, product and market research department director, ScinoPharm.	NA	-	-	-
Director Production & Material Management	R.O.C.	Sharon Lee (Note 3)	F	2015.08.04	-	-	-	-	-	-	Education: Department of Chemistry, National Taiwan University; Master in chemistry, Kansas State University; PhD in Chemistry , Wayne State University. Work Experience: Scinopharm's Assistant director of laboratories, Diversified Chemical Technologies of the U.S.; planning section chief at Refining & Manufacturing Research Institute, CPC Corp.,Taiwan; production and product planning manager, senior production control manager, senior manager of production and production materials control at ScinoPharm.	NA	-	-	-
Director Audit Office	R.O.C.	Shun Yang Lin	M	2015.08.03	-	-	-	-	-	-	Education: Department of international Trade, Tunghai University; Master in accounting and information technology, National Chung Cheng University. Work Experience: ScinoPharm's accounting manager, financial planning manager; deputy director of financial and accounting department, Chi Lin Optoelectronics Co.; chief financial and accounting administrator at RiPAL Optotronics, a subsidiary of Compal Group; chief financial officer at Hsin Kai Luo Precision Machinery Co.	Supervisor of: SciAnda(Changshu) Pharmaceuticals, Ltd.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Quality Assurance	R.O.C.	Albert Song	M	2017.01.01	531	0.000%	-	-	-	-	Education: Bachelor Degree, Industrial Engineering, Tunghai University Work Experience: Assistant ScinoPharm's Plant Engineer/Supervisor, QA Specialist/ Senior Manager, Production Specialist of Top Laminater Corporation, Production Chief of Asia Colloids and Chemicals Corporation, Engineer of Yieh-Loong Steel Co., Ltd.,	NA	-	-	-
Director Quality Control	R.O.C.	Chia Ming Huang (Note 4)	M	2017.02.13	-	-	-	-	-	-	Education : MS, Ph.D. University of Missouri-Kansas City Work Experience: Sr. Manager of Lotus Pharmaceuticals, Manager of Endo Pharmaceuticals	NA	-	-	-
Director Plant Support and Services, Operation	R.O.C.	Szu Ching Wang	M	2018.09.10	-	-	-	-	-	-	Education: BS, Dept. of Chemical Engineering, National Central University, Master, Dept. of Chemical Engineering, National Taiwan University of Science and Technical Work Experience: VP-Manufacturing, ,Plant Manager of Kaohsiung plant, Director of Safety/Security/Health /Environmental, Sale Manager, BU1 Production Manager, Kaohsiung Plant, Operating Engineer, Process Engineer, Kaohsiung Plant, of China American Petrochemical Co. Ltd. Process & Shift Engineer, TASCO	NA	-	-	-
Senior Manager Legal Affair Department	R.O.C.	Chia Ling Tsay	F	2017.03.20	600	0.000%	-	-	-	-	Education : LLM, Indiana University Work Experience: Taiwan Liposome Company, Senior Legal Manager, Acer Corp., Legal Manager, Eten Information System Corp. Legal Manager, LiteOn Corp., Legal Deputy Manager	NA	-	-	-

(Note 1): Holding Shares and holding percentage as of April 29th 2019

(Note 2): The Director was re-assigned on 2019.04.01 to serve as Senior Director of API Business, Marketing and Sales

(Note 3): The Director was re-assigned on 2019.04.01 to serve as Project Director, Operations

(Note 4): The Director was re-assigned on 2019. 04.01 to serve as Project Director of Quality Control, Quality Management

3.3 Remuneration paid to Company directors, supervisors, president, and senior vice presidents over the past year

3.3.1 Remuneration paid to each individual director

December 31, 2018 ; Unit: NT\$ thousands

Title		Name		Total Director Remuneration						Summation of A , B , C , and D as a % of After-Tax Income		Compensation to Directors Also Serving as Company Employees								Summation of A , B , C , D , E , F and G as a % of After-Tax Income		Compensation from Affiliates Other Than Subsidiaries
				Remuneration (A)		Pensions (B)		Director Remuneration (C)				Business Expenses (D)		Salary, Bonuses, and special Allowance (E)		Pensions (F)		Employee Compensation (G) (Note 1)				
				SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT		All consolidated companies		SPT	All consolidated companies
Director	Uni-President Enterprises Corp.	3,528	3,528	-	-	7,840	7,840	8,957	8,957	4.59%	4.59%	10,851	11,335	82	82	-	-	-	-	7.06%	7.17%	None
Chairman	Uni-President Enterprises Corp. Representative : Chih-Hsien Lo																					
Director	Uni-President Enterprises Corp. Representative : Tsung-Ming Su																					
Director	Uni-President Enterprises Corp. Representative : Kun-Shun Tsai																					
Director	Uni-President Enterprises Corp. Representative : Tsing-Pin Wu																					
Director	Uni-President Enterprises Corp. Representative : Jia Horng Guo																					
Director	Uni-President Enterprises Corp. Representative : Yung Fa Chen																					
Director	Uni-President Enterprises Corp. Representative : Fu-Jung Lai																					
Director	Tainan Spinning Co., Ltd. Representative : Po-Ming Hou																					
Director	Tainan Spinning Co., Ltd. Representative: Chien-Li Yin																					
Director	President International Development Corp. Representative : Chiou-Ru Shih																					
Director	National Development Fund, Executive Yuan Representative : Po-Wu Gean																					
Director	National Development Fund, Executive Yuan Representative : Ming-Shi Chang																					
Director	National Development Fund, Executive Yuan Representative : Ming-Chuan Hsieh																					
Director	National Development Fund, Executive Yuan Representative : Ya-Po Yang																					
Director	Kao Chyuan Investment Co., Ltd																					
Director	Kao Chyuan Investment Co., Ltd Representative : Shiow-Ling Kao																					
Director	Taiwan Sugar Corporation																					
Director	Ih-Jen Su																					
Director	Wei-Te Ho																					
Director	Wei-Cheng Tian																					
Director	Wen-Chang Chang																					
Director	Li-Tzong Chen																					

(Note 1): Earnings distribution for 2018 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Range of remuneration for directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Jia Horng Guó 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen Uni-President Enterprises Corp. Representative: Fu-Jung Lai 、 Tainan Spinning Co., Ltd. 、 Tainan Spinning Co., Ltd. Representative: Po-Ming Hou and Chien-Li Yin 、 President International Development Corp. 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 Ming-Shi Chang 、 Ming-Chuan Hsieh 、 Ya-Po Yang 、 Ih-Jen Su 、 Wei –Cheng Tian 、 Wei-Te Ho 、 Wen-Chang Chang 、 Li-Tzong Chen 、 Taiwan Sugar Corporation	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Jia Horng Guó 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen Uni-President Enterprises Corp. Representative: Fu-Jung Lai 、 Tainan Spinning Co., Ltd. 、 Tainan Spinning Co., Ltd. Representative: Po-Ming Hou and Chien-Li Yin 、 President International Development Corp. 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 Ming-Shi Chang 、 Ming-Chuan Hsieh 、 Ya-Po Yang 、 Ih-Jen Su 、 Wei –Cheng Tian 、 Wei-Te Ho 、 Wen-Chang Chang 、 Li-Tzong Chen 、 Taiwan Sugar Corporation	Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Jia Horng Guó 、 Uni-President Enterprises Corp. Representative: Fu-Jung Lai 、 Tainan Spinning Co., Ltd. 、 Tainan Spinning Co., Ltd. Representative: Po-Ming Hou and Chien-Li Yin 、 President International Development Corp. 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., Ltd. 、 Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 Ming-Shi Chang 、 Ming-Chuan Hsieh 、 Ya-Po Yang 、 Ih-Jen Su 、 Wei –Cheng Tian 、 Wei-Te Ho 、 Wen-Chang Chang 、 Li-Tzong Chen 、 Taiwan Sugar Corporation	Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Jia Horng Guó 、 Uni-President Enterprises Corp. Representative: Fu-Jung Lai 、 Tainan Spinning Co., Ltd. 、 Tainan Spinning Co., Ltd. Representative: Po-Ming Hou and Chien-Li Yin 、 President International Development Corp. 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., Ltd. 、 Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 Ming-Shi Chang 、 Ming-Chuan Hsieh 、 Ya-Po Yang 、 Ih-Jen Su 、 Wei –Cheng Tian 、 Wei-Te Ho 、 Wen-Chang Chang 、 Li-Tzong Chen 、 Taiwan Sugar Corporation
NT\$2,000,001 ~ NT\$5,000,000	0	0	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo Uni-President Enterprises Corp Representative: Tsung Ming Su	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo Uni-President Enterprises Corp Representative: Tsung Ming Su
NT\$5,000,001 ~ NT\$10,000,000	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp. Representative: Yung-Fa Chen	Uni-President Enterprises Corp. Representative: Yung-Fa Chen
NT\$10,000,001 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	25	25	25	25

3.3.2 President and senior vice president remuneration

December 31, 2018 ; Unit: NT\$ thousand dollars

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note 1)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Chief Strategy Officer	Chih-Hsien Lo	18,237	19,247	581	581	4,881	5,035	2,305	-	2,305	-	5.87%	6.17%	None
President	Yung -Fa Chen													
President	Tsuung-Ming Su													
Vice President	Ching-Wen Lin													
Vice President	Chih Fang Chen													
Vice President	Tsung-Jung Yen													
Vice President	Li-An(Susan) Lu													
Vice President	Li-Chiao Chang													

(Note 1): Earnings distribution for 2018 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Range of remuneration for president and senior vice presidents

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Tsung-Jung Yen 、Li-An Lu	Tsung-Jung Yen 、Li-An Lu
NT\$2,000,001 ~ NT\$5,000,000	Chih-Hsien Lo 、Tsuung-Ming Su 、Li-Chiao Chang	Chih-Hsien Lo 、Tsuung-Ming Su 、Li-Chiao Chang
NT\$5,000,001 ~ NT\$10,000,000	Yung-Fa Chen 、Ching-Wen Lin 、Chih Fang Chen	Yung-Fa Chen 、Ching-Wen Lin 、Chih Fang Chen
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	8	8

3.3.4. Distribution of bonuses to Company management during

December 31st 2018 ; Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%) (%)
Executive Officers	President & CEO	Tsung-Ming Su (Note 1)	—	7,388	7,388	1.67%
	Vice-President Marketing and Sales & Strategic Officer	Ching-Wen Lin				
	Vice President Operations	Chih-Fang Chen				
	Vice President Administration	Li-An Lu (Note 2)				
	Vice President of Injectable Business Division	Li-Chiao Chang				
	Senior Director Research and Development	Yu-Fen Hung				
	Senior Director Plant Support Services	Chin-Lin Liu				
	Senior Director Accounting	Chih-Hui Lin				
	Senior Director Finance	Chih-Ching Hsu (Note 3)				
	Director Purchasing & IT	Chao-An Chou				
	Director Custom Synthesis	Ling-Hsiao Lien				
	Director Injectable Plant	Nan-Sheng Chan				
	Director Regulatory Technical Service	Luh-Chian Chang				
	Director Audit Office	Shun Yang Lin				
	Director Production & Material Management	Sharon Lee				
	Director Quality Assurance	Albert Sung				
	Director Quality Control	Chia Ming Huang				
	Director Project	SzuChing Wang (Note 4)				
	Senior Manager Legal Affairs	Chia Ling Tsai				

Note 1: Newly appointed on 2018.07.05

Note 2: Newly appointed on 2018.08.01

Note 3: Newly appointed on 2018.08.20

Note 4: Newly appointed on 2018.09.10

3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Item/Year	The Company		Companies in the consolidated financial statements	
	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	2017	2018	2017	2018
Total remuneration paid to directors,	8.60	7.06	8.79	7.17
Total remuneration paid to Supervisors	-	-	-	-
Total remuneration paid to presidents and vice presidents	7.19	5.87	7.68	6.17

- (a) Remunerations of directors and supervisors include reward, transportation allowance, income from professional practice, and earnings distribution.
- (b) Remunerations of president and vice presidents are figured out in accordance with the Company's "Personnel Rules and Regulations" and their bonuses will be adjusted based on the Company's annual business performance.
- B. Remuneration policy, standards and packages, procedures for determining remuneration and the correlation with operating performance and future risk exposure:
- (a) Remunerations of directors and supervisors include reward, transportation allowance, income from professional practice, and earnings distribution. The rewards of directors and supervisors will be determined by the board of directors, based on authorization by the Company as set in company rules and regulations, after weighing the degree of their participation in the Company's business operations, the value of their contributions and the rewards of their counterparts of the Company's peers. The distribution of earnings to directors and supervisors, totally in accordance with company rules and regulations, will be carried out after being deliberated by board of directors and ratified by the shareholders' meeting.
- (b) Remunerations of president and vice presidents include regular pay and employee bonus. The regular pay will be determined after their contributions to the company and the average pay level of the Company's peers are taken into consideration. The allocation criteria for employee bonus will be based on company rules and regulation and the allocation will be done after being deliberated by the board of directors and ratified by the shareholders' meeting.
- (c) Related remunerations are to be determined in accordance with contributions to the Company and the remuneration levels of the Company's peers, and the remuneration figures will be revealed in accordance with related rules and regulations of the law.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

Total of 8 meetings of the Board of Directors were held of 2018 and up to the publish date of the annual report,. The attendances of directors were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Uni-President Enterprises Corp Representative : Chih-Hsien Lo	8	0	100%	Re-elected on 2018.06.27
Director	Uni-President Enterprises Corp Representative : Tsong-Ming Su	8	0	100%	Re-elected on 2018.06.27
Director	Uni-President Enterprises Corp Representative : Kun-Shun Tsai	8	0	100%	Re-elected on 2018.06.27
Director	Uni-President Enterprises Corp Representative : Tsong-Pin Wu	8	0	100%	Re-elected on 2018.06.27
Director	Uni-President Enterprises Corp Representative : Jia-Horng Guo	7	1	88%	Re-elected on 2018.06.27
Director	Uni-President Enterprises Corp Representative : Yung-Fa Chen	5	0	100%	Previous term; Resigned on Oct 22 nd 2018; Should Attend the Board of Directors Meeting five times during 2018.01.01~2018.10.22
Director	Uni-President Enterprises Corp Representative : Fu-Jung Lai	3	0	100%	Newly assumed Director on reassigned October 29 th 2018; Should attend the meeting three times during 2018.10.29~2019.04.30
Director	President International Development Corp. Representative: Chiou-Ru Shih	8	0	100%	Re-elected on 2018.06.27
Director	Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao	6	2	75%	Re-elected on 2018.06.27
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou	7	1	88%	Re-elected on 2018.06.27
Director	National Development Fund, Executive Yuan Representative: Po-Wu Gean	2	0	100%	Previous term; Dismissed during the re-election on June 27 th 2018; Should Attend the Board of Directors Meeting twice during 2018.01.01~2018.06.27

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Director	National Development Fund, Executive Yuan Representative: Ming-Shi Chang	2	0	100%	Previous term; Dismissed during the re-election on June 27 th 2018; Should Attend the Board of Directors Meeting twice during 2018.01.01~2018.06.27
Director	National Development Fund, Executive Yuan Representative: Ming-Chuan Hsieh	6	0	100%	New term; Newly Elected on June 27, 2018 Should Attend the Board of Directors Meeting six times during 2018.06.27~2019.04.30
Director	National Development Fund, Executive Yuan Representative: Ya-Po Yang	5	1	83%	New term; Newly Elected on June 27, 2018 Should Attend the Board of Directors Meeting six times during 2018.06.27~2019.04.30
Director	Taiwan Sugar Corporation Representative: Kuo-Hsi Wang	7	1	88%	Re-elected on 2018.06.27
Independent Director	Wei-Cheng Tian	2	0	100%	Previous term; Dismissed during the re-election on June 27 th 2018; Should Attend the Board of Directors Meeting twice during 2018.01.01~2018.06.27
Independent Director	Ih-Jen Su	0	2	0%	Previous term; Dismissed during the re-election on June 27 th 2018; Should Attend the Board of Directors Meeting twice during 2018.01.01~2018.06.27
Independent Director	Wen-Chang Chang	5	0	83%	New term; Newly Elected on June 27, 2018 Should Attend the Board of Directors Meeting six times during 2018.06.27~2019.04.30
Independent Director	Li-Tzong Chen	5	1	83%	New term; Newly Elected on June 27, 2018 Should Attend the Board of Directors Meeting six times during 2018.06.27~2019.04.30
Independent Director	Wei-Te Ho	7	1	88%	Re-elected on 2018.06.27

Other issues to be noted:

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:

(1) Issues specified in Article 14-3 of the Securities and Exchange Act: The Company had set up the Audit Committee, Please refer to page 32 Operations of the Audit Committee " for more information regarding to Article 14-5 of the Securities and Exchange Act.

ScinoPharm held 8 board meetings of 2018 and up to the publish date of the annual report; and did not have any matters listed in Article 14-3 of the Securities and Exchange Act or other matters not passed by independent directors. Please refer to page 72~74.

(2) Other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

The Company has established a set of "Regulations Governing Procedure for Board of Directors Meetings," and Article 14 of the regulations stipulates that directors can present opinions and answer questions when the meeting's subjects are related to their own interests or the interests of the corporate bodies they represent and are likely to undermine the interests of the Company, but they are prohibited from joining discussions or voting operation. They should absent themselves from discussion and vote, and cannot vote on behalf of other directors.

Board of Directors	Directors' names	contents of motion	causes for avoidance and voting should be specified:
The nineteenth meeting of the Eighth term 2018.03.16	Yung-Fa Chen	The motion was to discuss distribution of performance bonuses among vice presidents and above	Director as being the president, avoided the discussion due to conflict of interest, and all of the other attending directors passed the motion
The third meeting of the Ninth term 2018.08.01	Tsung-Ming Su	Discussion of salary for president	Director avoided the discussion due to conflict of interest, and all of the other attending directors passed the motion

3. Measures taken to strengthen the functionality of the board (The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties) :

(1)The Company's board of directors authorizes the auditing committee and the compensation committee, both under its direct jurisdiction, to help it exercise the authority of supervision. Both consist of three independent directors. According to regulations, related cases must be agreed by the committees before submission to the board of directions for approval and execution.

(2)According to the revised templates notified by the competent authority on Sept. 27, 2017, the 8th board of directors of the Company passed at its 18th meeting on Dec. 19, 2017 revisions of the Company's "organic regulations for the auditing committee," "meeting rules of the board of directors," and "regulations on the scope of authority of independent directors."

(3)According to the revised "Company Act," as notified by the competent authority on Aug. 1, 2018, the company's 9th board of directors approved revision of the Company's charter at its 6th meeting on March 25, 2019.

(4)According to the revised "Regulations Governing Acquisition and Disposal of Assets by Public Companies," notified by the competent authority on Nov. 26, 2018, the Company's 9th board of directors approved the Company's "procedure for acquisition or disposal of assets" at its 6th meeting on March 25, 2019.

4. 2018 and up to the publish date Board of Directors Meetings attendance detail for Independence Directors:

Explanation: attend in person : ✓ ; attend by authorization : @ ; absent: : *

2018	2018.03.16	2018.05.04	2018.06.27	2018.07.05	2018.08.01	2018.11.05	2018.12.18	2019.03.25
Wei-Cheng Tian	✓	✓	-	-	-	-	-	-
Ih-Jen Su	@	@	-	-	-	-	-	-
Wen-Chang Chang	-	-	*	✓	✓	✓	✓	✓
Li-Tzong Chen	-	-	✓	✓	@	✓	✓	✓
Wei-Te Ho	✓	✓	✓	✓	✓	✓	✓	@

3.4.2 Operations of the Audit Committee:

1. Major tasks of the auditing committee in the year

- (1) The Company's auditing committee consists of three independent directors, in charge of supervising, in assistance to the board of the directors, the Company's flow related to accounting, auditing, and financial report, as well as the quality and credibility of financial control.

The Company's auditing committee held six meeting in 2018 and 2019 as of the date of the publication of the annual report, with major items it reviewed including:

- a. major auditing plan and report on major audited items of certified public accountants for the year.
- b. plan, implementation, and efficacy evaluation of the internal control system;
- c. revision of the procedure for acquisition and disposal of assets and revision of the Articles of incorporation.
- d. provision of guarantee for medium-term loans for subsidiaries
- e. Payout of compensations for directors and employees to directors serving as managers or employees at the same time;
- f. appointment of certified public accountants and compensations;
- g. independence and qualification of certified public accountants;
- h. hiring of financial chief;
- i. quarterly financial report and annual financial report;
- j. business report and proposal for distribution of earnings;
- k. other major items designated by the Company or competent authority.

- (2) Review of financial report:

The board of directors produced the Company's business reports, financial statements, and proposals for earnings distribution for 2017 and 2018, of which the financial statements have been audited by PwC Taiwan, with the results shown in its auditing report. The committee has also audited the business reports, financial statements, and proposals for earnings distribution without finding any impropriety.

- (3) Evaluation of the efficacy of internal control system:

The Company evaluates the efficacy of the design and implementation of the Company's internal control system, according to the evaluation items stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies." Based on management-control process, the regulations divide internal control system into five constituents: (1) environmental control, (2) risk assessment, (3) control operation, (4) information and communication, and 5. supervisory operation. The evaluation confirms the efficacy of the design and implementation of the Company's internal control system (including oversight and management of subsidiaries) as of Dec. 31, 2018, in terms of attainment of the target for business performance and efficiency, as well as the reliability, timeliness, transparency, and legal compliance of reports.

- (4) Certified public accountants

To assure the independence of the certifying accounting firm, the Auditing Committee evaluates the independence and qualification of certified public accountants, in reference to the criteria listed in No. 10 "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China." The independence and qualification of certified public accountants Yung-chih Lin and Tzu-meng Liu of PwC Taiwan were reviewed and affirmed by the company's 2nd term Auditing Committee at its 17th meeting on March 15, 2018 and the 8th term Board of Directors at its 19th meeting on March 16, 2018. The independence and qualification of certified public accountants Yung-chih Lin and Tzu-meng Liu of PwC Taiwan were reviewed and affirmed by the company's 3rd term Auditing Committee at its 4th meeting on March 20, 2019 and the 9th term Board of Directors at its 6th meeting on March 25, 2019.

2. Total of 6 meetings of the Audit Committee were held of 2018 and up to the publish date of the annual report. Independent director attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	Wei-Cheng Tian	2	0	100%	Dismissed during the re-election on June 27 th 2018; Should Attend the Meeting twice during 2018.01.01~2018.06.27
Independent director	Ih-Jen Su	2	0	100%	Dismissed during the re-election on June 27 th 2018; Should Attend the Meeting twice during 2018.01.01~2018.06.27
Independent director	Wen-Chang Chang	3	1	75%	Newly elected on June 27,2018, Should attend the meetings four times during 2018.06.27~2019.04.30
Independent director	Li-Tzong Chen	4	0	100%	Newly elected on June 27,2018, Should attend the meetings four times during 2018.06.27~2019.04.30
Independent director	Wei-Te Ho	6	0	100%	Re-elected on June 27,2018,

Other mentionable items:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - Article 14-5 of the Securities and Exchange Act listed items:
There had been a total of 6 meetings of the Audit Committee as of 2018 and up to the publish date of the annual report, The meeting resolutions are listed in Note 1. The Article 14-5 of the Securities and Exchange Act listed items: are all approved by Audit Committee.
 - Other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors: None.
- If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
Independent directors should abstain from cases involving conflict of interest or possible harm to the company's interests. Cases for which the committee cannot make an resolution should be submitted to the board of directors for resolution. In 2018, there was no case reviewed by the auditing committee from which an independent director had to abstain, due to conflict of interest.
- Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of the corporate finance or operations, etc)
 - The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well in 2018.
 - The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well in 2018.
 - The communication among the independent directors, internal auditors and CPAs are listed in Notes 2 and Note 3. All the independent directors expressed no objection opinion.

Note 1. Major resolutions or opinion during the Auditing Committee Meetings

Board of Directors	Contents of Resolutions and follow-up	Circumstances listed in Article 14-5 of the Securities and Exchange Act	Circumstances not approved by the Audit Committee but were approved by two thirds or more of all directors
(1) The nineteenth meeting of the Eighth term of Board of Directors (March 16, 2018)	a. The Company's Remuneration distribution plans for directors for fiscal 2017.and employees and vice president and above.	✓	none
	b. The company's Parent and Consolidated financial reports for fiscal 2017.	✓	none
	c. The Company's Business Report for fiscal 2017	✓	none
	d. The Company's earning distribution plan for fiscal 2017	✓	none
	e. The Company's "Statement for Internal Control Systems" for fiscal 2017.		
	f. The Company's evaluation results regarding the independence and suitability of the CPAs and the appointment of chartered certified accountant and remuneration package.	✓	none
	g. The revision of the Company "Article of Incorporation"	✓	none
	Audit Committee resolution (March 15, 2018): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
(2) The twentieth meeting of the Eighth term of Board of Directors (May 4,2018)	a. The Company's consolidated financial statement and Auditor's report for the first quarter Of 2018	✓	none
	Audit Committee resolution (May 2, 2018): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
(3) The third meeting of the Ninth term of Board of Directors (Aug. 1,2018)	a. The Company's consolidated financial statement and Auditor's report for the second quarter Of 2018	✓	none
	Audit Committee resolution(July 27,2018) Approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members.		
(4) The forth meeting of the Ninth term of Board of Directors (November 5, 2018)	a. The CPA's annual Audit plan and communicate report with company's governance unit	✓	none
	b. The Company's consolidated financial statement and Auditor's report for the third quarter Of 2018	✓	none
	Audit Committee resolution (October 31, 2018): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
(5) The fifth meeting of the Ninth term of Board of Directors (December 18, 2018)	a. ScinoPharm audit planning for 2019.	✓	none
	Audit Committee resolution (December 14, 2018): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		

Board of Directors	Contents of Resolutions and follow-up	Circumstances listed in Article 14-5 of the Securities and Exchange Act	Circumstances not approved by the Audit Committee but were approved by two thirds or more of all directors
(6) The sixth meeting of the Ninth term of Board of Directors (March 25, 2019)	a. The Company's compensations for directors for fiscal 2018.and employees and vice president and above.	✓	none
	b. The Company's business report, parent and consolidated financial reports for fiscal 2018.	✓	none
	c. The Company's proposed Distribution of 2018 Earnings.	✓	none
	d. The Company's "Statement for Internal Control Systems" for fiscal 2018.	✓	none
	e. The Company's evaluation results regarding the independence and suitability of the CPAs and the appointment of chartered certified accountant and remuneration package.	✓	none
	f. The Company plans to provide guarantee to SciAnda (Changshou) Pharmaceuticals, Ltd. for mid-term loans	✓	none
	g. Amendment to the "Articles of Incorporation" of the Company.	✓	none
	h. Amendment to the Procedures for Acquisition and Disposal of Assets of the Company.	✓	none
	Audit Committee resolution (March 20, 2019): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		

Note 2: The communications key points between the independent directors and the internal auditors

Date	Communication Key Points
2018.03.15 Audit Committee 2018.03.25 Board of Directors	1. Reviewing the Internal Auditor's report for the fourth quarter of 2017. 2. Reviewing and approving 2017 Statement of Internal Control System.
2018.05.02 Audit Committee 2018.05.04 Board of Directors	Reviewing the Internal Auditor's report for the first quarter of 2018.
2018.07.27 Audit Committee 2018.08.01 Board of Directors	Reviewing the Internal Auditor's report for the second quarter of 2018.
2018.10.31 Audit Committee 2018.11.05 Board of Directors	Reviewing the Internal Auditor's report for the third quarter of 2018.
2018.12.14 Audit Committee 2018.12.18 Board of Directors	2019 Audit planning
2019.03.20 Audit Committee 2019.03.25 Board of Directors	1. Reviewing the Internal Auditor's report for the fourth quarter of 2018. 2. Reviewing and approving 2018 Statement of Internal Control System.

Note 3: The communications key points between the independent directors and the independent auditor

Date	Communication Key Points
2018.03.15 Audit Committee	The CPA's response in connection with 2017 financial report audit report and problems raised by independent directors
2018.05.02 Audit Committee	The CPA's response in connection with financial statements audit report for first quarter of 2018 and problems raised by independent directors
2018.07.27 Audit Committee	The CPA's response in connection with financial statements audit report for second quarter of 2018 and problems raised by independent directors
2018.10.31 Audit Committee	1. The CPA's response in connection with financial statements audit report for third quarter of 2018 and problems raised by independent directors 2. The CPA's response in connection with 2018 Audit planning and communication report with cooperative governance divisions.
2019.03.20 Audit Committee	The CPA's response in connection with 2018 Audit planning and problems raised by independent directors

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company established its own “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” with the principles passed by the board of directors on May 8, 2014 and partly revised on May 7, 2015 and Nov 8, 2016 in line with the revisions made by competent authorities. The latest contents of the Company’s corporate governance best practice principles are revealed on the Market Observation Post System of the TWSE and on the “Investor Relationship/ Corporate Governance” section of the Company’s own website.	None
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has established the “Rules of Procedure for Shareholders Meetings”, and convenes annual shareholders meeting to serve as a channel of communications with shareholders. In addition, in order to build a good and instant mechanism of exchanges with investors, the Company has also set up spokespersons, acting spokespersons, public affairs and stock affairs specialists to deal with shareholders’ proposals or quench their doubts. In case of any dispute or possible lawsuit, these spokespersons and specialists will seek opinions from the legal affairs unit to work out appropriate countermeasures.	None
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		In addition to the setup of a contact window for stock affairs, the Company has commissioned a stock affairs agent to deal with shareholders - related affairs. It grasps the information on major shareholders and final controllers through the name list of shareholders compiled by the agent, and regularly reports the changes in shareholdings of directors and managers to regulators.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		Based on the spirit of the "Regulations Governing Establishment of Internal Control Systems by Public Companies," formulated by the Financial Supervisory Commission, the Company has instituted "management practice for preventing insider trading," as the mechanism for prevention and management of insider trading.	None
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		In order to help all the employees have a correct concept of corporate governance and prevent insider trading, in addition to the passage of the "internal procedure for handling major information" by the board of directors, the company has formulated "guideline for employee behaviors," in compliance with the requirement of	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>open information disclosure by the competent authority. Upon the publication and revision of the aforementioned regulations, the company will notify all the employees via e-mail and post the information on the "investor relationship/corporate governance" section of the corporate website.</p> <p>In addition, the Company established its own “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>	
<p>3.Composition and Responsibilities of the Board of Directors</p> <p>(1)Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>1. The Company has called for, in "practical guidelines for corporate governance" and "measures for the election of directors and supervisors," pluralized membership for the board of directors, specifying that directors with a managerial position at the same time should account for more than one third of the seats on the board of directors and the number of directors whose spouses or relatives within second-degree kinship also sit on the board of directors should not exceed a half of the total seats. In addition, the Company has also formulated the policy of pluralization for its operation, business types, and development need, in terms of, but not limited to, criteria in the following two aspects:</p> <p>(1) Fundamental conditions and values: gender, age, etc.</p> <p>(2) Professional knowledge and skill: professional background, professional skill, and industrial experience.</p> <p>2. The Company's board of directors consists of 15 seats (including three for independent directors), of which 12 are males and three females, the average age for Directors is 59. Members of the board of directors possess the knowledge, skills, and literacy for business judgment, corporate management, industrial operation, R&D, leadership, and decision making, necessary for the execution of their duties. They are experts, scholars, and reputed social figures with backgrounds in business management, finance and accounting, monetary affairs, commerce, economics, and medicine, featuring plural and supplementary expertise and abundant international perspective.(Note 1), not only in compliance with the pluralization policy but also being conducive to the enhancement of the Company's business performance and management efficiency.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	The Company hasn't establish any other functional committee besides the remuneration and audit committees,	As illustration
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?		✓	The Company's remuneration committee annually assesses the performance of the board of directors, and works out reasonable remuneration policy in accordance with related rules and regulations. The measures for assessing the performance of the board of directors are still under evaluation.	In the process of Evaluation
(4) Does the Company regularly evaluate the independence of CPAs?	✓		Every year, the Company would evaluate the independence and qualification of its contracted CPAs by its own. The latest evaluation was reported to the auditing committee on March 20, 2019 before being submitted to and approved by the board of directors on March 25, 2019. It has been confirmed that CPAs Lin Yung-chih and Liu Tzu-meng, both of PwC Taiwan, don't hold the positions of directors or managerial staffers at the Company and are not stakeholders of the Company. Nor do they receive pays from or have the relationship of investments or financial-interest sharing with the Company. Evaluation confirms their conformance to the Company's criteria for the independence and qualification of CPAs, ascertaining their suitability to become the Company's CPAs. The contracted accounting firm has also issued statement on their independence.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the Company designated personnel to implement corporate governance related businesses(including but not limited to, providing information needed by directors or supervisors to execute their duties, matters related to meetings of the Board and shareholder meetings held in accordance to legal requirements, registering and changing the registration of the Company and producing proceedings for the meetings of the Board and shareholders)?	✓		Corporate governance-related affairs and Board meeting and Shareholders’ meeting Related affairs are handled by administrative and finance/accounting units jointly, according to their responsibilities/power. In addition to providing directors and independent directors information necessary the execution of their duties and updates on related laws/regulations, helping them in legal compliance, the two units also prepare data for meetings of the auditing committee and the board of directors, as well as shareholders' meeting, prepare for various meetings, produce minutes of meetings, handle corporate registration and change of registration, regularly review and revise various corporate governance-related measures and regulations, help with advanced study by directors and independent directors, carry out publication and reporting according to requirements for listed firms, and report regularly to the board of directors the execution status of corporate governance, corporate social responsibilities, and integrity-oriented management, according to the "Company Law," the "Securities and Exchange Law," and "Practical Guidelines for Corporate Governance," in line with the spirit and requirements of corporate governance.	None
5..Does the Company establish communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	✓		In order to establish an open, transparent and effective channel for communicating with its interested persons, better understand each other’s needs and serve as reference for formulating, reviewing and executing its corporate social responsibility policy, the Company has set up an “Interested Parties Section” which in definition covers seven major stakeholders, shareholders/investors, employees, customers, government, community/nonprofit organizations, suppliers and contractors, and news media. Provide proper contact window and reporting channel for various stakeholders. Also founded an “Unethical Conducts Reporting System” to facilitate contacts with interested parties and offer a tip-off channel. All the related information and messages received in this regard will all be properly dealt with by specific staffers and will serve as reference for improving the Company’s corporate governance and ethical Management.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has commissioned the Shareholder Services Department of President Securities Corp. as a dedicated shareholder service agent, which also assists the Company in organizing shareholders meetings. The agent is not an “affiliated enterprise” of the Company, as defined in Article 369-2 of the Company Law.	None
7.Information Disclosure (1)Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has launched a corporate website featuring dedicated sections for both investor relationship and interested parties, and a specific unit is assigned to manage and maintain the website, so as to timely update detailed information on the Company’s finance, operation, corporate governance and corporate social responsibility. The website address is: www.scinopharm.com.tw	None
(2)Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		<ol style="list-style-type: none"> 1. The Company has set up an English-language website to release its financial information in English for reference by investors. The website address is: www.scinopharm.com.tw 2. In order to boost the transparency of its information revelation, the Company has assigned a specific unit to handle information collection and revelation. 3. The Company has appointed spokespersons and acting spokespersons to handle external speeches and information relation affairs, so as to make shareholders and interested persons better understand the Company’s financial operations and corporate governance implementation. 4. Briefings and video information of the Company’s institutional investor conferences held quarterly and attend irregularly investor conferences held by domestic or foreign investment institutions, with related briefing and audio-visual materials, in both Chinese and English, are also revealed on the Market Observation Post System of the TWSE and the Company’s own website. 	None
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer	✓		<ol style="list-style-type: none"> 1. Welfare of and Care for Employees: The Company shows high regard for harmonious labor-management relationship, and has constantly upgraded the interests and welfare of employees, such as offering employee dormitory, small welfare stations, employee restaurant, breastfeeding room, visually impaired massage service, employee travels, physical examination, performance bonus, employee stock subscription, and dividend sharing etc., all designed to make employees enjoy a sound welfare system and work hard to contribute well to the Company. 2. Investor Relationship: 	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
relations policies, and purchasing insurance for directors and supervisors)?			<p>The Company makes it the greatest goal to safeguard the interests of shareholders and grant equal treatment to all the shareholders. Accordingly, the Company has not only timely revealed major information on financial and business operations and changes in internal shareholdings on the Market Observation Post System in accordance with related regulations, but has also set up an “Investor Relationship” section on its website to allow timely release of the Company’s financial and corporate governance information.</p> <p>3 Supplier Relationship: The Company has worked out a set of rules governing the management of exchanges with suppliers, aiming to build long-term close relationship with suppliers under the win-win principle to jointly pursue sustainable development and growth.</p> <p>4. Interests of Interested Parties: The Company thinks highly of maintaining good relationship with interested parties including shareholders, investors, employees, customers, government, communities, non-profit organizations, suppliers, contractors, and news media. Besides fulfilling each other’s rights and obligations in accordance with relevant laws and regulations, contracts and operating rules, the Company also endeavors to maintain good communication channels to safeguard legal interests of both parties, based on an integrity principle.</p> <p>5. Study Courses for Directors (including Independent Directors): The Company’s directors (including independent directors) take study courses in accordance with related legal regulations, with number of the study hours meeting or even exceeding the required level. The Company will continue to arrange irregular study courses for its directors (including independent ones). Please see the annual report to learn more in this regard from the “Table of Study Courses for Directors and Independent Directors in 2018.(Please refer to page 66-69)</p> <p>6. Risk Management Policy and Implementation of Risk Assessment Criteria: The Company’s major business operation policies, investment projects, guarantee endorsements, lending to others and loans from banks all undergo intensive analysis and evaluation by internal competent units and then are put into practice based on resolutions passed by the board of directors.</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>7. Implementation of Customer Policy: The Company follows the cGMP regulations governing pharmaceutical production to provide clients with high-quality and safe products, and its dedicated customer service staffers are assigned to deal with opinions presented by customers.</p> <p>8. Liability Insurance for Directors and Independent Directors: The Company has implemented liability insurance for its directors and managerial staff in accordance with the law.8. Status of the Company taking out liabilities insurance for directors (independent directors)" The Company has taken out liabilities insurance for directors and managerial staffers, which is renewed every year after reporting the insured amount, coverage, and premium to the board of directors and receiving its approval. The latest insurance, spanning the period from July 2018 to July 2019, was reported to and approved by the board of directors on July 5, 2018.</p>	

9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:
According to the final result of the fifth corporate-governance evaluation, the Company explains the status of improvement and priority items for further improvement as follows:

Contents of Evaluation Item	Status of Improvement and Priority Items
Whether ScinoPharm will hold the 2019 shareholder meeting by the end of May?	Because of the time for availability of financial report and annual report, the 2019 shareholder meeting is scheduled for June. If time taken in preparing such reports can be shortened in the future, shareholder meeting can be scheduled earlier.
Has board of directors approved ScinoPharm-proposed method and procedures of evaluating its performance? Has the board evaluated its performance itself at least once a year and revealed results of self-evaluation at corporate website or in annual reports?	In Evaluation
Has ScinoPharm signed a collective agreement with the labor union concerned pursuant to Collective Agreement Act?	ScinoPharm, although having not yet set up a labor union, regularly calls meetings every year to discuss issues between the Company and its employees and make decisions, a bid to maintain harmonious and stable relation with employees.

Note1 : Our boards of directors possess the following abilities:

Item/Name	Gender	Professional background	Ability to make professional judgement	Ability to conduct management administration	Commerce and Economics	Ability to perform accounting and financial analysis	Knowledge of the industry	Professional R&D	An International market Prospect	Ability to lead	Ability to make policy decisions
Chih-Hsien Lo	M	Business Administration	✓	✓	✓	✓	✓		✓	✓	✓
Tsung-Ming Su	M	Business Administration	✓	✓	✓	✓	✓		✓	✓	✓
Kun-Shun Tsai	M	Food technology	✓	✓			✓	✓	✓	✓	✓
Tsung-Pin Wu	M	Finance & accounting	✓	✓	✓	✓	✓		✓	✓	✓
Jia-Horng Guo	M	Finance & Banking	✓	✓	✓	✓	✓		✓	✓	✓
Fu-Jung Lai	M	Business Administration	✓				✓			✓	
Po-Ming Hou	M	Tourist management	✓	✓	✓	✓	✓		✓	✓	✓
Shiow-Ling Kao	F	Business	✓	✓	✓		✓		✓	✓	✓
Ming-Chuan Hsieh	F	Medical Matters Management	✓	✓	✓	✓	✓		✓	✓	✓
Ya-Po Yang	M	Economics	✓	✓	✓				✓	✓	✓
Chiou-Ru Shih	F	Economics	✓	✓	✓	✓	✓		✓	✓	✓
Kuo-Hsi Wang	M	Agro-chemical		✓			✓	✓		✓	✓
Wei-Te Ho	M	Finance & accounting	✓	✓	✓	✓	✓		✓	✓	✓
Wen-Chang Chang	M	Pharmacy	✓	✓			✓	✓	✓	✓	✓
Li-Tzong Chen	M	Clinical Medicine	✓	✓			✓	✓	✓	✓	✓

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

Based on the corporate charter, the Company has established compensation committee, whose members are appointed by the board of directors, according to the organic regulations of the committee. The current compensation committee, the fourth Session, comprises three independent directors, who fulfill the following authorities faithfully, as a prudent administrator, and submit suggestions to the board of directors for discussion:

- (1)Formulating and periodically reviewing the policy, system, criteria and structure associated with the remunerations of directors, supervisors and managerial staff, and assessing their performances.
- (2)Periodically assessing and determining the remunerations of directors, supervisors and managerial staff.

The company's compensation committee adheres to the following principles in exercising the aforementioned authorities:

- (1)In performance evaluation and determination of salaries and compensations, take into account the payment levels of peers, individual performance, the company's business performance, and future risks.
- (2)Discourage directors and managers from taking risk beyond reasonable scope for the company, in their quest for high salaries and compensations.
- (3)Take into account industry features and the company's business nature, in determining the share for the payout of bonus for directors and ranking managers and modification of the payment time for salaries and compensations.

The aforementioned salaries and compensations include cash compensations, stock options, stock bonus for employees, retirement benefits and termination benefits, various subsidies, and other substantial incentives.

3.4.4.1 Information Regarding Remuneration Committee

[illegible]

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1). Not an employee of the Company or any of its affiliates.
- (2). Not a director or supervisor of the Company or the Company's affiliates. This does not apply if an independent director of the Company, its parent company, or its affiliates is installed in accordance with this law or local laws.
- (3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7). Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8). Not a person of any conditions defined in Article 30 of the Company Law.

3.4.4.2 Attendance of Members at Remuneration Committee Meetings

(1). There are 3 members in the Remuneration Committee.

(2). The third term of the Remuneration Committee is from July 2 2015 to June 22 2018.

Total of 1 Remuneration Committee meetings were held in 2018. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Wei-Cheng Tian	1	0	100%	Departure after end of tenure
Committee Member	Ih-Jen Su	1	0	100%	Departure after end of tenure
Committee Member	Wei-Te Ho	1	0	100%	None
Other mentionable items:					
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.					
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

(3). The forth term of the Remuneration Committee is from July 5 2018 to June 26 2021.

Total of 3 Remuneration Committee meetings were held in 2018. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Wen-Chang Chang	3	0	100%	Newly Elected
Committee Member	Li-Tzong Chen	3	0	100%	Newly Elected
Committee Member	Wei-Te Ho	3	0	100%	Re-elected
Other mentionable items:					
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.					
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

Note: (1) For members of the compensation committee who leave the post by the end of a year, specify the dates for their departure in the column of notes and attendance rates (%) are calculated by the division of their attendance times by the number of committee meetings during their service periods.

(2) If there is reelection for the compensations committee before the end of a year, fill in the names of all the original and new members, including reelected ones, and specify the nature of their membership (original, new, and continuing one) in the column of notes, as well as the date of the reelection. Attendance rates (%) are calculated by the division of their attendance times by the number of committee meetings during their service periods.

3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1)Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	✓		In line with the Company's "corporate social responsibility best principles," which is based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," parallel to corporate management, the Company has been actively fulfilling corporate social responsibilities, so as to conform to the global development trend and contribute to the nation's economic development, leading to improvement of the life quality of employees, community, and society, as well as corporate responsibility-oriented competitiveness. The Company has established a cross-section task force for pushing the fulfillment of corporate social responsibilities, which is in charge of formulating the Company's CSR policy, system, related management guidelines, and enforcement plan, taking into account CSR development trend, both on the domestic front and abroad, and its relationship with the Company's core businesses and the influence of the overall business activities of the Company and the entire business group on stakeholders. The Company focuses its corporate social responsibility on three major aspects, namely corporate governance, environmental protection and social welfare, and the development strategies for various businesses are oriented toward achieving sustainable corporate development and securing full implementation of its corporate social responsibility policies. The Company appropriates annual budgets, which are well applied to finance all the undertakings for assuming its corporate social responsibility as a result of constant review and improvement. All the information concerning the Company's fulfillment of its corporate social responsibility has been revealed in the Company's annual report and on its website's "Corporate Social Responsibility" section.	None
(2)Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		The Company's CSR-related education and training covers multiple aspects, including various courses on the concept of sustainable development. In addition, via publication of in-house organ "ScinoPharm News," the Company has been pushing CSR awareness. As for internal communication, in addition to whistleblower system, that has been highlighting the Company's CSR measures and significant via quarterly meeting of employees and e-mail bulletin and materialize the basic CSR spirit in the Company's various events. Meanwhile, the Company has also organized regular public-service events and take part in similar events held by Southern Taiwan Science Park Administration to help local underprivileged groups.	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3)Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>The Company’s president is authorized by the board of directors to supervise the execution of the mission of fulfilling corporate social responsibilities by the Company and its affiliated enterprises, and then duly report the implementation results to the board of directors. Report on the status of execution in the year and key points of enforcement plan for the following year was presented in the meeting of the board of directors in November 2018.</p> <p>The Company assigns two departments to execute the mission. The Administration and Human Resources Department is responsible for planning and implementing the tasks of safeguarding legal interests of employees, enforcing social participation and public-service payback, and revealing information on corporate social responsibility in accordance with related labor rules and regulations. The Safety, Health and Environmental Protection Department takes charge of maintaining environmental safety and health by studying, planning and monitoring the Company’s practical measures designed to reduce production risks, sustain environmental safety and health, and promote the health of employees.</p> <p>In addition, the Company has set up an “Occupational Safety and Health Committee” and a “Sustainable Management Committee.” The former is the Company’s top decision-making unit for environmental safety and health, established in accordance with the Occupational Safety and Health Act, with the Company’s president responsible for convening a quarterly meeting with chiefs of business units and production plants, heads of various departments and employee representatives to examine the Company’s practices in promoting environmental safety and health and determine a future direction for making key improvements. The latter is established to integrate the tasks in promoting environmental protection, safety and health, energy saving, water conservation, and greenhouse gas management, so as to effectively boost the Company’s sustainable competitiveness. The Sustainable Management Committee is headed by the vice production president and comprises six sub-committees, such as sales and distribution, health, safety, sanitary, waste reduction, and energy saving, to map out annual sustainable management plans and review the implementation of the plans, so as to serve as the basis for internal examinations. All the efforts to safeguard the health of employees, create a safe and</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>friendly working environment or list environmental protection among the Company’s goals are designed to consolidate the Company’s foundation. The Company’s affiliated enterprises have set up their own “Production Safety Committee” as the top decision-making unit for environmental safety and health promotion. The committee is headed by president, who is responsible for convening chiefs of business units and production plants, and heads of various departments to promote the safety, health and environmental protection systems and determine the future direction for making key improvements. In addition, the committee should also compare the Company’s safety systems with national standards, periodically examine the difference between the current state and operating principles, formulate or revise action plans for execution by related units, and review the implementation progress. Furthermore, the committee should also sign a statement of commitment to support the Responsible Care Global Charter, continue to improve industrial safety, health and environmental protection performance, and join forces with consumers and suppliers to apply comprehensive risk- and life cycle-oriented scientific information to the management of chemical products, thereby helping to boost the quality of life for people worldwide through the commitment.</p> <p>Besides, the Company has established an “Employee Welfare Committee” and a “Labor-Management Meeting” to screen, promotes and supervises employee welfare operations, mediate labor-management relationship and push for labor-management cooperation, in accordance with related rules and regulations.</p>	
(4)Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		<p>1. The Company has established a reasonable remuneration and performance evaluation system. Under the system, the Company will determine the remuneration of employees in accordance with their education backgrounds, work experiences, professional knowledge and expertise, and seniority. Besides year-end bonus and employee dividend, the Company will also dole out performance bonus to employees based on their performance ratings. The remuneration of employees won’t vary with their gender, race, religion, state of marriage, and political affiliation.</p> <p>2. According to the Articles of incorporation, the Company, if profitable, should appropriate at least 2% of profits as employee compensations.</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>In 2018, the board of directors approved payout of NT\$48,877,615 as employee compensations, for 2017, which was allocated according to the performance evaluation of employees, on top of 1-1.5% pay raise for employees with good performance, so as to inspire employee morale.</p> <p>3. The Company has maintained an effective corporate governance framework and related ethical conduct criteria and practices, so as to accomplish its corporate governance goal. The Company has formulated such internal rules and regulations as “Code of Employee Conduct,” “Code of Ethical Conduct,” “Code of Faithful Conduct,” and “Procedures for Ethical Management and Guidelines for Conduct,” which are all posted on the Company’s website for reference by employees.</p> <p>4. Besides instructing new employees on the Company’s corporate culture, regulations for corporate ethics, as well as industrial safety, health and environmental protection operations associated with its corporate responsibility during the orientation courses for new employees, the Company also hosts various education and training programs for all its staff, including those on corporate governance and prevention of insider trading, to intensify related knowledge and concepts for employees. The Company's "work rules" specify guidelines and reward/punishment system related to corporate social responsibilities, indicating inclusion of employee performance in this aspect into annual performance evaluation.</p> <p>5 The Company offers employees complete incentive system and career roadmap, encouraging employees to hone their expertise and giving them opportunities for promotion and job rotation, so that they can develop inter-department occupational skills in R&D, production, quality control, business development, and logistics. Over 80% of the Company's managers and higher-ranking officials come from promotion and cultivation and employees. Thanks to its dedication to personnel cultivation, employee development has been a major driver for the Company's sustainable development.</p>	
2. Sustainable Environment Development (1)Does the Company endeavor to utilize	✓		The “Sustainable Management Committee” established to integrate the implementation of such tasks as environmental protection, safety and health, energy saving, water conservation and greenhouse gas management has its waste reduction	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
all resources more efficiently and use renewable materials which have low impact on the environment?			and energy saving sub-committee takes charge of boosting the utilization efficiency of various resources and reducing related adverse impact on the environment. The committee also proposes annual sustainable management plan and reviews the performance of related tasks to serve as reference for internal examinations. In this regard, the tasks undertaken include recycling garbage resources, employing recycled materials to reduce adverse impact on the environment, recycling compensated water from reverse osmosis pure water machines and air conditioners to cooling towers, adopting water-conservation washing faucets, saving living water, incorporating the concept of environmental protection and green energy into production procedure and equipment, promoting green environmental protection and laying stress on ecological balance.	
(2)Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		<p>The Company’s environment management system is established in accordance with the chemical industry’s strictest “Responsible Care” system. The Responsible Care system is initiated by the global chemical engineering community to help enterprises set up a sound industrial safety, health and environmental protection system, through concrete commitments to improving the EHS (environment, health and safety) aspects by signing the Statement of Commitment (a prerequisite for membership), formulating the Codes of Management Practices, implementing a Self-Evaluation system, promoting the Management System Verification (MSV), delivering the SHE Performance Indicators report, and sharing responsible care systems with other companies.</p> <p>The Company has joined the Taiwan Responsible Care Association (TRCA) as a member since its plant was inaugurated, actively promoting its safety, health and environmental protection management system. Besides stringently observing environmental protection regulations issued by the competent authorities, the Company also conducts various public activities associated with environmental management to boost resources utilization efficiency and reduce the output of wastes, so as to respond positively to public concerns, further protect public safety, health and environment, reduce the total amount of pollutant emissions on the air, water and soil, boost pollution prevention efficiency and economic benefits, and complete verification on six management codes set by the TRCA. Of the codes, those associated with</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>environmental management include procedure safety management, wastes management, emissions reduction management and product management. Concrete practices are as follows:</p> <ol style="list-style-type: none"> 1. During its research and development (R&D) of production procedures for pharmaceuticals, the Company manages to skip the use of substances or materials subject to restrictions under domestic and international regulations, such as toxic chemicals, precursor chemicals for narcotic drugs, controlled substances for chemical weapons, and ozone depleting substances, and instead, uses less-toxic or-hazardous substances and materials as substitutes. 2. During its R&D of production procedures for pharmaceuticals, the Company manages to assess the possibility of reducing the usage amount of chemical solvents and hazardous substances to mitigate relevant impact on environment and decrease the exposure to hazardous chemicals or active substances on the part of operating staff. 3. Before putting a new production procedure into practice, the Company should organize a meeting to analyze the possible hazard of the production procedure, focusing discussions on the likely hazard to safety, health and environment and then seeking proper preventive solutions. 4. The Company disposes of all the wastes generated by production plants, including biodegradable waste water, waste solvents, solid wastes, and air pollutants, totally in accordance with related regulations. 5. The biodegradable waste water is usually treated via an activated sludge process and an ultrafiltration system, and the resultant organic sludge is separately filtered and then incinerated by the Resource Recycling Center of the Southern Taiwan Science Park, with the disposed waste water and waste living water piped into the waste water disposal plant in the science park. The organic sludge generated at the Company’s affiliated enterprise undergoes a separate filtration process before being delivered to the Jiangsu Kangbo Industrial Solid Rejectamenta Treatment Co., Ltd. for incineration. And the disposed waste water and the waste living water are piped into Binjiang Waste Water Disposal Plant. 6. Hazardous or general solid wastes are delivered to the Resource Recycling Center of the science park or other qualified companies for incineration. The air pollutants generated by 	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>production plants, such as particulate pollutants, acid gas, alkaline pollutants and organic steam, all undergo two-step treatment by condenser and scrubbing tower for disposal. The recyclable solvents generated by the Company’s affiliated enterprise are sent to the Kunshan Deyuan Environmental Protection Development Co., Ltd. for purification and recycling.</p> <p>Although the Company hasn't undergo ISO14001 certification, in addition to the aforementioned environment management system now in smooth operation and compliant with the features of biotech and pharmaceutical industry, the Company has experienced more than 10 times of factory inspections by regulators of the U.S., Europe, and Japan (FDA, EMA), EDQM, and PMDA) and auditing of safety, hygiene, and environmental protection by international pharmaceutical firms (such as Pfizer, GSK, and Aventis), all of affirm the soundness and completeness of company's environment management system. ISO14001 certification is meant to offer a standard environment management system for abidance by enterprises. The Company has put in place a complete industrial safety, hygiene, and environment protection system, which has gained international acceptance and certified by international firms, making ISO14001 certification dispensable for the Company. In compliance with the highest standards and the spirit of sustainable management, the Company will continue strengthen environment management system and concern for the issues of industrial safety, hygiene, and environmental protection, meeting the requirements of international standards and fulfilling corporate social responsibility.</p>	
(3)Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		<p>1. The energy-saving subcommittee under the “Sustainable Management Committee” is responsible for gauging greenhouse gases and formulating strategies for conserving energy, reducing carbon emissions and slashing greenhouse gas amount, so as to fulfil the purpose of reducing carbon emissions through energy conservation. The sub-committee will review the implementation of its tasks at the quarterly meeting of the Sustainable Management Committee, to serve as reference for internal examination. Currently, strategies for reducing greenhouse gas amount include: Employing gas-fired boilers to replace oil-fueled boilers for steam supply, boosting the energy utilization and reasonableness of air conditioning</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>systems, installing energy-saving equipment featuring low electricity and energy consumption, providing subsidy for car ride-sharing by employees and offering transportation bus service to reduce oil gasoline consumption.</p> <p>2. Formulate 2019 waste reduction goals, including</p> <ul style="list-style-type: none"> * Reducing power bill by NT\$2 million a year, via reduction of the power consumption of air-conditioning system (adoption of variable-frequency windmill and modified HEPA filter and improvement of the air conditioning system of 3F BIO Lab). * Via collection of process solvent, cut of cleansing solvent, intensification of steam-stripper treatment, and monitoring and control of the toxicity of waste water, cut waste expense by NT\$5 million and less than NT\$30 million a year. <p>In the future, the Company will target cutting power bill by 1-2% and expense for natural gas and wastes by 3-5% a year by continuously pushing various energy-conserving and waste abatement measures.</p> <p>3. The Company’s greenhouse gas emission amount has stayed at a low level, with aggregate annual emissions of six greenhouse gases reaching 25,999 metric tons of CO2 in 2018 and 21,388 metric tons in 2017. Further details are as follows:</p> <ul style="list-style-type: none"> * Direct greenhouse gas emissions, including those from fuel-burning equipment (such as boilers and restaurant facilities) and mobile combustion sources from transportation (such as the Company’s service cars), amounted to 4,092 metric tons of CO2 in 2018, accounting for 15.7% of the Company’s total annual CO2 emissions for the year. * Indirect greenhouse gas emissions, mainly from electric power purchased externally came to 21,907 metric tons of CO2, commanding 84.3% of the Company’s total CO2 emissions in 2018. 	
<p>3. Preserving Public Welfare</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of</p>	✓		<p>1. With a corporate culture highlighting mutual respect and equal right, the Company has also safeguarded basic human rights and gender equality in daily operation via system and regulations, including ban on the employment of child labor and discriminatory treatment in employment, performance evaluation, and promotion, due to the sake of ethnicity, marital status, religion, political affiliation, sex orientation, ranking, nationality, and age. In order to promote a harmonious atmosphere</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Human Rights?			<p>at workplace, the Company has formulated plan for preventing job-related abuse, to ward off workplace violence, as well as measures for preventing and handling sexual harassment. Employee complaints, if any, are handled via a due investigative process and the employees are protected properly from any retribution or any other adverse treatment.</p> <p>2. With a high regard for the career development of employees, ScinoPharm has provided on-the-job training and job rotation to employees, to help them develop multiple job skills and experiences. Change of employees' worksite and job is carried out according to the principles stipulated in the Labor Standards Act and regulations of the competent authority, on top of full consultation with employees beforehand, to uphold their rights fully.</p> <p>3. High regard for human rights also covers supplier management, as the Company has asked its business partners to comply with human rights-related conventions and regulations, both domestic and international ones, as a result of which there has never been an incident involving human right issue with influence on the Company's business activities. Thanks to the corporate culture of mutual respect, humanistic management, and multi-channel communication, incidents of discriminatory treatment and labor-management dispute have been minimized, leading to a harmonious relationship in the workforce.</p>	
(2)Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		<p>The Company has held labor-management meeting regularly, for opinion exchange and discussion of various major labor-management issues. Meanwhile, employees can express their opinions or file complaints, according to "guidelines for employee behaviors," via dedicated e-mail address or the "stakeholder section" on the corporate website, which will be investigated and handled by the Company according to related regulations and set procedure, so as to uphold the utmost interests of the Company and employees.</p>	None
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>1. The Company and its affiliates show high regard for achieving harmonious labor-management relationship by installing sound software and hardware equipment to provide employees with a comfortable, safe and healthy working environment, including security entry measure, regular safety education and training for employees, banning smoking in all indoor spaces, establishing breastfeeding rooms, employee restaurant, free delivery and laundry of uniform clothes of production-line workers.</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>2. The Company and its affiliates pay great attention to the safety of their employees and supporting plants, holding unscheduled dispersal exercises and at least two emergency management drills per year and having all their employees attend fire-fighting and emergency treatment operations. In addition, at the monthly safety meeting held by every individual department of the Company and its affiliates, each department should carry out safety promotion and training, so as to achieve full communications with staff and meet the requirement for recording at least three hours of occupational safety and health training courses per year.</p> <p>3. In order to help new employees quickly get immersed in the Company’s safety culture atmosphere, the Company, besides having the new employees take at least three hours of safety and health training courses, usually requires production employees receive an additional three hours of professional production safety and health training courses.</p> <p>4. To promote the health of employees, the Company and its affiliates have their new staff receive physical checkups and render annual health examination service to all the staff, with an infirmary institute one health management specialist (with nurse certificate) and physicians invited to offer medical consultation service to employees. In addition, the Company also held activities to promote the health of employees, such as smoking-quitting, weight reducing, walking and workout activity, healthy diet seminars, etc.</p> <p>5. The Company and its affiliates endeavor to create a favorable environment to facilitate career development of employees, and work out effective plans to develop and mature the career development capabilities of employees. In addition, in order to realize welfare care for employees and improve their working environment, the Company hosts annually quite a few family activities during the Company’s anniversary, and organizes a series of activities associated with the “Employee Happiness Month” to better take care of employees’ spiritual and family aspects and enable them to work contentedly and lead a happy life at ScinoPharm.</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4)Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		<p>1. It has been an integral part of the Company’s corporate culture to encourage employees to present their suggestions via various channels. The Company convenes regular “Labor-Management Meeting” and “Employee Welfare Committee” meeting to discuss the issues concerning the interests of employees to promote harmonious labor-management relations, and holds the “Quarterly Employee Meeting” to serve as one of regular channels for communications between the Company and employees.</p> <p>2. In addition, through its internal publications issued periodically, the Company aims to make its latest policies, various welfare programs, management measures and business development situations better known to employees through pluralistic channels.</p> <p>3. In case there is major corporate information to be known by employees, the Company will release the information through the internal e-mail network or convene a meeting to offer timely instructions.</p> <p>4. In case of any appeal, employees can express their opinions through the dedicated e-mail box, and then the Company will move to deeply understand the appeal case and come out with proper countermeasures or solutions.</p>	None
(5)Does the Company provide its employees with career development and training sessions?	✓		<p>At ScinoPharm, every employee enjoys the opportunity for exploiting their talents. The Company’s corporate culture of encouraging learning and innovation will inspire employees to bring their potential talents into full play and meet different challenges well. In conjunction with its global deployment, the Company offers employees opportunities for pluralistic development and enforces a job rotation system to enhance their experiences in different job fields. This, coupled with systematized performance evaluation, Individual Development Plan and different training courses, will make employees serve the jobs best fit for them to help create a wider stage for career development. All the staffers are required to undergo periodical performance and career development evaluations</p> <p>As for personnel cultivation, in line with its stress on the cultivation of international talent and the Company's need in talent cultivation and corporate management, the Company has established from outset "professional management training (PMT)" program, helping managing staffers at various</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			levels improve their management and leadership competence, in addition to developing employee learning and development roadmap, to help employee with their occupational capabilities for achievement of better performance, as well as offering employees multiple career development opportunities to expand their job field.	
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		<ol style="list-style-type: none"> 1. The Company and its affiliates will offer after-sales services, and will join hands with customers to locate problems and seek effective solutions if customers suffer problems in the production process or during product inspection. 2. If customers register the products of the Company and its affiliates with competent authorities, the Company will assist customers in replying to the questions raised by the authorities during the registration process. 3. In order to safeguard the interests of customers, the Company has established various channels for communications in this regard, such as an e-mail box with responses made within 24 hours to assure product safety and service quality. 	None
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		The Company completely follows related regulations and international codes in carrying out product marketing and offering service instructions. Meanwhile, the Company selects reliable sales agents with good business credit and authorizes them to enforce product marketing, thus gradually building long-term partnerships.	None
(8) Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		<ol style="list-style-type: none"> 1. The Company and its affiliates endeavor to boost their corporate social responsibility by proactively purchasing energy-saving equipment, green and low-power-consumption office supplies, business machines, information equipment, illumination equipment and other related facilities. 2. Through the transportation safety conference held every two years, the Company and its affiliates relay the latest safety and health concepts and practices to their transportation partners invited to attend the meeting, so as to build a good communication channel and fulfil the purpose of promoting safe transportation of chemical products. 3. To safely handle highly hazardous chemical substances, dedicated suppliers are invited to the Company to make instructions on safe operation of their chemical substances and on disposal of waters or leakage treatment. In addition, the Company keeps close contacts with the suppliers to review problems in handling chemical 	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>substances.</p> <p>4. In purchasing chemical substances, the Company usually asks suppliers to offer the latest version of safety information on the substances and post clear hazard-warning labels on the substances. To meet the management requirement set by the government on controlled substances (such as toxic chemical substances) to prevent the hazards resulting from the misuse of the substances, the Company maintains close cooperation with suppliers to assure that it can purchase the substances only after the suppliers obtain sales permits issued by the government and the Company itself gets the purchase permits.</p> <p>5. In the safety aspect, the Company and its affiliates have formulated a set of rules and criteria governing the selection and evaluation of contractors, established regular safety review meetings with contractors, and introduced related punishment rules, so as to continue improving safety and health management performance and assure that the entry of contractors, equipment, and substances into the Company are done in accordance with national laws and regulation as well as the company’s safety and health requirements.</p> <p>6. The Company has released a handbook on “Contractors’ Safety, Health and Environmental Protection Management Plan” to highlight ScinoPharm’s safety, health and environmental protection policy, which clearly states contractors’ liabilities and obligations, engineering safety rules, safety and health punishment rules and environmental protection commitment, to assure public safety and non-polluted environment.</p>	
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		The Company promotes the concept of responsibility to its supply chains, selects certified suppliers and contract pharmaceutical plants, and sends staffers to conduct site inspections, so as to assure that they all meet environmental protection, health and safety regulations. Before officially dealing with suppliers, the Company will sign related agreements which include a corporate social responsibility clause to clearly stipulate that in case either of the two parties violates the corporate social responsibility policy, the other party can terminate or dissolve the contracts.	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4. Enhancing Information Disclosure. Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		Responsibility Best Practice Principles” and “Corporate Social Responsibility Report” as well as the concrete information about the corporate social responsibility implementation on the “Corporate Social Responsibility” section of its website, the Company also uploads the above-mentioned regulations and report to the Market Observation Post System of the TWSE. The Company also releases the information concerning greenhouse gas emission and reduction, employee welfare policies and interest-safeguarding measures to facilitate check by investors and understanding by employees. In case there is any information associated with the Company’s corporate social responsibility in the future, the Company will not only issue a press release on its website, but will also publicize major information or apply for making an official announcement in accordance with related rules and regulations.	None
<p>5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:</p> <p>The Company passed the formulation of its “Corporate Social Responsibility Best Practice Principles” at its board of directors held on June 18, 2014, and revised the principles on March 25, 2015 and December 20 2016. For details about the operating situation and concrete practices associated with the Company’s corporate social responsibility, please see the instructions on the “Fulfillment of Corporate Social Responsibility” as seen in this annual report, and access the “Corporate Social Responsibility” section of the Company’s website at http://www.scinopharm.com.tw/Responsibility.asp. Following an evaluation, the Company finds little discrepancy between its corporate social responsibility fulfilment situation and the relevant principles set by the Company.</p>				
<p>6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices.</p> <p>(1) Safety and Health:</p> <p>The Company and its affiliates have formulated well-rounded standard operating procedures (SOP) for employees to observe stringently, and have also installed sound first-aid medical devices that are periodically examined and renewed. In addition, the Company conducted in 2017 a general physical examination for all its staff and enforced additional examination items for employees engaged in special operations.</p> <p>In line with the requirement of the revised "Occupational Safety and Health Act," drafted by the Occupational Safety and Health Administration, the Ministry of Labor, in addition to considering the need of adjust the work schedule of pregnant employees and exempt them from late night shift (10:00 p.m. to 6:00 a.m. next day), the Company also has health management specialist conduct risk evaluation for those employees, so as to safeguard their and their children's health and safety.</p> <p>(2) Environmental Protection:</p> <p>The Company actively participates in the united management mechanism for safety, health and environmental protection operations in the Southern Taiwan Science Park, and promotes internal energy, power and water conservation campaigns, while also complying with the government’s environmental protection policy by actualizing the recycling of garbage resources to boost the use of recycled substances with lower impact on the environment. The Company’s other internal environmental protection measures include: retrieving the condensate emissions from the reverse osmosis water machines and air conditioners to cooling towers for re-utilization, and adopting water-saving faucets to reduce daily use of water.</p>				

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(3) Artistic and Cultural activities: Support domestic excellent artists, in the hope of pushing public-art events. ScinoPharm has been sponsoring the Aaeon Foundation, with annual funding of NT\$25,000, in organizing domestic artistic exhibitions for 10 years. Meanwhile, in order to promote aesthetic bearing and humanistic spirit among workers in the Southern Taiwan Science Park, four experts with different life experience were invited for ScinoPharm's "No Limit to life" series lectures, namely Mark (a blog writer and illustrator), Sandra Yu (former chairwoman for United Communication Group), Song Sao-qing (a Chinese cross talk actor) and Lan Bai-tou (a writer), to talk about wisdom-full stories of their life experience. The stories were expected to give true implications on daily living and life. Headquartered in Southern Taiwan Science Park, ScinoPharm has been concerned about its employees and extended the concern to all employees in the park. The series lectures attracted more than 1,000 participants in 2018.</p> <p>(4) Community Welfare: Situating in the Southern Taiwan Science Park in Tainan, the Company has been actively offering givebacks to the local community, in order to establish a friendly communal relationship, over the past years. The Company has taken part in public-service events held by Southern Taiwan Science Park Administration, such as the 2018 "month of love" event, as an expression of its care for the well-being of the local community. In 2018, the Company also organized an outdoor corporate party, raising fund among employees to support the expansion project of the Genesis Social Welfare Foundation for care of vegetable persons. Another case was solicitation of second-hand books from employees for donation to local institutions for underprivileged groups.</p> <p>(5) Emergency Relief: Encourage employees donate blood to alleviate blood shortage at local hospitals, with total blood donation amounting over 20,000 CC in 2018. In addition, the Company participated in a program organized by Uni-President Enterprises Group donating secondhand clothes, to help poor families' weather chilly winter.</p> <p>(6) Assistance in Promoting Exchanges Between Academic and Industrial Sectors: The Company sets up “ScinoPharm Thesis Scholarship” in cooperation with the Chemical Society Located in Taipei, and actively sponsors seminars held by biotech and chemical engineering departments of domestic universities and colleges. In addition, ScinoPharm also arranges tours of the Company by students to make them better understand the pharmaceutical industry and help cultivate talents. Provide NT\$100,000 in sponsorship a year to make students better understand the pharmaceutical industry ,help cultivate talents and help students understand the industry</p> <p>(7) Social Contributions: The Company endeavors to create investment gains for shareholders and fully assume its corporate social responsibility. In addition, the Company shows high regard for the interests of employees and follows the Labor Standards Act to create job opportunities, hiring over 600 employees. To help local students enter the job market, took part in the talent recruitment events held at the campuses of National Taiwan University, National Cheng Kung University, and Academia Sinica, on top of providing internships to students from seven universities, facilitating job preparation by students and cultivation of industrial talents.</p>				
<p>7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company's 2017 CSR (corporate social responsibility) report, including both Chinese and English versions, has been uploaded to the "Market Observation Post System" and publicized in the CSR section of the corporate website. The report was compiled according to GRI 4.0 (G4 Sustainability Reporting Guidelines), with the consulting service of the Industrial Sustainable Development Center of National Cheng Kung University and execution of limited assurance by PwC, according to the guidelines of the Accounting Research and Development Foundation. 2018 CSR report is being compiled and will be sent to PriceWaterHousefor verification.</p>				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		In order to deepen integrity-based management culture and to further strengthen business development, the board of directors formulated a set of "Code of Business Integrity" on December 9, 2010, which was further amended on March 26, 2012 and August 4, 2015, respectively, and consequently posted on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange, as well as on the Company's website. The Company also sets up relevant internal operating standards and control systems to examine all aspects of business operations on a fixed-time basis, and then deliver the inspection results to the Board for approval. This practice not only serves as the basis for the implementation of the integrity management, but also highlights the Company's policy and tactics as well as the commitment of its Board and management to realize integrity policy. Related information on the integrity management has also been disclosed in other outgoing documents, including the corporate social responsibility report.	None
(2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		ScinoPharm has several detailed regulations on employees' behavior to prevent possible unfaithful behavior, including "Rules on Faithful Operation," "Practice and Behavioral Guidelines for Faithful Operation," "Standards for Ethic Behavior" and "Standards for Employees' Behavior." Also declared those through internal email system and corporate website. The Company also stresses and promotes the importance of integrity during the training courses for new employees, setting a clearer direction for them to avoid conflicts of interest or receipts of improper benefits when facing other colleagues, customers, suppliers and general public. Related requirements are included in the employee performance appraisal system to periodically assess and ensure the implementation of the integrity policy. For any violation of rules or suspected violations of any conduct, there are relevant reporting mechanism and discipline provisions.	None
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		Based on the "Code of Business Integrity" and "Operating Procedures and Guidelines for Business Integrity", the Company's directors, managers and employees are required to adopt necessary procedures to prevent from making illegal payment, taking bribery and offering illegal campaign contributions; to not provide or accept any unreasonable gifts, entertainment or other improper benefits so as to avoid the receipt of personal benefits at the expense of	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			corporate interest. Additionally, the Company also has set aside a "Stakeholders" special column and "Unethical Behavior Reporting System" on its corporate website to proclaim and maintain the core value of corporate integrity and its basic principle to implement the government's rules. The stakeholders can communicate and discuss related issues with the correspondent units through the stakeholder column.	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company has set up a filing system to manage the relationships with its contractors and has also been evaluating the integrity of its clients and suppliers through their credit lines and other appraisal systems in order to prevent untrustworthy activities from happening. The Company also stipulates integrity provisions in the contracts it signs with corresponding contractors. Should the contents violate the article of "integrity-oriented management," the Company can terminate or revoke the contract.	None
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The Company has also appointed the business integrity promotional task forces of relevant administration, human resources, purchasing, legal affairs and finance departments to compile and examine the operations related to execution, promotion and consultation of the business integrity policy by individual corporate departments. Report on the execution in fiscal 2018 was presented in a meeting of the board of directors in Dec. 2018.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The formulation of the "Code of Business Integrity," "Operating Procedures and Guidelines for Integrity Management," "Code of Ethics" and "Code of Conduct" are dedicated to high-level of management including directors and managers, as well as all employees, clearly defining the policy to avoid conflicts of interest, and providing adequate channels to report illegal conducts or violations of ethics and other guidelines. All relevant units are required to implement these rules in order to maintain the spirit of the integrity management of the Company.	None
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		The Company already established effective accounting and internal control systems. The auditing department is able to examine the execution of related policies periodically and to submit its reports to the board of directors. Additionally, in order to ensure continued effectiveness of the system as well as its execution, the Company also examines and modifies related codes and operating procedures annually so as to establish a sound corporate governance and risk control mechanism with which the Company can assess the effectiveness of its internal control system and issue related statements	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		<p>With man power management based on all employees' responsibility, transparent communication and talent matched with job positions, ScinoPharm provides employees with professional counseling services based on their attitude as well as training and practice opportunities catering to their career planning. ScinoPharm offers developmental resource and multiple channels of learning for employees, including on-the-job training, courses and e-learning on GMP, regulations and internal rules.</p> <p>For new employees, ScinoPharm educates them on faithful behavior and the regulations concerned and promotes legal compliance via internal web, e-mail and irregular training, in a bid to strengthen employees' awareness of and compliance with "Rules on Faithful Operation," "Practice and Behavioral Guidelines for Faithful Operation," "Standards for Ethic Behavior" and "Standards for Employees' Behavior."</p> <p>The internal 、external educational training on operational integrity(including compliance with corporate ethical management, GMP related, accounting system and internal control related training courses): total of 4,773 person/times and 4,440 hours in time for 2018.</p>	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		<p>The Company has established adequate channels to encourage the reporting of suspected illegal conducts or violations of related stipulations set forth in the “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” as a means to safeguard the spirit of integrity management. While all employees are able to submit their opinions through “Employee Communication Box,” the Company has also set aside special columns “Stakeholders” and “Unethical Behavior Reporting System” on its website, enabling employees and relevant personnel to report suspected illegal and unethical conducts, with which the Company will assign appropriate staff from the administration, human resources, legal and related departments to jointly address alleged issues.</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company will approach all of reported cases and follow-up investigations with extremely confidential and stringent attitude based on standard procedures and secrecy mechanism conforming to internal rules and regulations.	None
(3) Does the Company provide proper whistleblower protection?	✓		Personal data provided by informants, unless otherwise stipulated by law, the Company will be kept the data confidentially and take appropriate protective measures in accordance with laws to safeguard personal information and privacy of informants so as to prevent these persons from receiving retaliation and unfair treatment.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS	✓		The Company's "Code of Business Integrity" has been uploaded to "Market Observation Post System (MOPS), as well as on the "Investors" column of corporate website, allowing all employees and general public to make inquiries at any time. Additionally, related information pertaining to business integrity has also been disclosed in the annual reports and corporate social responsibility reports posted on the MOPS and corporate website.	None
<p>5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>In accordance with the rules set on the "Rules for Business Integrity by Listed Companies," the Company has set up and promulgated "Code for Business Integrity," "Operating Procedures and Guidelines for Integrity Management," "Administrative Rules on Transaction with Stakeholders, Designated and Associated Companies," "Operating Procedures for Major Internal Information," "Code of Self-Discipline for Disclosing Acquisition Information," "Code of Ethics," and "Code of Conduct." In addition to requiring relevant departments and all of employees to follow these rules, the Company has also asked its subsidiaries to abide the spirit of integrity policy set forth by the parent company and to implement related regulations. Overall, the practice of business integrity and the law-abiding requirement for subsidiaries are identical to the parent company.</p>				
<p>6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., reviews and amends its policies).</p> <p>While operating the Company in accordance with related laws and regulations, the Company also periodically holds courses pertaining to corporate governance, insider trading management and code of conducts for employees, as well as dispatching relevant units to participate in related courses including taxation, legal risk and corporate governance to promote business integrity and morality.</p> <p>The Company has also been upholding the highest standards to promote the use of principles of honest, trustworthy and transparency to engage in business activities so as to protect the interest of stakeholders and deepen the spirit of business integrity into corporate ethics and culture for ramping up reputation and sustainable growth. Coping with changing management environment, the Company also reviews and amends related rules, operating procedures and guidelines for integrity management in order to meet legal requirements and expectations of stakeholders.</p>				

3.4.7 Corporate Governance Guidelines and Regulations

To enhance risk control mechanism and to comply with the spirit of corporate governance, as well as to cope with the listing of the Company's shares on the stock market and the formulation and amendment of rules and regulations by relevant governing agencies, the Company has also successively drawn or amended a number of sets of rules and guidelines, including "Processing Procedures for Acquisition and Disposal of Assets," "Operating Procedures for Providing Endorsement and Guarantee," "Operating Procedures for Lending Funds to Others," "Rules for Shareholders Meeting," "Rules for Board of Directors Meeting," "Regulations for Election of Directors and Supervisors," "Rules on Terms of Reference for Independent Directors," "Regulations for Organization of Compensation Committee," "Self-discipline for Revealing Acquisition Information," "Rules for Transaction among Stakeholders, Designated Companies and Corporate Groups," "Code of Business Integrity," "Operating Procedures and Guidelines for Business Integrity," "Code of Ethics," "Code of Conduct," "Operating Procedures for Processing Major Internal Information," "Practical Guidelines for Corporate Governance," and "Practical Guidelines for Corporate Social Responsibility," as well as complete internal control and auditing systems. All related rules and regulations have been posted on the MOPS and corporate website. For related information, please check with the Company's web: www.scinopharm.com.tw via Investors/Corporate Governance/Major Ruling or Code of Ethics.

3.4.8 Other Important Information Regarding Corporate Governance

- 3.4.8.1. While integrity is the fundamental of the Company, the establishment of a working environment based on pluralism, equality, mutual trust and respectfulness has also been the Company's business philosophy. Thus, the formulation of "Code for Business Integrity," "Operating Procedures and Guidelines for Integrity Management," "Code of Ethics," and "Code of Conduct" will enable high-level management and all of employees to understand related laws and rules they have to abide and the ethics they have to put into practice during their work, and to realize the Company's expectations on behavior of its employees, cooperation partners and suppliers. These are not only the bases for senior management and all of colleagues to conduct their behavior, but will also help lift up the quality of behavior and professional ethics, which will be instrumental to sustainable growth and future development of the Company.
- 3.4.8.2. To enable employees to reveal suspected violated conducts through appropriate channels, the Company has set a communication box and related protection measures. More information can be found at the Company's website: www.scinopharm.com.tw, to see related regulations from the special column Investors/Corporate Governance/Code of Ethical Conduct/Code of Conducts.

Additionally, in order to establish an open, transparency and effective communication channel with stakeholders to understand the demand of each side, and to be used as reference to formulate the policy and activities for carrying out corporate social responsibility, the Company sets up a special "Stakeholders" column on its website, attached with a "Reporting System for Violating Code of Ethics" providing stakeholders with an adequate communication and reporting channel. For more information, please see the "Stakeholders" section at www.scinopharm.com.tw.
- 3.4.8.3. To continue enriching related information on corporate governance for advanced study, the Company also takes the initiation to inform all members of its directors and independent directors to arrange courses. In 2018, 15 directors and independent directors attended such courses, whose curricular are listed below. The training complies with the ruling of "Key Points for Promoting Advanced Studies by Directors, Supervisors of Listed Companies."

2018 Directors' and Independent Directors' training records

As of 12/31/2018

Item	Title	Name	Study period		Sponsoring Organization	Course	Training hours	2018 Training total hours	Is training record fulfill the requirement
			From	To					
1	Institutional Shareholder Representative	Chih-Hsien Lo	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	6	Yes
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
2	Institutional Shareholder Representative	Tsung-Ming Su	2018.01.19	2018.01.19	Taiwan Corporate Governance Association	Latest trend in amendment to Company Act and analysis	3	12	Yes
			2018.04.11	2018.41.11	Taiwan Academy of Banking and Finance	Corporate governance forum—succession of family business	3		
			2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3		
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
3	Institutional Shareholder Representative	Kun-Shun Tsai	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	6	Yes
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
4	Institutional Shareholder Representative	Tsung-Pin Wu	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	9	Yes
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
			2018.11.02	2018.11.02	Taiwan Corporate Governance Association	Understanding highlights of amendment to Company Act from cases of listed companies	3		
5	Institutional Shareholder Representative	Fu-Jung Lai	2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3	18	Yes
			2018.11.09	2018.11.09	Securities and Futures Institute	2018 promotional activities for preventing insider trading	3		

Item	Title	Name	Study period		Sponsoring Organization	Course	Training hours	2018 Training total hours	Is training record fulfill the requirement
			From	To					
			2018.11.15	2018.11.15	Securities and Futures Institute	Insight into corporate governance, internal control and influence on chairpersons' and supervisors' responsibilities based on trend in amendment to Company Act—practical seminars on chairpersons' and supervisors' duties	3		
			2018.11.15	2018.11.15	Securities and Futures Institute	Analysis of corporate financial reports for use in decision making—practical seminars on chairpersons' and supervisors' duties	3		
			2018.11.23	2018.11.23	Taiwan Corporate Governance Association	Behind-the-scenes pushers for corporate governance—secretaries' functional work	3		
			2018.12.14	2018.12.14	Taiwan Corporate Governance Association	Functions of boards of directors and performance evaluation	3		
6	Institutional Shareholder Representative	Jia-Horng Guo	2018.02.22	2018.02.22	Securities and Futures Institute	Securities companies' 2018 promotional activities for preventing money laundering	3	6	Yes
			2018.07.19	2018.07.19	Taiwan Corporate Governance Association	Conception of anti-money laundering and countering financing of terrorism in Taiwan and abroad	3		
7	Institutional Shareholder Representative	Ming-Chuan Hsieh	2018.07.20	2018.07.20	Securities and Futures Institute	Promotional activities for legal compliance for share transaction among persons inside listed companies and unlisted companies which have publicly issued shares	3	6	Yes
			2018.08.23	2018.08.23	wbcds Global Network Partner	Corporate social responsibility and connection to trade---management of sustainable supply chains	3		
8	Institutional Shareholder Representative	Ya-Po Yang	2018.07.27	2018.07.27	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity	3	12	Yes
			2018.08.23	2018.08.23	wbcds Global Network Partner	Corporate social responsibility and connection to trade---management of sustainable supply chains	3		
			2018.09.19	2018.09.19	Taiwan Corporate Governance Association	(Summit) 14th international forum on corporate governance—directors' obligations of supervision and compliance—Delaware State's experience, directors' obligation of supervision and independent directors' responsibilities, functions and support to companies under existing laws in Taiwan	6		
9	Institutional Shareholder Representative	Shiow-Ling Kao	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	6	Yes

Item	Title	Name	Study period		Sponsoring Organization	Course	Training hours	2018 Training total hours	Is training record fulfill the requirement
			From	To					
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
10	Institutional Shareholder Representative	Chiou-Ru Shih	2018.03.19	2018.03.19	Taiwan Corporate Governance Association	Regulations on corporate governance and securities	3	12	Yes
			2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3		
			2018.08.10	2018.08.10	Taiwan Corporate Governance Association	Latest trend in amendment to Company Act and analysis	3		
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
11	Institutional Shareholder Representative	Po-Ming Hou	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	9.	Yes
			2018.05.08	2018.05.08	Taiwan Corporate Governance Association	Early warning for corporate financial crises and analysis of types of crises	3		
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
12	Institutional Shareholder Representative	Kuo-Hsi Wang	2018.07.20	2018.07.20	Securities and Futures Institute	Promotional activities for legal compliance for share transaction among persons inside listed companies and unlisted companies which have publicly issued shares	3	6	Yes
			2018.08.23	2018.08.23	Securities and Futures Institute	2017 Sessions on legal abidance by insiders of listed companies for trading in equity	3		
15	Independent Director	Wei-te Ho	2018.11.27	2018.11.27	Accounting Research and Development Foundation	Internal auditing and control in compliance with IFRS 15	6	6	Yes
14	Independent Director	Wen-Chang Chang	2018.07.10	2018.07.10	Securities and Futures Institute	Promotional activities for legal compliance for share transaction among persons inside listed companies and unlisted companies which have publicly issued shares	3	12	Yes
			2018.09.19	2018.09.19	Taiwan Corporate Governance Association	(Summit) 14th international forum on corporate governance—directors' obligations of supervision and compliance—Delaware State's experience, directors' obligation of supervision and independent directors' responsibilities, functions and support to companies under existing laws in Taiwan	3		
			2018.09.26	2018.09.26	Taiwan Stock Exchange	2018 EGS investment forums	3		

Item	Title	Name	Study period		Sponsoring Organization	Course	Training hours	2018 Training total hours	Is training record fulfill the requirement
			From	To					
			2018.10.04	2018.10.04	wbcsd Global Network Partner	Corporate social responsibility and connection to trade---management of sustainable supply chains	3		
15	Independent Director	Li-Tzong Chen	2018.08.03	2018.08.03	Securities and Futures Institute	Promotional activities for legal compliance for share transaction among persons inside listed companies and unlisted companies which have publicly issued shares	3	12	Yes
			2018.11.09	2018.11.09	Taiwan Corporate Governance Association	Necessary course for directors and supervisors—analysis of corporate operational risks	3		
			2018.12.14	2018.12.14	Taiwan Corporate Governance Association	Influence of amended Company Act on listed companies	3		
			2018.12.19	2018.12.19	Taiwan Securities Association	Case study of enterprises' litigation strategies and crisis management	3		

3.4.8.4. In order to instill correct concept about corporate governance in managerial staffers, the Company has been continuously arranging attendance of courses, held by external units, on corporate governance by managerial staffers, in order to attain the materialization of sound corporate governance. List of such courses attended by the Company's managerial staffers follows:

2018 Executive Offices' training records

As of 2018/12/31

Item	Title	Name	Study period		Sponsoring Organization	Course	Training hours	2018 Training total hours	Is training record fulfill the requirement
			From	To					
1	Vice President Administration	Li-An Lu	2018.08.29	2018.08.29	President Securities Corp.	Corporate transformation, upgrading, and innovation and social responsibility	3	6	Yes
			2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3		
2	Senior Director Accounting	Chih-Hui Lin	2018.04.27	2018.04.27	Taiwan Institute of Directors	Online economics, challenges to corporate governance of high-tech companies in the future	3	15	Yes
			2018.08.23	2018.08.23	Accounting Research and Development Foundation	Class for advanced study for accounting chiefs of issuing securities firms and stock exchange	12		
3	Senior Director Finance	Chih-Ching Hsu	2018.10.26	2018.10.26	Taiwan Institute of Directors	Rising of innovation economics—transition of and challenges to enterprise management	3	3	Yes
4	Director Audit Office	Shun Yang Lin	2018.07.19	2018.07.19	The Institute of Internal Auditors-Chinese Taiwan	Major financial irregularities (embezzlement, insider trading, benefits channeling, stock-price manipulation, abnormal trading, etc.) and legal risk	6	12	Yes
			2018.10.05	2018.10.05	Securities and Futures Institute	Indispensable knowledge of auditors on corporate irregularities and methods	6		

3.4.9 Implementation Status of Internal Control System

3.4.9.1 Internal Control Declaration (translated from Chinese)

Statement of Internal Control System

Date: March 25, 2019

The internal control system from January 1 to December 31, 2018, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: (1)Control environment;(2)Risk assessments;(3)Control activities;(4)Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items , refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting , the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 25, 2019, and those 15 directors in presence all agree at the contents of this statement.

ScinoPharm Taiwan, Ltd.
Chairman: Chih Hsien Lo
C.E.O.: Tsung Ming Su

3.4.9.2 If the Company has commissioned external auditors to review the Company's internal control system, the external auditor's report should be disclosed: Not applicable.

3.4.10 Conviction of corporate or employees' wrongdoings, Company's punishment on employee for violation of internal control, major faults and improvements during recent fiscal period and to the publish date of the annual report : None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.11.1 Major Resolutions and implementation status of 2018 Annual General Shareholders' Meeting

One general shareholders meeting was convened in the fiscal year 2018 and up to the publish date of the annual report. The resolutions were summarized as follows.

(I) shareholders' meeting: 2018/06/27

a. Adoption of Business Report and Financial Statements for 2017.

Implementation status: Accepted the business reports and financial statements of year 2017: In accordance with the Company Law, all related financial information has been submitted to the government agency for review.

b. Adoption of Proposed earnings distribution plan for fiscal year 2017.

Implementation status: The Company was to distribute : Cash dividend : NT\$0.48 per share. The Earning Distribution Record Date was set on August 3rd, 2018, and the Distribution Date was set on Aug. 21, 2018.

c. Proposed Revision of the Article of Incorporation.

Implementation status: Change of registration already made with the competent authority within 15 days, in compliance with legal requirement, and approved by the Southern Taiwan Science Park Administration (approval letter No. 1070020271), before posting of the revised regulations on the corporate website.

d. Approved the nomination of directors (including independent directors) for the Ninth Session of Board of Directors at 2018 annual general shareholders Meeting.

Implementation status: List of elected directors, based on a nomination system, was already posted on the corporate website and Market Observation Post System on June 27, 2018.

The Shareholders' Meeting elected 12 directors and three independent directors, with the list as the following:

Uni-President Enterprises Corp. Representative; Chih-Hsien Lo, Tsung-Ming Su, Kun-Shun Tsai, Tsung-Pin Wu, Jia-Horng Guo, Fu-Jung Lai

Tainan Spinning Co., Ltd Representative: Po-Ming Hu

Kao Chuyuan Investment Co., Ltd. Representative: Shiow-Ling Kao

National Development Fund, Executive Yuan Presentatvie: Ming-Chuan Hsieh, Ya-Po Yang

President International Development Corp. Representative: Chiou-Ru Shih

Taiwan Sugar Corporation Representative: Kuo-Hsi Wang

Independent Directors: Wei-Te Ho, Wen-Chang Chang, Li-Tzong Chen

Report already filed with the competent authority and change of registration made within 15 days, according to legal requirement, approved by the Southern Taiwan Science Park Administration (approval letter No. 1070020271, July 16, 2018)

- e. Approved the proposal submitted at the 2018 annual general shareholders meeting to abolish the restrictions of non-compete clause for representative directors of the ninth session of Board of Directors.

Implementation status: Put into force after resolution by the shareholders' meeting on June 27, 2018 and reported the competent authority for publication on the same day

(II) Major Resolutions during the Board of Directors Meetings in 2018 and to the Publish Date of the Annual Report

Eight board meetings were convened in fiscal year 2018 and up to the publish date of the annual report. The major resolutions were summarized below.

(1) The nineteenth meeting of the Eighth Term of Board of Directors

(March 16, 2018)

- a. Approved the IFRS16 implantation plan.
- b. Approved the Company's evaluation results regarding the independence and suitability of the CPAs.
- c. Approved the Company's remuneration distribution plans for directors and employees for fiscal 2017.
- d. Approved the Company's performance bonus for vice president and above for fiscal 2017.
- e. Approved financial reports for fiscal 2017.
- f. Approved business reports for fiscal 2017.
- g. Approved income distribution plan for fiscal 2017.
 - (a) Cash dividend NT\$0.48 per share
- h. Approved "Statement for Internal Control Systems" for fiscal 2017.
- i. Approved the revision of the Company "Articles of incorporation".
- j. Approved the 9th Election of Board of Directors (including independent directors) in Shareholders' Meeting 2018.
- k. Approved the proposed releases of prohibition on Directors (including independent directors) in Shareholders' Meeting 2018.
- l. Approved the nomination of Directors by shareholders who holds over 1% of outstanding shares.
- m. Approved the date, location and agenda for holding of the 2018 annual general shareholders meeting and relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares..
- n. Approved the appointment of chartered certified accountant and remuneration package.
- o. Approved the renewal contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the Company's chairman to sign the deal.

(2) The twentieth meeting of the Eighth Term of Board of Directors

(May 4, 2018)

- a. Approved the reviewing of the candidacy of Directors (including Independent Directors)

(3) The first meeting of the Ninth Term of Board of Directors

(June 27, 2018)

- a. Approved to reelect Mr. Chih-Hsien Lo (representative of Uni-President Enterprises Corp.) as Chairmen of the Company.

**(4) The second meeting of the Ninth Term of Board of Director
(July 5, 2018)**

- a. Approved the 2018~2019 Responsibility Insurance renewal for Board Directors and important staffs.
- b. approved that Chairman Chih-Hsien Lo to resume General Chief Strategy Officer.
- c. Approved the appointment of Mr. Tsung-Ming Su as President of the Company.
- d. Approved the proposal of 2017 cash dividend ex-dividend date and dividend payment date according to income distribution plan.
- e. Approved the selection of members for the functional committees under the Board of Directors.
- f. Approved the abolishment of restrictions of non-compete clause for the Company's managers.
- g. Approved the new contracts signed with financial institutions for short-term credit lines and the transaction amount for derivative financial products, and authorized the Company's chairman to sign the deal.

**(5) The Third meeting of the Ninth Term of Board of Director
(August 1, 2018)**

- a. Approved the consolidated financial reports for the second quarter of 2018.
- b. Approved to increase cash capital on SciAnda(Changshu) Pharamaceuticals, Ltd. through 100% owned subsidiary SPT International, Ltd. for need of operating fund.
- c. Approved the case involving scrapping of inventories.
- d. Approved to reassign the Directors and Supervisors for affiliates.
- e. Approved the existing compensations standard and structure for directors
- f. Approval of the existing standard and structure for the performance appraisal and compensations for managers.

**(6) The forth meeting of the Ninth Term of Board of Directors
(November 5, 2018)**

- a. Approved corporate social responsibility realization report (including corporate governance and integrity-based management).
- b. Approved the consolidated financial statement and Auditor's report for the third quarter of 2017.
- b Approved to reassign the President of SciAnda (Changshu) Pharmaceuticals, Ltd.
- c. Approval of change of the company's seal management and authority for approval of online-banking transactions
- d. Approval of authorization by the company for chief of financial department to evaluate transactions in derivatives regularly
- e. Approved the abolishment of restrictions of non-compete clause for the Company's managers.

**(7) The fifth meeting of the Ninth Term of Board of Directors
(December 18, 2018)**

- a. Approved employees' salary adjustment program for 2019(including managers). of ScinoPharm Taiwan, Ltd.
- b. Approved the 2019 business plan of ScinoPharm Taiwan, Ltd.
- c. Approved the Company's audit planning of ScinoPharm Taiwan, Ltd. for 2019.

**(8) The sixth meeting of the Ninth Term of Board of Directors
(March 25, 2019)**

- a. Approved the Company's remuneration distribution plans for directors and employees for fiscal 2018.
- b. Approved business report and financial reports for fiscal 2018.
- c. Approved income distribution plan for fiscal 2018 : Cash dividend NT\$0.49 per share
- d. Approved "Statement for Internal Control Systems" for fiscal 2018.
- e. Approved the Company's performance bonus for vice president and above for fiscal 2018.
- f. Approved the change of the company's organization
- g. Approved the employment and position adjustment or promotion of the company's managers.
- h. Approved the Company's evaluation results regarding the independence and suitability of the CPAs. The appointment of charter certified accountant and remuneration package.
- i. Approved the renewal contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the Company's chairman to sign the deal.
- j. Approved to offer Letter of Comfort and guarantee for SciAnda (Changshu) Pharmaceuticals, Ltd. medium-term credit loan.
- k. Approved Proposed Amendment to the Articles of Incorporation of the Company.
- l. Approved Amendment to the Procedures for Acquisition and Disposal of Assets of the Company.
- l. Approved the nomination of Directors by shareholders who holds over 1% of outstanding shares.
- m. Approved the revision of the Company "Chop Usage Management Policy".
- n. Approved the abolishment of restrictions of non-compete clause for the Company's managers, and the proposed releases of prohibition on Directors (including Independent directors) in Shareholders' Meeting 2019.
- o. Approved the date, location and agenda for holding of the 2019 annual general shareholders meeting and relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

As of 4/30/2019

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Yung-Fa Chen	2014.08.01	2018.07.05	Job rotation
Chief Technology Officer	Yung-Fa Chen	2012.07.01	2018.08.01	Job rotation
Director Finance	Chih-Hui Lin	2016.03.25	2018.08.20	Job rotation

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Audit Fee Range Statement

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers Taiwan	Yung-Chih Lin	Tzu-Meng Liu	January 1 st ,2018~ December 31 st ,2018	-

Units: NT\$

Fee Range		Fee Items	Audit Fee	Non-Audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000		V		V
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

3.5.2 The amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches 13.12% of the Company's annual auditing expenses.

Units: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Yung-Chih Lin	4,650	-	160	-	576	736	January 1 st ,2018~ December 31 st ,2018	1. Capital increment for equity investment of \$160 2. Affirmation of CSR report \$200 3. Transfer pricing and tax-affairs service \$376
	Tzu-Meng Liu								

3.5.3 If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed: Not Applicable.

3.5.4 Auditing expenses decreased by 15% in comparison to the previous year, information regarding the amount, percentage and reason for the decrease in auditing expenses shall be disclosed: Not Applicable.

3.6 Replacement of CPA : Not Applicable.

3.7 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed: None.

3.8 Net Change in shareholdings and in shares pledged by directors, supervisors, management, and shareholders holding more than a 10% share in the Company.

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2018		As of Apr 30,2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Director (Institutional Shareholder)	Uni-President Enterprises Corp	0	0	0	0
Chairman and General Chief Strategy Officer (representative)	Chih-Hsien Lo	0	0	0	0
Director (representative)	Tsung-Ming Su	0	0	0	0
Director (representative)	Kun-Shun Tsai	0	0	0	0
Director (representative)	Tsung-Pin Wu	0	0	0	0
Director (representative)	Jia Horng Guo	0	0	0	0
Director (representative)	Yung-Fa Chen (Note 1)	(7,170)	0	0	0
Director (representative)	Fu-Jung Lai (Note 2)	0	0	0	0
Big Shareholder	Uni-President Enterprises Corp	0	0	0	0
Director (Institutional Shareholder)	National Development Fund, Executive Yuan	0	0	0	0
Director (representative)	Po-Wu Gean (Note 3)	0	0	0	0

Title	Name	2018		As of Apr 30,2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Director (representative)	Ming-Shi Chang (Note 4)	0	0	0	0
Director (representative)	Ming-Chuan Hsieh (Note 5)	0	0	0	0
Director (representative)	Ya-Po Yange (Note 6)	0	0	0	0
Big Shareholder	National Development Fund, Executive Yuan	0	0	0	0
Director (Institutional Shareholder)	Tainan Spinning Co., Ltd.	0	0	0	0
Director (representative)	Po-Ming Hou	0	0	0	0
Director (Institutional Shareholder)	Kao Chyuan Investment Co., Ltd.	0	0	0	0
Director (representative)	Shiow-Ling Kao	0	0	0	0
Director (Institutional Shareholder)	President International Development Corp.	0	0	0	0
Director (representative)	Chiou-Ru Shih	0	0	0	0
Director (Institutional Shareholder)	Taiwan Sugar Corporation	0	0	0	0
Director (representative)	Kuo-His Wang	0	0	0	0
Independent Director	Ih-Jen Su (Note 7)	0	0	0	0
Independent Director	Wei-Te Ho	0	0	0	0
Independent Director	Wei Cheng Tian (Note 8)	0	0	0	0
Independent Director	Wen-Chang Chang (Note 9)	0	0	0	0
Independent Director	Li-Tzong Chen (Note 10)	0	0	0	0
President & CEO, Chief Technology Officer	Yung-Fa Chen (Note 11)	0	0	0	0

Title	Name	2018		As of Apr 30,2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
President & CEO	Tsung-Ming Su (Note 12)	0	0	0	0
Vice President	Chih-Fang Chen	0	0	0	0
Vice President	Ching-Wen Lin	0	0	0	0
Vice President	Tsung-Jung Yen (Note 13)	0	0	0	0
Vice President	Li-An Lu (Note 14)	0	0	0	0
Vice President	Li-Chiao Chang	0	0	0	0
Vice President	Katy Cheng (Note 15)	0	0	0	0
Director	Yu-Fen Hung	0	0	0	0
Director	Chin-Lin Liu	0	0	0	0
Director	Jessie Wang (Note 16)	0	0	0	0
Director	Chao-An Chou	0	0	0	0
Director & Accounting Officer	Chih-Hui Lin	0	0	0	0
Director & Finance Officer	Chin-Ching Hsu (Note 17)	0	0	0	0
Director	Lung-Huang Ko (Note 18)	0	0	0	0
Director	Ling-Hsiao Lien	0	0	0	0
Director	Luh-Chian Chang	0	0	0	0
Director Injectable Plant	Nan-Sheng Chan	0	0	0	0
Director	Sharon Lee	(792)	0	0	0
Director	Shun Yang Lin	0	0	0	0
Director	Albert Song	0	0	0	0
Director	Chia-Ming Huang	0	0	0	0
Director	Yu-Wei Shen (Note 19)	15,000	0	0	0
Senior Manager	Chia-Ming Tsay (Note 20)	(15,000)	0	0	0

Note 1: The Director resigned on 2018.10.22
Note 2: The Director was newly appointed on 2018.10.29
Note 3: The Director was discharged on 2018.06.27
Note 4: The Director was discharged on 2018.06.27
Note 5.: The Director was newly appointed on 2018.06.27
Note 6: The Director was newly appointed on 2018.06.27
Note 7: The Independent Director was discharged on 2018.06.27
Note 8: The Independent Director was discharged on 2018.06.27
Note 9: The Independent Director was newly appointed on 2018.06.27
Note 10: The Independent Director was newly appointed on 2018.06.27
Note 11: The President was discharged on 2018.07.05
Note 12: The President was newly appointed on 2018.07.05
Note 13: The Vice President was discharged on 2018.08.01
Note 14: The Vice President was newly appointed on 2018.08.01
Note 15: The Vice President was newly appointed on 2018.03.25
Note 16: The Company Director was discharged on 2018.11.17
Note 17: The Company Director was newly appointed on 2018.08.20
Note 18: The Company Director was discharged on 2018.10.01
Note 19: The Company Director was newly appointed on 2019.04.01
Note 20: The Manager was discharged on 2019.04.01

3.8.2 Shares Trading with Related Parties: None

3.8.3 Shares Pledge with Related Parties: None

3.9 Relationship among the Top Ten Shareholders

3.9.1.Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

As of 12/31/2018 ; Unit : Share ; %

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp.	299,968,639	37.94%	—	—	—	—	President International Development Corp.	1.Referring to the parent company of President International Development Corp.(PIDC) 2. Company's Chairman is also Chairman of PIDC 3.Director also referring to as Director of PIDC 4. Vice President also referring to as President of PIDC 5. Vice President also referring to as Director of PIDC 6. Assistant Vice President also referring to as Director of PIDC 7. Assistant Vice President also referring to as Supervisor of PIDC 8. Chairman is the spouse of Director of PIDC	—
							Tainan Spinning Co., Ltd.	1. Company's director is also Chairman of Tainan Spinning Co., Ltd. 2. Company's director is also Director of Tainan Spinning Co., Ltd. 3. Company's Director is also brother of Chairman of Tainan Spinning Co., Ltd.	—
							Prince Housing & Development Corp.	1. Company's chairman is also Chairman of Prince Housing & Development 2.Company's director is also Director of Prince Housing & Development 3.Company's Assistant Vice President is also Director of Prince Housing &	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								Development 4. Chairman is the spouse of Director of Prince Housing & Development	
							Tong Yu Investment Corp.	1.Referring to the final parent company of Tong Yu Investment Corp 2. Company's Chairman is also Chairman of Tong Yu Investment Corp 3. Vice President also referring to as Director of Tong Yu Investment Corp 4. Assistant Vice President also referring to as director of Tong Yu Investment Corp 5.Director is the spouse of chairman of Tong Yu Investment Corp	—
							Kao Chyuan Investment Co., Ltd.	1. Company's Chairman and part of Directors is also the representative of Kao Chyuan Investment Co., Ltd. 2. Company's Chairman is the spouse of Chairman of Kao Chyuan Investment Co., Ltd. 3. Company's Chairman is also Director of Kao Chyuan Investment Co., Ltd.	—
							Kai Yu Investment Co.	1. Referring to the parent company of Kai Yu Investment Co. 2. Company's Chairman is also Chairman of Kai Yu Investment Co. 3. Vice President also referring to as Director of Kai Yu Investment Co. 4. Assistant Vice President also referring to as Supervisor of Kai Yu Investment Co. 5. Director is the spouse of chairman of Kai Yu Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kai Nan Investment Co.	1. Referring to the parent company of Kai Nan Investment Co. 2. Company's Chairman is also Chairman of Kai Nan Investment Co. 3. Vice President also referring to as Director of Kai Nan Investment Co. 4. Assistant Vice President also referring to as Director of Kai Nan Investment Co. 5. Director is the spouse of chairman of Kai Nan Investment Co.	—
Uni-President Enterprises Corp Representative : Chih-Hsien Lo	—	—	—	—	—	—	1. President International Development Corp. 2. Prince Housing & Development Corp. 3. Tong Yu Investment Corp 4. Kao Chyuan Investment Co., Ltd. 5. Kai Yu Investment Co. 6. Kai Nan Investment Co.	1. Chairman of President International Development Corp. 2. Chairman of Prince Housing & Development 3. Chairman of Tong Yu Investment Corp 4. Director of and spouse of chairman of Kao Chyuan Investment Co., Ltd. 5. Chairman of Kai Yu Investment Co. 6. Chairman of Kai Nan Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%		%	Name	Relationship	
Uni-President Enterprises Corp Representative : Tsung-Ming Su	—	—	—	—	—	—	1. President International Development Corp. 2. Tong Yu Investment Corp 3. Kai Yu Investment Co. 4. Kai Nan Investment Co.	1. President and Director of President International Development Corp 2. Director of Tong Yu Investment Corp 3. Director of Kai Yu Investment Co. 4. Director of Kai Nan Investment Co.	—
Uni-President Enterprises Corp Representative : Kun-Shun Tsai	4,678	0.001%	—	—	—	—	—	—	—
Uni-President Enterprises Corp Representative : Tsung-Pin Wu	—	—	—	—	—	—	1. President International Development Corp. 2. Prince Housing & Development 3. Tong Yu Investment Corp 4. Kai Yu Investment Co. 5. Kai Nan Investment Co.	1. Supervisor of President International Development Corp. 2. Director of Prince Housing & Development 3. Director of Tong Yu Investment Corp 4. Supervisor of Kai Yu Investment Co. 5. Director of Kai Nan Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp Representative : Jia Horng Guo	—	—	—	—	—	—	—	—	—
Uni-President Enterprises Corp Representative : Fu-Jung Lai	—	—	—	—	—	—	—	—	—
National Development Fund, Executive Yuan Institutional Shareholder	109,539,014	13.85%	—	—	—	—	—	—	—
National Development Fund, Executive Yuan Institutional Shareholder Representative : Ming-Chuan Hsieh	—	—	—	—	—	—	—	—	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
National Development Fund, Executive Yuan Institutional Shareholder Representative : Ya-Po Yang	—	—	—	—	—	—	—	—	—
Taiwan Sugar Corporation	32,581,963	4.12%	—	—	—	—	—	—	—
Taiwan Sugar Corporation Shareholder Representative : Kuo-Hsi Wang	—	—	—	—	—	—	—	—	—
President International Development Corp.	28,673,421	3.63%	—	—	—	—	Uni-President Enterprises Corp.	1. An enterprise invested by Uni-President Enterprises on the basis of equity-method evaluation 2. Chairman is the Chairman of Uni-President Enterprises Corp. 3. President and Director is the Vice President of Uni-President Enterprises Corp. 4. Company Director is Director of Uni-President Enterprises Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								5. Company Director is Vice President of Uni-President Enterprises Corp. 6. Company Director is Assistant Director of Uni-President Enterprises Corp. 7. Company Supervisor is Assistant Director of Uni-President Enterprises Corp. 8. Company's Chairman 、Director	
							Tainan Spinning Co., Ltd.	1. Director is also referring to as Chairman of Tainan Spinning Co., Ltd. 2. Company's Director	—
							Prince Housing & Development Corp.	1. Company's Chairman is also chairman of Prince Housing & Development Corp. 2. Director is also Director of Prince Housing & Development Corp. 3. Supervisor is Director of Prince Housing & Development Corp. 4. Company's Director	—
							Tong Yu Investment Corp.	1. An enterprise invested by Tong Yu Investment Corp. on the basis of equity-method evaluation 2. Chairman is the Chairman of Tong Yu Investment Corp. 3. President and Director also referring to as Director of Tong Yu Investment Corp. 4. Supervisor is also referring to as Director of Tong Yu Investment Corp. 5. Assistant Vice President is also referring to as Supervisor of Tong Yu Investment Corp. 6. Company's President, Director and Supervisor	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kao Chyuan Inv. Co., Ltd.	1. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2. Director also referring to as Chairman of Kao Chyuan Inv. Co., Ltd. 3. Company's Director	—
							Kai Yu Investment Co.	1. Chairman is Chairman of Kai Yu Investment Co. 2. President and Director are also referring to as Director of Kai Yu Investment Co. 3. Director is also referring to as Director of Kai Yu Investment Co 4. Supervisor is also referring to as Supervisor of Kai Yu Investment Co	—
							Kai Nan Investment Co.	1. Chairman is Chairman of Kai Nan Investment Co. 2. President/Director is Director of Kai Nan Investment Co. 3. Director is also referring to as Director of Kai Nan Investment Co. 4. Supervisor is also referring to as Director of Kai Nan Investment Co.	—
President International Development Corp. Representative : Chiou-Ru Shih	—	—	—	—	—	—	—	—	—
Tainan Spinning Co., Ltd.	23,605,921	2.99%	—	—	—	—	Uni-President Enterprises Corp.	1. Chairman is also referring to as Director of Uni-President Enterprises Corp. 2. Chairman is a brother of Director of Uni-President Enterprises Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							President International Development Corp.	1. Chairman is also referring to as Director of President International Development Corp. 2. Director of President International Development Corp.	—
							Prince Housing & Development Corp.	1. Chairman is also referring to as Director of Prince Housing & Development Corp. 2. Chairman is a brother of Director of Prince Housing & Development Corp.	—
Tainan Spinning Co., Ltd. Representative : Po-Ming Ho	—	—	—	—	—	—	1. Uni-President Enterprises Corp. 2. President International Development Corp. 3. Prince Housing & Development Corp.	1. As Director of Uni-President Enterprises Corp. 2. As Director of President International Development Corp. 3. As Director of Prince Housing & Development Corp.	—
Prince Housing & Development Corp.	23,605,921	2.99%	—	—	—	—	Uni-President Enterprises Corp.	1. Uni-President Enterprises Corp. is Company's Chairman and biggest Shareholder. 2. Chairman is also referring to as Chairman of Uni-President Enterprises Corp. 3. Partial Directors are also Directors of Uni-President Enterprises Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							President International Development Corp.	1. Chairman is also referring to as Chairman of President International Development Corp. 2. Partial Directors are also Directors 、 Supervisor of President International Development Corp. 3. Director is also referring to as Director of President International Development Corp.	—
							Tainan Spinning Co., Ltd.	1. Director is also referring to as Chairman of Tainan Spinning Co., Ltd. 2. Partial Directors are also Directors of Tainan Spinning Co., Ltd.	—
							Tong Yu Investment Corp.	1. Chairman is also referring to as Chairman of Tong Yu Investment Corp. 2. Director is also referring to as Director of Tong Yu Investment Corp.	—
							Kao Chyuan Inv. Co., Ltd.	1. Kao Chyuan Inv. Co., Ltd.. is Company's Director 2. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 3. Chairman is Director of Kao Chyuan Inv. Co., Ltd.	—
							Kai Yu Investment Co.	1. Chairman is also referring to as Chairman of Kai Yu Investment Co. 2. Director is also referring to as Supervisor of Kai Yu Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kai Nan Investment Co.	1. Chairman is also referring to as Chairman of Kai Nan Investment Co. 2. Director is also referring to as Director of Kai Nan Investment Co.	—
Tong Yu Investment Corp.	15,371,166	1.94%	—	—	—	—	Uni-President Enterprises Corp.	1. Chairman is also Chairman of Uni-President Enterprises Corp. 2. Director is also referring to as Vice President of Uni-President Enterprises Corp. 3. Director is also referring to as Assistant Vice President of Uni-President Enterprises Corp.	—
							President International Development Corp.	1. An enterprise invested by President International Development Corp. on the basis of equity-method evaluation 2. Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is the Director and President of President International Development Corp. 4. Director is also referring to as the Supervisor of President International Development Corp. 5. Supervisor is also referring to as the Assistant Vice president of President International Development Corp. 6. Company's Chairman 、Director and Supervisor	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Prince Housing &Development Corp.	1. Chairman is also referring to as the Chairman of Prince Housing &Development Corp. 2. Director is also referring to as the Director of Prince Housing &Development Corp.	—
							Kao Chyuan Inv. Co., Ltd.	Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd.	—
							Kai Yu Investment Co.	1. Chairman is also referring to as the Chairman of Kai Yu Investment Co. 2. Director is also referring to as the Director of Kai Yu Investment Co. 3. Director is also referring to as the Supervisor of Kai Yu Investment Co.	—
							Kai Nan Investment Co.	1. Chairman is also referring to as the Chairman of Kai Nan Investment Co. 2. Director is also referring to as the Director of Kai Nan Investment Co.	—
Kao Chyuan Investment Co., Ltd.	14,832,733	1.88%	—	—	—	—	Uni-President Enterprises Corp.	1. Chairman is also referring to as the Director of Uni-President Enterprises Corp. 2. Director is Chairman of Uni-President Enterprises Corp. 3. Chairman is the spouse of Chairman of Uni-President Enterprises Corp. 4. Uni-President Enterprises Corp.'s Chairman and Director.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							President International Development Corp.	1. Chairman is also referring to as the Director President International Development Corp. 2. Director is also referring to as the Chairman of President International Development Corp. 3. Chairman is the spouse of Chairman of President International Development Corp. 4. President International Development Corp.'s Director	—
							Prince Housing &Development Corp.	1.Chairman is also referring to as the Director of Prince Housing &Development Corp. 2.Director is the Chairman of Prince Housing &Development Corp. 3. Chairman is the spouse of Vice Chairman of Prince Housing &Development Corp. 4. Referring to Prince Housing &Development Corp.'s Director	—
							Tong Yu Investment Corp.	1. Director is also referring to as the Chairman of Tong Yu Investment Corp. 2.Chairman is the spouse of Chairman of Tong Yu Investment Corp.	—
							Kai Yu Investment Co.	1. Director is also referring to as the Chairman of Kai Yu Investment Co. 2.Chairman is the spouse of Chairman of Kai Yu Investment Co.	—
							Kai Nan Investment Co.	1. Director is also referring to as the Chairman of Kai Nan Investment Co. 2.Chairman is the spouse of Chairman of Kai Nan Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kao Chyuan Inv. Co., Ltd. Representative : Shiow-Ling Kao	—	—	—	—	—	—	1. Uni-President Enterprises Corp. 2. President International Development Corp 3. Prince Housing & Development Corp. 4. Tong Yu Investment Corp. 5. Kai Yu Investment Co. 6. Kai Nan Investment Co.	1 Director of and spouse of Chairman of Uni-President Enterprises Corp. 2. Director of and spouse of Chairman of President International Development Corp. 3. Director of and spouse of Chairman of Prince Housing & Development Corp. 4. Spouse of Chairman of Tong Yu Investment Corp. 5. Spouse of Chairman of Kai Yu Investment Co. 6. Spouse of Chairman of Kai Nan Investment Co.	
Kai Yu Investment Co.	14,763,165	1.87%	—	—	—	—	Uni-President Enterprises Corp.	1. Referring to the Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp.'s representatives are Chairman 、Directors and Supervisors 3. Chairman is the Chairman of Uni-President Enterprises Corp. 4. Director is also referring to as the Vice president of Uni-President Enterprises Corp. 5. Supervisor is also referring to as the Assistant Vice President of Uni-President Enterprises Corp. 6.Chairman is the spouse of Director of Uni-President Enterprises Corp.	

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							President International Development Corp.	1. Same Parent Company with President International Development Corp. 2. Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is also referring to as the Director and President of President International Development Corp. 4. Director is also referring to as the Director of President International Development Corp. 5. Supervisor is also referring to as the Supervisor of President International Development Corp.	—
							Prince Housing & Development Corp.	1. Chairman is also referring to as the Chairman of Prince Housing & Development Corp. 2. Supervisor is the Director of Prince Housing & Development Corp. 3. Chairman is the spouse of Director of Prince Housing & Development Corp.	—
							Tong Yu Investment Corp.	1. Same Parent Company with Tong Yu Investment Corp. 2. Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3. Director is also referring to as the Director of Tong Yu Investment Corp. 4. Supervisor is also referring to as the Director of Tong Yu Investment Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kao Chyuan Inv. Co., Ltd.	1. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2. Chairman is the Director of Kao Chyuan Inv. Co., Ltd.	—
							Kai Nan Investment Co.	1. Same Parent Company with Kai Nan Investment Co. 2. Chairman is also referring to as the Chairman of Kai Nan Investment Co. 3. Director is also referring to as the Director of Kai Nan Investment Co. 4. Supervisor is also referring to as the Director of Kai Nan Investment Co.	—
Kai Nan Investment Co.	13,950,061	1.76%	—	—	—	—	Uni-President Enterprises Corp.	1. Referring to the Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp.'s representatives are Chairman、Directors and Supervisors 3. Chairman is the Chairman of Uni-President Enterprises Corp. 4. Director is also referring to as the Vice president of Uni-President Enterprises Corp. 5. Director is also referring to as the Assistant Vice President of Uni-President Enterprises Corp. 6. Chairman is the spouse of Director of Uni-President Enterprises Corp.	—
							President International Development Corp.	1. Same Parent Company with President International Development Corp. 2. Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is also referring to as the Director and President of President	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement	Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								International Development Corp 4. Director is also referring to as the Director of President International Development Corp.	
							Prince Housing & Development Corp.	1. Chairman is also referring to as the Chairman of Prince Housing & Development Corp. 2. Director is the Director of Prince Housing & Development Corp. 3. Chairman is the spouse of Director of Prince Housing & Development Corp.	
							Tong Yu Investment Corp.	1. Same final Parent Company with Tong Yu Investment Corp. 2. Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3. Director is also referring to as the Director of Tong Yu Investment Corp.	—
							Kao Chyuan Inv. Co., Ltd.	1. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2. Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd.	
							Kai Yu Investment Co.	1. Same Parent Company with Kai Yu Investment Co 2. Chairman is also referring to as the Chairman of Kai Yu Investment Co 3. Director is also referring to as the Director of Kai Yu Investment Co 4. Director is also referring to as the Supervisor of Kai Yu Investment Co	—

Note 1: All top ten Shareholders' information should be disclosed, the institutional shareholders should be expressed separately by name of Institutional shareholders and their representative.

Note 2 Shareholding percentage is calculated by totaling the holding percentage of shareholder him/herself、Spouse & Minor and Shareholding by Nominee Arrangement.

Note 3 Name and Relationship between the Company's Top Ten Shareholders (including institutional and natural person shareholders)

Note 4: Holding Shares and Holding Percentage as of April 29th 2019.

3.10 Ownership of Shares in Affiliated Enterprises

2018.12.31 ; Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
SPT International, Ltd.	80,524,644	100%	-	-	80,524,644	100%
ScinoPharm Singapore Pte Ltd.	2	100%	-	-	2	100%

Note: Company's Long Term Investment on the basis of equity-method evaluation

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Issued Shares

30 Apr, 2019

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
11/1997	10	270,000,000	2,700,000	67,500,000	675,000	Registered capital	Technical shares account for 15% of total capital 101,250	Note1
12/1998	10	270,000,000	2,700,000	189,000,000	1,890,000	Cash Capital Increase 1,032,750	Technical shares account for 15% of total capital 182,250	Note 2
10/1999	10	270,000,000	2,700,000	270,000,000	2,700,000	Cash Capital Increase 688,500	Technical shares account for 15% of total capital 121,500	Note 3
02/2002	10	370,000,000	3,700,000	370,000,000	3,700,000	Cash Capital Increase 1,000,000	-	Note 4
07/2003	10	530,000,000	5,300,000	420,000,000	4,200,000	Cash Capital Increase 500,000	-	Note 5
04/2004	10	530,000,000	5,300,000	470,000,000	4,700,000	Cash Capital Increase 500,000	-	Note 6
10/2004	10	530,000,000	5,300,000	486,000,000	4,860,000	Cash Capital Increase 160,000	-	Note 7
12/2005	10	610,000,000	6,100,000	551,000,000	5,510,000	Cash Capital Increase 650,000	-	Note 8
06/2008	10	610,000,000	6,100,000	551,373,392	5,513,734	Merge Capital Increase 3,734	New shares were issued to merge with subsidiary ScinoPharm Biotech Ltd.	Note 9
08/2010	20	610,000,000	6,100,000	610,000,000	6,100,000	Cash Capital Increase 586,266	-	Note 10
12/2010	10	1,000,000,000	10,000,000	610,000,000	6,100,000	To increase authorized capital	-	Note 11
10/2011	46	1,000,000,000	10,000,000	631,000,000	6,310,000	Cash Capital Increase 210,000	-	Note 12
08/2012	10	1,000,000,000	10,000,000	649,930,000	6,499,300	capital increase on retained earnings 189,300	-	Note 13
08/2013	10	1,000,000,000	10,000,000	675,927,200	6,759,272	capital increase on retained earnings 259,972	-	Note 14
08/2014	10	1,000,000,000	10,000,000	702,964,288	7,029,643	capital increase on retained earnings 270,371	-	Note 15

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
08/2015	10	1,000,000,000	10,000,000	731,082,860	7,310,829	capital increase on retained earnings 281,186	-	Note 16
08/2016	10	1,000,000,000	10,000,000	760,326,175	7,603,262	capital increase on retained earnings 292,433	-	Note 17
08/2017	10	1,000,000,000	10,000,000	790,739,222	7,907,392	capital increase on retained earnings 304,130		Note 18

Note 1: Approved No.: (86) Yuan Shang No. 23483

Note 2: Approved No.: (88) Yuan Shang No. 003454

Note 3: Approved No.: (88) Yuan Shang No. 027020

Note 4: Approved No.: Nan Erh No. 0910005896

Note 5: Approved No.: Nan Shang No.0920014152

Note 6: Approved No.: Nan Shang No.0930009753

Note 7: Approved No.: Nan Shang No.0930031092

Note 8: Approved No.: Nan Shang No.0950001220

Note 9: Approved No.: Nan Shang No.0970014601

Note 10: Approved No.: Nan Shang No.0990018156

Note 11: Approved No.: Nan Shang No.09900129213

Note 12: Approved No.: Nan Shang No.1000025207

Note 13: Approved No.: Nan Shang No.1010021098

Note 14: Approved No.: Nan Shang No.1020021135

Note 15: Approved No.: Nan Shang No.1030021574

Note 16: Approved No.: Nan Shang No.1040021085

Note 17: Approved No.: Nan Shang No.1050021651

Note 18: Approved No.: Nan Shang No.1060021942

4.1.1.2 Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares (Share)	Total Shares	
Common Stock	790,739,222	209,260,778	1,000,000,000	Listed Company Stock

4.1.1.3 Information for Shelf Registration: None

4.1.2 Status of Shareholders

As of 04/30/2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	0	117	30,534	98	30,750
Shareholding (shares)	109,539,014	0	476,592,633	174,342,798	30,264,777	790,739,222
Percentage	13.853%	0	60.272%	22.048%	3.827%	100%

4.1.3 Shareholding Distribution Status

4.1.3.1 Common Shares (The Par Value for each share is \$10 NTD)

As of 04/30/2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	8,882	1,465,780	0.185%
1,000 ~ 5,000	14,714	31,037,173	3.925%
5,001 ~ 10,000	3,316	23,701,032	2.997%
10,001 ~ 15,000	1,403	16,867,813	2.133%
15,001 ~ 20,000	646	11,418,193	1.444%
20,001 ~ 30,000	694	16,875,851	2.134%
30,001 ~ 50,000	525	20,213,352	2.556%
50,001 ~ 100,000	339	22,918,605	2.898%
100,001 ~ 200,000	143	18,794,212	2.377%
200,001 ~ 400,000	51	13,868,689	1.754%
400,001 ~ 600,000	9	4,379,589	0.554%
600,001 ~ 800,000	5	3,537,370	0.447%
800,001 ~ 1,000,000	5	4,488,500	0.568%
1,000,001 ~	18	601,173,063	76.028%
Total	30,750	790,739,222	100.000%

4.1.3.2 Preferred Shares: None.

4.1.4 List of Major Shareholders

As of 04/30/ 2019

Shareholder's Name	Shares	Percentage
Uni-President Enterprises Corp	299,968,639	37.94%
National Development Fund, Executive Yuan	109,539,014	13.85%
Taiwan Sugar Corporation	32,581,963	4.12%
President International Development Corp.	28,673,421	3.63%
Tainan Spinning Co., Ltd.	23,605,921	2.99%
Prince Housing & Development Corp.	23,605,921	2.99%
Tong Yu Investment Corp.	15,371,166	1.94%
Kao Chyuan Inv. Co., Ltd.	14,832,733	1.88%
Kai Yu Investment Co.	14,763,165	1.87%
Kai Nan Investment Co.	13,950,061	1.76%

Note: The Name 、Holding Shares and Holding Percentage of the Top Ten Shareholders.

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Item		Year	2017	2018	As of March 31 2019
Market Price per Share	Highest		47.00	36.95	28.15
	Lowest		32.35	21.70	23.95
	Average		38.87	31.47	26.98
Net Worth per Share	Before Distribution		13.17	13.33	13.68
	After Distribution		12.69	(Note 4)	-
Earnings per Share	Weighted Average Shares (thousand shares)		790,739	790,739	790,739
	Earnings per Share (Undiluted)		0.53	0.56	0.10
	Earnings per Share (Diluted)		0.53	(Note 4)	-
Dividends per Share	Cash Dividends		0.48	(Note 4)	-
	Stock Dividends	-	-	(Note 4)	-
		-	-	(Note 4)	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note1)		73.34	56.20	-
	Price / Dividend Ratio (Note2)		80.98	(Note 4)	-
	Cash Dividend Yield Rate (Note 3)		1.23%	(Note 4)	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: The income distribution plan for fiscal 2018 has not yet approved by the general shareholders meeting.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy:

Since the business environment has been changing enormously, and ScinoPharm is experiencing the steadily growth, the annual earnings distribution should be considered in terms of future capital budget, long-term investment, and business funding needs, etc. in order to determine the amount to be retained or distributed as stock dividend or cash dividend.

If there are earnings for distribution at the end of each fiscal year, after offsetting any loss of prior year(s) and paying all taxes and dues, 10% of the remaining net earnings shall be set aside as legal reserve, then would be appropriated as special reserve in accordance with Securities Exchange Law. The remaining net earnings can be distributed together with prior accumulated unappropriated retained earnings. The Board of Directors will consider the factors that were mentioned above to make the dividend distribution proposal. The dividend should be set in the range from 50% to 100% of the accumulated unappropriated retained earnings and the amount of cash dividend shall exceed 30% of the total amount of dividends distribution. The dividends could be distributed in accordance with the resolution that is approved by the Board of Directors and the Annual Shareholders' Meeting.

4.1.6.2. Proposed Distribution of Dividend

The proposal for distribution of 2018 profits was passed at the Meeting of the Board of the Board of Directors (March 25th 2019). This proposal, a cash dividend of NTD 0.49 per share, will be discussed at annual shareholders' meeting.

4.1.7 Impacts of Stock Dividends on Operation Results and EPS: Not Applicable.

4.1.8 Employee Bonus and Directors' Remuneration

4.1.8.1. The limit or percentage of Director's Remuneration and Employee Bonus are regulated by Articles of Incorporation:

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

4.1.8.2. Estimate Foundation of Employee Bonus and Directors' Remuneration:

The basis of estimates is based on a certain percentage of 2018 net income after taking into account the legal reserve and other factors, as prescribed under the Company's Articles of Incorporation.

4.1.8.3. Profit Distribution of Year 2018 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration

(1) Recommended Distribution of Employee Bonus and Directors' Remuneration: (NT\$ thousands)

Employee Bonus – in Cash	\$46,765,093
Employee Bonus – in Stock	0
Directors' Remuneration	<u>\$7,840,347</u>
Total	<u>\$54,605,440</u>

(2) The aforementioned amounts differed from budgeted amounts by 0 for both employee compensation and director compensation.

4.1.8.4. The Actual Distributable compensation for employees and directors for previous year (including distributable shares, distributable amount and share price):

The Actual Distributable compensation for employees and directors on 2017 is as following:

- (1) The Distributable compensation for employees and directors on 2017 is calculated according to Article 40 of the Articles of Incorporation: “Should the Company earn surpluses within the current term, at least two percent of surpluses should be set aside for employee compensation, and no more than two percent of surpluses should be set aside for director.
- (2) According to the Articles of Incorporation, the employee compensation for 2017 was NTD 48,877,615, making up 8.96% of the year’s profits; director compensation was NTD7,607,845, making up 1.40% of the year’s profits; all compensation was distributed in cash form. The aforementioned amounts differed from budgeted amounts by 0 for both employee and director compensation.

4.1.9 Buyback of Treasury Stock: None

4.2 Bonds: None

4.3 Status of Corporate Bonds, Preferred Stock, GDR, Employee Stock Option Plan, Employee Restricted Stock Plans, Mergers, Acquisitions, and Spin-Offs

1. Issuance of special shares: nil
2. Issuance of global depository receipts: nil
- 3 Issuance of stock-option warrants for employees: for details, refer to the following table and supplementary table in the next page
- 4 issuance of restricted stock awards: nil
- 5 Issuance of new shares for acquisition and merger or acquisition of shares of other companies: nil

4.3.3.1 The amount of employee stock options outstanding should be disclosed till the print of the annual report with its impact on shareholders' equity.

Issuance of Employee Stock Options

As of 4/30/2019

Type of Stock Option	First issuance of Employee Stock Options on 2013	First issuance of Employee Stock Options on 2015	First issuance of Employee Stock Options on 2016	First issuance of Employee Stock Options on 2017
Approval date	2013.10.24	2015.10.13	2016.10.12	2017.10.12
Issue date	2013.12.03	2015.11.06	2016.10.14	Issuance canceled (Note 3)
Units issued	1,000,000Units	1,500,000 Units	1,500,000 Units	N/A
Shares of stock options to be issued as a percentage of outstanding shares	0.12646%	0.18970%	0.18970%	N/A
Duration	10years	10years	10years	N/A
Conversion measures	issue new shares	issue new shares	issue new shares	N/A
Conditional conversion periods and percentages	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	N/A
Converted shares	0share	0share	0share	N/A
Exercised amount	0	0	0	N/A
Number of shares yet to be converted	524,000 shares	970,000 shares	1,102,000 shares	N/A
Adjusted exercise price for those who have yet to exercise their rights	NT\$75.90/share	NT\$37.90/share	NT\$38.40/share	N/A
Unexercised shares as a percentage of total issued shares	0.06627%	0.12267%)	0.13936%	N/A
Impact on possible dilution of shareholdings	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	N/A

Note 1: Each unit of stock options is entitled to buy one common share.

Note 2: As calculated based on a total of 790,739,222 shares outstanding currently.

Note 3: Plan for the first issuance of stock-option warrants for employees, totaling 1,500,000 shares, in 2018 was canceled, a decision publicized on Oct. 1, 2018, due to the consideration of market price.

4.3.3.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

4/30/2018 ; Unit : share/NT\$

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executives Officers	President	Yung-Fa Chen (Note 2)	1,558,000	0.19703%	0	—	0	0	1,558,000	75.90 / 37.90 / 38.40	70,282,700	0.19703%
	Vice-President	Ching-Wen Lin										
	Vice President	Chih-Fang Chen										
	Vice President	Li-Chiao Chang										
	Director	Yu-Fen Hung										
	Director	Lu-Chian Chang										
	Director	Ling-Hsiao Lien										
	Director	Chao-An Chou										
	Director Accounting	Chih-Hui Lin										
	Director	Nan-Sheng Chan										
	Director	Sharon Lee										
	Director	Albert Song										
	Director	Shun Yang Lin										
	Director	Yu-Wei Shen (Note 3)										
Employees	Senior Manager	Tsung-Yu Hsiao	434,000	0.05489%	0	-	0	0	460,000	775.90 / 37.90 / 38.40	19,767,100	0.05489%
	Senior Manager	Tsung-Cheng Hu										
	Senior Manager	John Tsai										
	Senior Manager	Hanch Su										
	Senior Manager	Jason Liang										
	Senior Manager	Hui-Chun Chen										
	Senior Manager	Bin Liu										
	Senior Manger	Jing Yi Wang										
	Manager	Zheng-Yi Wang										
	Manager	Yatin Lee										

Note 1: Calculation on the basis of the company's current share issuance totaling 790,737,22 shares

Note 2: Despite relinquishment of the presidency on 2018.07.05 and retirement on 2018.12.10, shareholding by Yung-Fa Chen is still included in the calculation.

Note 3: Shareholding of Yu-wei Shen is incorporated into the shareholding of managers, following his promotion to a managerial post. °

4.4 Financing Plans and Implementation

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported up to end of previous season before the printed date of the Annual Report: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 The business items of the Company are as follows:

- A C802041 Manufacture of pharmaceuticals;
- B C801990 Manufacture of other chemical materials;
- C IG01010 Biotechnological services;
- D F601010 Intellectual property rights related services
- E F401010 International trade.

1. Research, development, production, manufacture and distribution of the following products:
(1) generic APIs, (2) protein drugs, (3) oligonucleotide, (4) peptide, (5) injection formulation, (6) small-molecule new drugs.
2. Consulting, advisory and technical services relating to the above products.
3. International trade in connection with the above products.>>>

5.1.1.2 2018 Revenue distribution

Unit : thousand NTD ; %

Major Products	Year 2018	
	Total Sales	(%) of Total Sales
Manufacturing and sales of API	3,332,373	95%
Technical Services Income	152,220	4%
Other Income	39,670	1%
Total Sales	3,524,263	100%

5.1.1.3 Categories of services available currently

ScinoPharm Taiwan Ltd. was set up to provide active pharmaceutical ingredient (API) manufacturing services to the global generic drug makers initially. Powered by its maturing analytic capability, organic synthesizing techniques, and its engagement in special synthetic technology for different therapeutic areas, ScinoPharm is currently able to provide small molecular drugs, complex natural molecules and its derivatives, synthesis services for major biochemistry molecules such as peptides and nucleic acids, as well as customized manufacturing process development from process research to commercial production and to subcontract manufacturing. The company has also continued to expand its business lines to include the offerings of injection drugs and related services. The main results are summarized as follows:

- A. In-house developed APIs (active pharmaceutical ingredients) categorized by purpose:
 1. Cancer-related application APIs totaling thirty-five items.
 2. Central nervous system-related application APIs totaling thirteen items.
 3. Cardiovascular-related application APIs totaling six items.
 4. Infection-related application APIs totaling six items.
 5. Genitourinary-related application APIs totaling two items.
 6. Respiratory system-related application APIs totaling two items.
 7. Ophthalmology-related application APIs totaling three items.
 8. APIs for other applications totaling five items.

- B. Customized development and subcontract production of APIs:
1. Commercialized production of APIs totaling six items (four of them are new drugs).
 2. APIs under phase III clinical trials totaling eight items.
- C. Development and manufacturing services for injection drugs:

While already being a leading provider of oncological APIs to regulated markets worldwide as far as product categories and customer base are concerned, ScinoPharm has been driven by factors including increasing demand from the injectable product manufacturing industry in recent years and market research feedbacks from global clients to implement a downward integration strategy by setting up an injectable product plant at its existing Tainan production base to provide one-stop service from API research to injectable production to clients. The company has completed the development of two injection drugs in dosage form and has also applied for a drug permit license each via a cooperation model. One of the two injectables is dedicated to cancer-related applications and the other is for cardiovascular-related applications. ScinoPharm can provide customized development and subcontract production for injection drugs once the injectable plant commences its official operations and will also offer injection drugs in dosage form later.

5.1.1.4 Roadmaps for new products:

New products on drawing board	Purpose
SPC1357	Hepatitis drugs
SPC1361	Anticoagulant drugs
SPT1375	Respiratory system-related drugs
SPT1388	Cancer drugs
SPT1418	anesthesia medicines
SPT1419	Cancer drugs
SPT1422	psychiatric medicines
SPT1428	Eye drugs
SPT1434	psychiatric medicines
SPT1443	endocrine drugs
SPT1444	Respiratory system-related drugs

5.1.2 Industry Overview

5.1.2.1 Current Situation and Future Development of the Industry

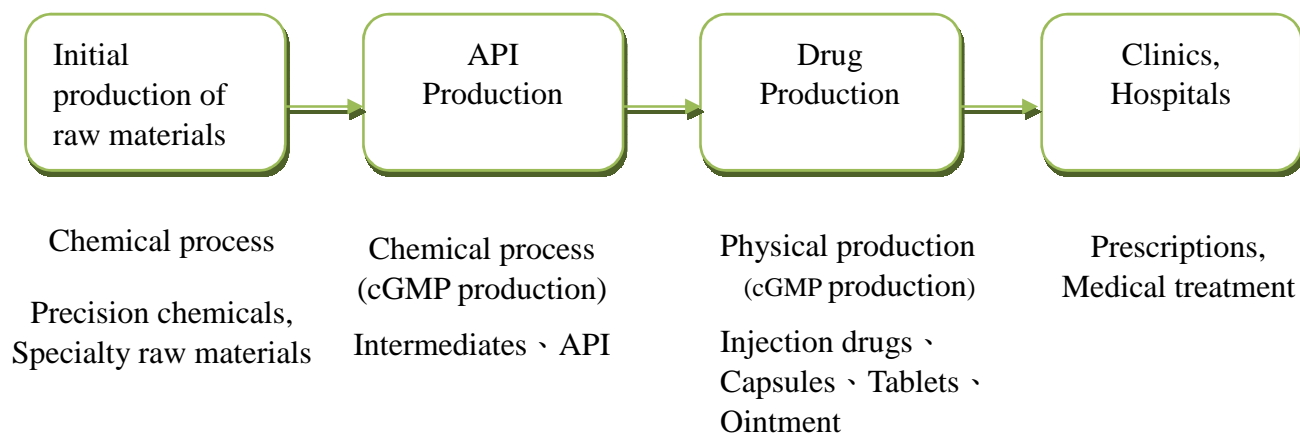
According to US Department of Commerce, the global drug market value will increase at a compound annual growth rate (CAGR) of 4.9% to US\$1.3 trillion in 2020. The market value in the US will grow at CAGR of 5.6% to US\$320 billion in 2020, while CAGR for the Japan market, the third largest one around the world, is about 3%. Despite political and economic uncertainties around the world, small growth in global population (an estimated CAGR of 1.24% until 2030) and significant growth in global elderly population (the population proportion for aged 65-80 will rise from 22% in 2000 to 28% in 2030) will make the global drug market keep increasing.

Almost every country has been under pressure of medical budgets and spending, and legitimate pricing for pharmaceuticals is in continued discussion and always controversial. So far, international pharmaceutical manufacturers have widely differed in concept and method of how to reach balance among value standard, drug price, sales volume and sustainable marketing.

The US in 1984 enacted Hatch-Waxman Act (informal for Drug Price Competition and Patent Term Restoration Act), driving development of generic drug markets around the world. Many countries, under pressure of medical budgets, have therefore amended regulations concerned and proposed plans to boost marketing and use of generic drugs to decrease medical spending by the public and private sectors, with Japan being a successful case. According to US-based IMS Health, developed countries' total spending on generic drugs took up 28.8% of total drug spending in 2016 and the proportion is forecast to rise to 31% in 2021.

Heating competition for generic drugs has resulted in pharmaceutical manufacturing industry' demand for management of supply chains and quick time-to-market. In order to control production cost and spread risks, procurement of APIs (active pharmaceutical ingredients) is on the rise and shift from production of pharmaceuticals in North America and West Europe to outsourced production in East Europe and Asia is increasing. In particular, the API market has been in intense competition, with global market vale estimated to rise to US\$213.9 billion in 2021.

5.1.2.2 Industrial supply chain of related pharmaceutical products in the up, middle and downstream sectors



5.1.2.3 Global development trend and competition of the industry of active pharmaceutical ingredients.

- A. Outsourcing trend for the production of active pharmaceutical ingredients of new drugs
- Demands of preparations companies for active pharmaceutical ingredients can be classified, according to production and supply methods, into own production for own use and outsourcing production. Although majority of major international patented drug companies tend to produce active pharmaceutical ingredients for own use by themselves, for better grip of quality and time, they are intensifying focus on R&D, sales, and market grasp for new drugs, in order to speed up rollout of new drugs, in order to cope with threat of generic drugs and uphold market shares. In view of lesser role of active pharmaceutical ingredients in their profits and in order to massive capital outlays for plant production, growing numbers of major international patented drug companies have outsourced production of active pharmaceutical ingredients. By contrast, majority of smaller patented drug companies have outsourced production of active pharmaceutical ingredients for different

stages of new-drug development, including R&D and clinical tests. The outsourcing trend has been intensified by the following objective conditions:

- 1) With timing of marketing of NCEs (new chemical entities) being the primary concern of patented drug companies, outsourcing of production can shorten R&D process and advance materialization of extra revenue and profit.
- 2) Outsourcing production for active pharmaceutical ingredients can reserve limited resources for R&D and production with higher priorities, thereby maximizing profits.
- 3) Joint development of products and division of labor in mass production can lower production cost.
- 4) Outsourcing-production firms can cut cost, via economy of scale and form an industrial chain for higher efficiency, while patented drug companies can maintain flexible operation, in line with market needs.

B. Trend of the market and competition of active pharmaceutical ingredients of generic drugs
Since Hatch-Waxman Act came into effect, the procedures for applying for generic drug licenses and launching such drugs have been much simplified and thus the time taken has been increasingly shortened. Therefore, the quicker the supply of APIs used to produce generic drugs, the more business opportunities the suppliers have.

Meanwhile, as for legal requirement of quality, member countries of ICH have substituted knowledge-based risk-management mode for inspection-based quality-control mode, with the U.S. even replacing past practice of itemized inspection with question-based inspection. Therefore, generic-drug companies must have more precise grip of quality of pharmaceuticals. Accordingly, suppliers of active pharmaceutical ingredients have to make concerted effort with generic-drug firms in upgrading quality-control system, so that quality concern would not cause delay in the obtaining of generic-drug licenses. Quality has become prerequisite for suppliers of active pharmaceutical ingredients in landing orders.

Studies show that in one year after the first generic drug maker launched products, the number of newcomers is almost twice that of original generic drug makers in the initial period. Along with increasing competition is increasing demand for lowering cost, and therefore makers of APIs used to produce generic drugs have to not only supply quality APIs as early as possible but also be competitive in price.

Under pressure of earlier supply of APIs of better quality at lower prices, API makers should be more dedicated to R&D and strive to protect intellectual properties to keep business growth in supply chains of APIs used to generic drugs.

5.1.3 Technology and R&D status

5.1.3.1 Technological level and R&D for the engaged businesses

As for registered inspection files necessary for entering highly regulated markets, such as the U.S. and Europe, the company had registered 60 DMFs (Drug Master Files) with the U.S. FDA as of the end of December 2018, on top of 24 EDMFs (European DMFs) in some 30 European countries, including CEP (COS) for 18 products, applicable in the European Union. Worldwide, the company has made 805 drug registrations and number of its DMFs will increase further yearly, along with increase of the company's product development items and the need of customers in drug marketing.

As for intellectual properties, except patents no longer being upheld by the company due to irrelevance to the company's long-term development, the company now owns 62 inventions, as well as 438 patents worldwide (as shown in the table below). As for technologies needed for mass production of peptide, in addition to the use of solid-phase synthesizing machine, the company has also established technological platform for semi-solid phase synthesis. The company can flexibly embrace either of the two technologies, both fit for cGMP production, according to the features of needed peptide, giving it an extra adaptability and response capability.

No.	Product	Title	Patent number	Country
1	Benazepril	Asymmetric synthesis of a key intermediate for making benazepril and analogues thereof	US6548665B2	US
2	Crystalline Docetaxel	Crystalline forms of docetaxel and process for preparation thereof	US7662980B2	US
			AU2007309534B2	Australia
			AU2012203862B2	Australia
			US8357811B2	US
			KR1266549B1	Korea
			CA2756603C	Canada
			CA2667416C	Canada
3	Galantamine	Resolution of a Narwedine Amide Derivatives	US7307162B2	US
			IN232259B	India
			AU2004276354B2	Australia
			CN1875004B	China
			CA2540248C	Canada
			EP1670767B1	EP(Switzerland)
			EP1670767B1	EP(Germany)
			EP1670767B1	EP(France)
			EP1670767B1	EP(United Kingdom)
			EP1670767B1	EP(Italy)
			JP5020633B2	Japan
4	Gemcitabine	Process of making an alpha-anomer enriched 2-deoxy-2, 2-difluoro-D-ribofuranosyl sulfonate and use thereof for making a beta nucleoside	US7572898B2	US
			TWI322812B	Taiwan
			CN101203525B	China
			KR1171087B1	Korea
			IN261002B	India
			JP5091126B2	Japan
5	Irinotecan	Process for the preparation of 7-alkyl-10-hydroxy-20 (S)-camptothecin	US7151179B2	US
			CN100344633C	China
			IN230431B	India
			AU2004238358B2	Australia
			IL171789	Israel
			CA2578767C	Canada
			EP1628982B1	EP(France)
			EP1628982B1	EP(Germany)
			EP1628982B1	EP(Italy)
			EP1628982B1	EP(Switzerland)
			EP1628982B1	EP(United Kingdom)
6	Irinotecan	Crystal forms of irinotecan hydrochloride	JP05270091B2	Japan
			US7435818B2	US
			EP1951235B1	EP(France)
			EP1951235B1	EP(United Kingdom)
			DE602006012871D1	EP(Germany)
			CN101277694B	China
			KR1150504B1	Korea

No.	Product	Title	Patent number	Country
			JP5119153B2	Japan
			AU2006292328B2	Australia
			IN262633B	India
			CA2623117C	Canada
7	Paclitaxel	Process for making taxane derivatives	US6531611B2	US
8	SGLT2	Process for the Preparation of β -C-aryl Glucosides β -C-	US8952139B2	US
			CN103974964B	China
			EP2776449B1	EP(France)
			EP2776449B1	EP(United Kingdom)
			EP2776449B1	EP(Germany)
			AU2012335280B2	Australia
			IL232418	Israel
			JP6144686B2	Japan
			KR1756772B	Korea
			TWI488861B	Taiwan
9	Tamsulosin	Process for preparing Tamsulosin	US7332621B2	US
			CN100545148C	China
			EP1786764B1	EP(France)
			EP1786764B1	EP(United Kingdom)
			EP1786764B1	EP(Germany)
			TWI330175B	Taiwan
10	Travoprost and Bimatoprost	Process for the preparation of prostaglandin analogues and intermediates thereof	US7897795B2	US
			TWI367206	Taiwan
			AU2009250938B2	Australia
			CN102056887B	China
			EP2274266B1	EP(France)
			EP2274266B1	EP(Germany)
			EP2274266B1	EP(United Kingdom)
			EP2274266B1	EP(Spain)
			EP2274266B1	EP(Italy)
			JP5485980B2	Japan
			US8742143B2	US
			US8436194B2	US
			KR1634818B	Korea
			CA2721102C	Canada
11	Galantamine intermediate C2	Process for Making Galantamine	IL201455	Israel
			US7985879B2	US
			TWI343909B	Taiwan
			AU2008239730B2	Australia
			CA2683098C	Canada
			IN274735B	India
			KR1172044B1	Korea
			JP5441883B2	Japan
			EP2146719B1	EP(Austria)
			EP2146719B1	EP(France)
			EP2146719B1	EP(Germany)
			EP2146719B1	EP(Greece)
			EP2146719B1	EP(Ireland)

No.	Product	Title	Patent number	Country
			EP2146719B1	EP(Italy)
			EP2146719B1	EP(Poland)
			EP2146719B1	EP(Slovenia)
			EP2146719B1	EP(Spain)
			EP2146719B1	EP(Switzerland)
			EP2146719B1	EP(United Kingdom)
			EP2146719B1	EP(Hungary)
			CN101674835B	China
12	Topotecan-crystal	Crystalline forms of topotecan hydrochloride and processes for making the same	US8013158B2	US
			AU2008241509B2	Australia
			CN101730702B	China
			CA2684599C	Canada
			JP05315337B2	Japan
			EP2139899B1	EP(United Kingdom)
			EP2139899B1	EP(France)
			EP2139899B1	EP(Germany)
			IL201603	Israel
13	SN38	Crystalline Polymorph of 7-ethyl-10- hydroxycamptothecin	US8138343B2	US
			CN101686968B	China
			CA2690145C	Canada
			EP2170329B1	EP(Austria)
			EP2170329B1	EP(Germany)
			EP2170329B1	EP(United Kingdom)
			EP2170329B1	EP(Italy)
			EP2170329B1	EP(Romania)
			EP2170329B1	EP(Slovenia)
			EP2170329B1	EP(Spain)
			EP2170329B1	EP(France)
			EP2170329B1	EP(Greece)
			EP2170329B1	EP(Hungary)
			AU2008269148B2	Australia
			JP05860213B2	Japan
			KR1579625B1	Korea
14	Gemcitabine	Process of Making 2-Deoxy-2,2-Difluoro-D-Ribofuranosyl Nucleosides and Intermediates Therefor	US8168766B2	US
15	Granisetron	Polymorphic Form of Granisetron Hydrochloride and Methods of Making the same	US8193217B2	US
			CN102131506B	China
16	Azacitidine	Process for Making 5-Azacytosine Nucleosides and Their Derivatives	IL211100	Israel
			US8212021B2	US
			AU2009279461B2	Australia

No.	Product	Title	Patent number	Country
			CA2733591C	Canada
			CN102216315B	China
			KR101660549B1	Korea
			EP2318423B1	EP(Austria)
			EP2318423B1	EP(Germany)
			EP2318423B1	EP(Spain)
			EP2318423B1	EP(France)
			EP2318423B1	EP(United Kingdom)
			EP2318423B1	EP(Greece)
			EP2318423B1	EP(Hungary)
			EP2318423B1	EP(Italy)
			EP2318423B1	EP(Romania)
			IN284497B	India
			JP5650643B2	Japan
17	Glatiramer	Synthesis of Glatiramer Acetate	US8212002B2	US
			IL211052	Israel
			EP2326657B	EP(Germany)
			EP2326657B	EP(France)
			EP2326657B	EP(United Kingdom)
			CN102112485B	China
18	Cladribine	Process for the preparation of 6-amino-2-chloro-9-(2'-deoxy-β-D-ribofuranosyl)-9H-purine	US8232387B2	US
			US8338586B2	US
			EP2467391B1	EP(Germany)
			EP2467391B1	EP(France)
			EP2467391B1	EP(United Kingdom)
			EP2467391B1	EP(Spain)
			EP2467391B1	EP(Italy)
			TWI399381B	Taiwan
19	Bivalirudin	Process for Making Bivalirudin	US8252896B2	US
			IL211555	Israel
			AU2009288027B2	Australia
			TWI395752B1	Taiwan
			KR1634830B	Korea
			CA2736126C	Canada
			EP2349307B1	EP(Germany)
			EP2349307B1	EP(France)

No.	Product	Title	Patent number	Country
			EP2349307B1	EP(United Kingdom)
			JP5788321B2	Japan
20	Gemcitabine base	Crystalline Polymorphs of Gemcitabine Base	US8350023B2	US
			KR1630468B	Korea
			EP2303906B1	EP(Germany)
			EP2303906B1	EP(France)
			EP2303906B1	EP(United Kingdom)
			AU2009257344B2	Australia
21	Lenalidomide	Solid Forms of 3-(4-amino-1-oxo-1,3-dihydro-is oindol-2-yl)-piperidine-2,6-dione and Methods of Making The Same	US8420672B2	US
			TWI475014B	Taiwan
			AU2010296072B2	Australia
22	Decitabine	Synthesis of Decitabine	AU2010291893B2	Australia
			CA2747755C	Canada
			CN102209467B	China
			CN102171195B	China
			EP2341772B1	EP(Austria)
			EP2341772B1	EP(Germany)
			EP2341772B1	EP(Spain)
			EP2341772B1	EP(France)
			EP2341772B1	EP(United Kingdom)
			EP2341772B1	EP(Croatia)
			EP2341772B1	EP(Hungary)
			EP2341772B1	EP(Italy)
			EP2341772B1	EP(Netherlands)
			EP2341772B1	EP(Romania)
			EP2341772B1	EP(Turkey)
			US8586729B2	US
			IL212065	Israel
			IN296165B	India
			JP5766703B2	Japan
23	Atazanavir	A New Process for Preparing Form A Atazanavir sulfate	US8461347B2	US
24	Entecavir	Process for preparing Entecavir and intermediates therefor	US8481728B2	US
			AU2011218500B2	Australia
			CA2782654C	Canada
			TWI418559B	Taiwan
			EP2536724B1	EP(Germany)
			EP2536724B1	EP(Spain)
			EP2536724B1	EP(France)
			EP2536724B1	EP(United Kingdom)

No.	Product	Title	Patent number	Country
			EP2536724B1	EP(Italy)
			CN102741254B	China
			IN291636	India
			IL221441	Israel
			KR1818267B1	Korea
			JP5791636B2	Japan
25	Bortezomib	Preparing bortezomib using racemic α -aminoboronic ester intermediate	US8497374B2	US
26	Lapatinib	Process and Intermediates for Preparing Lapatinib	US8563719B2	US
			US8710221B2	US
			KR1718578B1	Korea
			CN104418845B	China
			TWI453202B	Taiwan
			AU2011232219B2	Australia
			CN102812019B	China
			EP2550269B1	EP(Germany)
			EP2550269B1	EP(Spain)
			EP2550269B1	EP(France)
			EP2550269B1	EP(United Kingdom)
			EP2550269B1	EP(Italy)
			EP2550269B1	EP(Austria)
			EP2550269B1	EP(Switzerland)
			EP2550269B1	EP(Sweden)
			EP2550269B1	EP(Portugal)
			EP2550269B1	EP(Greece)
			IL222085	Israel
			CA2793742C	Canada
			JP5833626B2	Japan
27	Cabazitaxel	Crystalline Forms of Cabazitaxel.	US8575373B2	US
			AU2012306057B2	Australia
			IL230976	Israel
			TWI526437B	Taiwan
			US8735611B2	US
28	Glatiramer	Methods of analyzing peptide mixtures	US8497630B2	US
			IL216223	Israel
			EP2427199B1	EP(Germany)
			EP2427199B1	EP(France)
			EP2427199B1	EP(United Kingdom)
			KR101696948B2	Korea
			CA2761406C	Canada
			AU2010245773B2	Australia

No.	Product	Title	Patent number	Country
		Methods for Chemical Equivalence in Characterizing of Complex Molecules	US8643274B2	US
29	Clofarabine	Preparation for 2-chloro-9-(2'-deoxy-2'-fluoro- β -D-arabinofuranosyl)-adenine	US8648188B2	US
			EP2404926B1	EP(Germany)
			EP2404926B1	EP(Spain)
			EP2404926B1	EP(France)
			EP2404926B1	EP(United Kingdom)
			EP2404926B1	EP(Italy)
			CN102311472B	China
30	Cell Screening	Inhibition-based High-throughput Screen Strategy for Cell Clones	US8765370B2	US
			US8642327B2	US
			CN102648288B	China
			AU2010258348B2	Australia
			TWI475109B	Taiwan
			EP2440676B1	EP(Germany)
			EP2440676B1	EP(France)
			EP2440676B1	EP(United Kingdom)
			JP05797192B2	Japan
31	Fondaparinux	Process for the Preparation of Disaccharides Applied to Heparin Pentasaccharides	US8889853B2	US
			TWI434857B	Taiwan
			EP2625183B1	EP(Germany)
			EP2625183B1	EP(Spain)
			EP2625183B1	EP(France)
			EP2625183B1	EP(United Kingdom)
			EP2625183B1	EP(Italy)
			EP2625183B1	EP(Austria)
			EP2625183B1	EP(Switzerland)
			EP2625183B1	EP(Sweden)
			EP2625183B1	EP(Portugal)
			EP2625183B1	EP(Greece)
			IL225048	Israel
			JP5883453B2	Japan
			AU2011312907B2	Australia
			CA2811687C	Canada
			CN103168045B	China
32	Lubiprostone	Processes for the Preparation of Lubiprostone	US8846958B2	US
			TWI434837B	Taiwan
			CA2813839C	Canada
			IL225754	Israel
			KR1787159B1	Korea
			EP2627647B1	EP(Germany)
			EP2627647B1	EP(Spain)
			EP2627647B1	EP(France)

No.	Product	Title	Patent number	Country
			EP2627647B1	EP(United Kingdom)
			EP2627647B1	EP(Italy)
			NZ608823B	New Zealand
			AU2010362494B2	Australia
			CN103180306B	China
			JP5755750B2	Japan
		Intermediates for the preparation of lubiprostone	US9012662B2	US
33	Intermediate for Protease Inhibitor	Process for Reduction of α -acyloxy Sulfide Derivative	US8722921B2	US
			EP2681187B1	EP(France)
			EP2681187B1	EP(United Kingdom)
			EP2681187B1	EP(Germany)
			JP5944929B2	Japan
			TWI429620B	Taiwan
			CN103391919B	China
34	Cabazitaxel	Process for Cabazitaxel and Intermediates Thereof	US8722900B2	US
35	Topiramate	Process for the Preparation and Purification of Topiramate	US8748594B2	US
			JP5643844B2	Japan
			TWI477510B	Taiwan
			CN102725301B	China
			EP2367836B1	EP(Germany)
			EP2367836B1	EP(France)
			EP2367836B1	EP(United Kingdom)
36	Pemetrexed disodium	Process for the Production of Pemetrexed Salt	TWI443100B	Taiwan
			US9051322B2	US
			EP2688888B1	EP(Germany)
			EP2688888B1	EP(Spain)
			EP2688888B1	EP(France)
			EP2688888B1	EP(United Kingdom)
			EP2688888B1	EP(Italy)
			CA2827455C	Canada
			KR101767713B1	Korea
			AU2011363636B2	Australia
			CN103459392B	China
			IN295856	India
			JP5826371B2	Japan
37	Sunitinib malate	Processes for the Preparation of 3-(pyrrol-2-yl)methylene)-2-pyrrolones Using 2-silyloxy-pyrroles	US8846953B2	US
			NZ609475	New Zealand
			EP2635568B1	EP(Germany)
			EP2635568B1	EP(Spain)
			EP2635568B1	EP(France)

No.	Product	Title	Patent number	Country
			EP2635568B1	EP(United Kingdom)
			EP2635568B1	EP(Italy)
			KR1696016B	Korea
			JP5732541B	Japan
			AU2010363613	Australia
			CA2816559C	Canada
			CN103328465B	China
38	Peptide	Real-time Monitor Solid Phase Peptide Synthesis (SPPS) by Mass Spectrometry	US8835179B2	US
			CN103261889B	China
			JP5944911B2	Japan
			TWI510781B	Taiwan
39	MITH	Process for the manufacture of chiral catalysts and their salts	US8859765B2	US
			JP5918386B2	Japan
			EP2785688B2	EP(Germany)
			EP2785688B2	EP(France)
			EP2785688B2	EP(United Kingdom)
			CA2855751C	Canada
			IL232574	Israel
			KR1647415B	Korea
			CN103974932B	China
			TWI483926B	Taiwan
			AU2012346860	Australia
40	Roflumilast	A novel Process for the Preparation of Roflumilast	TWI460163B	Taiwan
			US9085533B2	US
			US9233925B2	US
			EP2822929B1	EP(Germany)
			EP2822929B1	EP(Spain)
			EP2822929B1	EP(France)
			EP2822929B1	EP(United Kingdom)
			EP2822929B1	EP(Italy)
			JP6122042B2	Japan
			IL234366	Israel
			AU2013230356B2	Australia
			CA2865539C	Canada
			KR1680182B	Korea
			CN104245672B	China
41	Large-peptide	Peptide chromatographic purification assisted by combining of solubility parameter and solution conformation energy calculations	US8933196B2	US
			TWI510276B	Taiwan

No.	Product	Title	Patent number	Country
42	Dapagliflozin and Canagliflozin	Crystalline and Non-crystalline Forms of SGLT2 Inhibitors	US8999941B2	US
			CN103889429B	China
			TWI495472B	Taiwan
43	Fondaparinux	Analytical method for testing sulfating Oligosaccharides	TWI479150B	Taiwan
			US8999941B2	US
			JP6208866B2	Japan
44	Fondaparinux	Process for the Production of Fondaparinux Sodium	TWI478934B	Taiwan
			CN105473602B	China
			US10072039B2	US
			CA2919206C	Canada
			JP6321798B2	Japan
45	Fondaparinux	Process for the Production of Fondaparinux Sodium	US9346844B2	US
			EP3024842B1	EP(Germany)
			EP3024842B1	EP(Spain)
			EP3024842B1	EP(France)
			EP3024842B1	EP(United Kingdom)
			EP3024842B1	EP(Italy)
			JP6339673B2	Japan
			TWI576351	Taiwan
46	Leuprolide	A Process for the Preparation of Leuprolide and its Pharmaceutically Acceptable Salts	US9150615B2	US
47	Abiraterone	Preparation method for abiraterone and intermediates Thereof	TWI506034B	Taiwan
			AU2014300639B	Australia
			EP3013848B1	EP(Germany)
			EP3013848B1	EP(Spain)
			EP3013848B1	EP(France)
			EP3013848B1	EP(United Kingdom)
			EP3013848B1	EP(Italy)
			CN105377871B	China
			US9556218B2	US
48	Gefitinib	Process of Preparing a Quinazoline Derivative	TWI541235B	Taiwan
			JP6276894B2	Japan
			US9617227B2	US
49	SGLT2	Process for the Preparation of beta-C-Arylglucosides	US9328100B2	US
			TWI592418B	Taiwan
50	Regadenoson	A Process for the Preparation of Regadenoson	TWI527826B	Taiwan
			AU2013407577B2	Australia
			NZ720106B	New Zealand
			US9771390B2	US

No.	Product	Title	Patent number	Country
51	Pemetrexed diacid	Crystalline Forms of Pemetrexed Diacid and Manufacturing Processes therefor	TWI551603B	Taiwan
			US9604990B2	US
			US9765079B2	US
52	Prostaglandin Platform	A Metal-Catalysed ASymmetric 1,4-Conjugate addition of Vinylboron Compounds to 2-Substituted-4-oxy-Cyclopent-2-en-1-ones to Yield Prostaglandins and Prostaglandin Analogs	TWI541227B	Taiwan
			US9670234B2	US
			CA2952927C	Canada
			CN105254657B	China
53	Ixabepilone	Process for Ixabepilone and Intermediates Thereof	US9309259B2	US
			EP2964645B1	EP(France)
			EP2964645B1	EP(United Kingdom)
			EP2964645B1	EP(Germany)
			JP6401190B2	Japan
			CN105308041B	China
			TWI520956B	Taiwan
54	Liposome screening	Method for Selecting a Pool of Molecules	US9465032B2	US
			TWI589877	Taiwan
			JP6175144B2	Japan
			CN104854455B	China
			EP2786147B2	EP(Spain)
			EP2786147B2	EP(Italy)
			EP2786147B2	EP(Germany)
			EP2786147B2	EP(France)
			EP2786147B2	EP(United Kingdom)
55	Enzalutamide	A Novel Process for Preparing Enzalutamide	US9643931B2	US
56	Apremilast	Novel Forms Of Apremilast And The Process Of Making Same	US9765026B2	US
			TWI613191B	Taiwan
57	Ibrutinib	Process For Preparing Ibrutinib And Its Intermediates	US9834561B2	US
			TWI642671B	Taiwan
58	SGLT2 (4th)	Process for preparing SGLT2 Inhibitors and Intermediates Thereof	US9834533B2	US
59	Brexiprazole	Process for preparing Brexiprazole	TWI626239	Taiwan
60	Olaparib	Process for preparing Olaparib	US10100017B2	US
			TWI639593B	Taiwan
61	Ixazomib citrate	Process for preparing Ixazomib citrate and intermediates Therefore	US10118937B1	US
62	Olaparib (Crystalline Form II)	Crystalline Forms of Olaparib and Manufacturing Processes therefor	US10138211B2	US

5.1.3.2. R&D Expenses for the latest Two Years as of Annual Report print date

Unit: NT\$ thousands

Year	2017	2018	Jan.~April 2019
Combined R&D expense	314,276	313,208	61,470
Combined Net Operating Revenue	3,516,481	3,524,263	898,209
Combined R&D expense/ Combined Net Operating Revenue (%)	8.94	8.89	6.84

5.1.3.3. Generic-drug active pharmaceutical ingredients or technologies successfully developed in recent five years.

Year	Products
2014	Lapatinib
	Apixaban
	Gefitinib
	SPT1325
	Fondaparinux Sodium Injection
	Clofarabine Injection
2015	Apremilast
	Celecoxib
	Enzalutamide
	Ibrutinib
	Idelalisib
	Octreotide Acetate
2016	Brexipiprazole
	Cangrelor
	Olaparib
	Palbociclib
2017	Lifitegrast
	Pimavanserin
	Fosaprepitant Dimeglumine for Injection
	Bortezomib for Injection
2018	Teriparatide
	Sugammadex
	Teriparatide Injection
	Glatiramer Acetate Injection
	Pemetrexed Disodium for Injection
	Fulvestrant Injection
	Gemcitabine Injection
	Docetaxel Injection
	Irinotecan Injection

5.1.4 Long-term and Short-term Development

In product marketing, the company targets both near- and long-term markets. Upon its inception, the company focused on solicitation of generic-drug pharmaceutical firms and patented drug firms as customers. Along with enhancement of R&D and production capability, as well as changes in market demand, the company has considerably expanded its customer base. Based on the mutual trust with customers built up over the past years, the company has established a business development division, in charge of joint development of products with customers under a strategic alliance, so as to combine the R&D on active pharmaceutical ingredients in the upstream sector and preparations in the downstream sector, creating even greater benefits. Meanwhile, in practice select niche products from the angles of intellectual properties, technologies, and markets, so as to boost the market value of end products. In addition, backed by its existing technological prowess and service quality, the company is capable of providing process R&D and cGMP manufacturing service to pharmaceutical firms. It can carry out outsourcing manufacturing for new-drug pharmaceutical companies, functioning as their important partners. To maximize profits for the company, shareholders, and employees, as well as care for both near- and long-term benefits, the company seeks, in line with market demands, business development according to the following strategies:

--Near term:

Cautiously select active pharmaceutical ingredients for development, to meet the needs of generic-drug companies, and clinical-test drugs with potential, from the angle of functional mechanism, to meet the needs of patented-drug pharmaceutical firms for outsourcing manufacturing, so as to augment benefits in the future.

Take advantage of the expanded capacities of Taiwan's Tainan plant and mainland China's Changshu plant to expand business volume and high-quality custom services.

Via strategic alliance, jointly develop, on one hand, drugs with downstream preparations companies, using developed active pharmaceutical ingredients, and new derivatives of developed active pharmaceutical ingredients, from the perspective of preparations companies, so as to pocket maximum benefits.

--Medium term:

Take advantage of the new injection-drug plant in Taiwan to augment the added value of ScinoPharm's active pharmaceutical ingredients for anti-cancer drugs and satisfy the need of the company's customers for one-stop shopping service.

Utilize production lines in China, ready for operation now, to augment ScinoPharm's capacity in supplying to the needs of the global market, and join hands with strategic partners to accelerate development, in compliance with Chinese laws/regulations, of preparations, so as to tap China's domestic market and expand output value. Join hands with Japanese customers in tapping Japan's generic-drug market and tap other emerging markets via agencies.

--Long term:

Develop complete R&D and production capability covering both active pharmaceutical ingredients and injection drugs and cooperate with special-drug R&D units in foraging into quasi-new drug market.

Contents and fruits for the utilization of the aforementioned strategies follow:

- (1) Markets of generic drugs and active pharmaceutical ingredients--customer orientation in product selection.

The company cooperates closely with generic-drug customers in pinpointing possible patent deadlines for new drugs, from the perspective of patent litigation, and selecting products with high potential, without the concern of patent infringement. Then, via different strategies and in line with customer needs, provide active pharmaceutical ingredients and related R&D and outsourcing manufacturing service, thereby becoming exclusive suppliers to specific customers for specific products and determining, via discussion with pharmaceutical firms, items for long-term development, in order to establish long-term stable cooperative relationship. Backed by its high expertise and insight for market trend, the company is capable of developing highly active products with high technological threshold, as a result of which some of its active pharmaceutical ingredients boast high shares on the global market.

- (2) Outsourcing manufacturing for patented drug firms—high-specifications standard and quality advantage.

Compared with development active pharmaceutical ingredients of generic drugs, outsourcing manufacturing for new drugs entails lower cost but generates higher profits. Having passed many times inspection by U.S. FDA and regulators of other developed countries, the company has obtained an branded reput e for high-specifications manufacturing capability on the global market, ready to undertake outsourcing manufacturing for many patented drug companies.

Presently, ScinoPharm has formed cooperative relationship with a number of international patented drug companies, providing active pharmaceutical ingredients during the development stage for new drugs. Some of such new drugs have completed clinical tests and been approved by the U.S. FDA and other countries' regulators for marketing.

Active pharmaceutical ingredients for new drugs command higher margin than active pharmaceutical ingredients for generic drugs, although new-drug firms are more demanding in plant specifications and manufacturing process, especially for drugs meant for the U.S. and European markets. ScinoPharm is capable of meeting international standards, in terms of software/hardware, control system, analysis and design capability, technological prowess, production skills, and quality control, acquiring established reput e for outsourcing manufacturing service.

- (3) Actively expand capacity--shorten product development cycle and provide one-stop shopping service

ScinoPharm Taiwan began to build two new large-scale production lines in 2012, which already started operation in 2013. The production line of ScinoPharm (Changshu) Pharmaceuticals in China have also been completed and ready for test run in the first quarter of 2016, after passing inspection, with zero flaw, by the U.S. FDA in the fourth quarter of 2015. These production lines have strong edge in the development and manufacturing of active pharmaceutical ingredients and intermediates with higher demand. Therefore, proper arrangement of production can not only improve production process and materials management, but also provide most efficient service, in terms of time, legal compliance, and market.

As both the Tainan plant and the Changshu plant have in-house R&D centers, ScinoPharm is capable of supplying upstream key intermediates and active pharmaceutical ingredients,

giving it an edge of vertical integration. The company aims to provide products with the shortest development cycle and "interactive compound custom service," a one-stop shopping service for the marketing of new products, so as to meet the needs of developers of brand-name drugs and new drugs.

Lastly, the company is going to foray into the realm of injection preparations, as test run for the production line has been completed, following starting of construction work for hardware facilities in the second half of 2013, ready to roll out the first registered batch of the first product in 2019. Subsequently, the company will boast an operation of vertical integration covering APIs and injection drugs, driving sustained business growth.

(4) Development plan for the Chinese market

China has emerged the world's second largest pharmaceutical market, next to the U.S. In response to recent major changes in China's pharmaceutical legislations and system, the company has also adjusted its deployment strategy, in order to tap the pharmaceutical and preparations market in China.

(5) Strategic alliance for drug development-march towards the realm of new drug development.

Take advantage of ScinoPharm R&D team's capability in synthesis and preparations, select new drugs with development potential as R&D subjects via evaluation from the angles of intellectual properties, technologies, and market need, and then upgrade the R&D capability for new-drug development, in preparation for marching towards the realm of new-drug development. Join hands with new-drug companies, via strategic alliance, in engineering new-drug development, cooperate with companies of quasi-new drug preparations in joint development of competitive 505(b)2 quasi-new drugs, or take part, as a specialized investor, in alliance for new-drug development, in which ScinoPharm can lead the development of process for active pharmaceutical ingredients, boosting the edge of the alliance. Finally, ScinoPharm can dominate new-drug development using structural features deriving from the active pharmaceutical ingredients developed and then team up with pre-clinical test or clinical-test operators in developing new drugs, gradually ushering the company into the realm of new-drug development.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Major Products (Services) by Region

Unit: NT\$ thousands ; %

Year Region		2017		2018	
		Amount	%	Amount	%
Abroad	US	1,378,315	39	1,510,110	43
	EU	1,126,095	32	1,201,155	34
	AU	208	0	17,322	1
	ASIA	909,831	26	716,693	20
	Other	-	-	208	0
	Subtotal	3,414,449	97	3,445,488	98
Domestic Market		102,032	3	78,775	2
Total Combined Revenue		3,516,481	100	3,524,263	100

5.2.1.2 Outlook of supply and demand in the market and growth potential

In recent years, due to increasing difficulty for new drug development and slackened sales on hefty price pressure, many pharmaceutical firms have resorted to acquisition and merger, in order to sustain growth. Via M&A, enterprises can not only obtain new technologies, new drugs, and intellectual properties but also lower the risk for new drug development. However, as M&A would affect the integration of supply chain, how to maintain the leading status for APIs and even injection pharmaceuticals amid M&As would pose as a major challenge to the company in the future.

Over the past years, ScinoPharm Taiwan has carved out a leading status, in terms of product variety and volume and customer service, on the global API market for cancer chemotherapy. Dividend from that status, however, has been thinning, in the wake of the emergence for new cancer therapies and the gradual maturity of biopharmaceutical (large-molecule drug) technology. Targeted drugs featuring the use of monoclonal antibodies and immunotherapy have proven to be significantly effective in tumor control. It is evident that thanks to their curative effect and low side effects, those relatively expensive large-molecule drugs will make major inroads into cancer treatment market in developed nations, at the expense of small-molecule chemotherapy drugs. Another potential approach is the coupling of small-molecule targeted drugs with molecular diagnostic technology. Compared with chemotherapy drugs, small-molecule targeted drugs are more concentrated and have to take into account tumor mutation and the use of new targets. The trend poses a major challenge to ScinoPharm Taiwan in market evaluation and product selection.

Moreover, in response to the demands of pharmaceutical firms for cancer injection drugs and strained supply of such drugs, a result of the increasingly rigorous legislative requirements worldwide which have constrained the operation of many injection-drug firms, ScinoPharm Taiwan has been endeavoring to extend its operation to injection-drug production in recent years, resulting in a vertical integration, so as to consolidate its presence on the cancer drug market.

However, with technological progress and the spread of confirmed chronic diseases, oral drugs have gradually emerged as mainstream administration of drugs. How to achieve a balance APIs in different forms and injection drugs in the allocation of limited resources will become a major issue in the development of pharmaceutical firms.

5.2.1.3 Competitive niche and development outlook

The company's competitive niche lies in: 1) high-caliber R&D team: Members of the company's R&D team major in disciplines of synthesis or analysis, mostly with doctorate degree, under the leadership of veteran managers. It is the most R&D team among domestic peers; 2) The company has reaped abundant R&D results, having applied for patents for 118 invention patents in countries worldwide (total 741 invention patents), of which 438 have been approved, also submitted 10 papers to academic journals, attesting to its bountiful R&D fruits; 3) complete production facilities: For the purpose of pluralized functions, the company's production lines are capable of producing highly active pharmaceutical ingredients of cellular-toxin, steroid, hormone, and anti-cancer drugs. The R&D unit is furnished with a wide range of equipment, including nuclear magnetic resonance, crystal diffractometer, and mass spectrometer, enabling the company to overcome various barriers in producing unique active pharmaceutical ingredients; 4) seasoned operating skill: With veteran experience, operators can operate efficiently and effectively utilize solvents, reducing unnecessary expenses and thereby lowering cost; 5) good product quality: Thanks to complete process norms put forth by the R&D team and strict abidance by the GMP requirements, the company has firm grip of the production flow, resulting in good quality; 6) good customer relationship and competent marketing capability: Thanks to long-standing supply, regular visits to customers for understanding their needs, and meeting of customers' emergent needs, the company has established a relationship of mutual trust with customers, facilitating works of the marketing team; 7) complete after-sales legal support: As active pharmaceutical ingredients have to be subject to the inspection of regulators, the company actively replies to the concern of inspectors about active pharmaceutical ingredients and preparations, thereby facilitating the acquisition of generic-drug licenses by customers, which also benefit the company.

In addition to the aforementioned niche, the company stresses market segmentation in development strategy, as shown in its selection of development targets:

A. Highly active and low toxic products

When processing highly active and low toxic chemicals, many producers of active pharmaceutical ingredients often create serious polluting and workplace-safety problems, disrupting supply to customers. ScinoPharm already installed sufficient protective facilities for highly active products from the outset at its factories. Despite the high cost for the facilities, they can augment the company's edge in producing highly active products, such as steroid and toxic cellular compounds.

In view of the low-toxin requirement for injection drugs, the company is furnished with highly pure water supply system, capable of producing pure water similar to WFI (water for injection) in quality. As a result, ScinoPharm Taiwan's products boast very low toxin, another edge of the company. Industry insiders note that there are only a few companies capable of producing injection drugs on the market. Thanks to its manufacturing edge meeting market need, the company has been acknowledged as an injection-drug supplier, segmented from members of low-priced market. The company has become a reputed injection-drug supplier among international generic-drug pharmaceutical firms.

B. Raw materials/products with difficulty to obtain from supply chain

To secure raw materials, the company embrace a mode similar to development of new products, wherein it join hands with long-term partners in the R&D of raw materials, to assure stable supply of raw materials for mass production. For instance, the company has signed contract with Chinese-yew (*Taxus chinensis*) plantation for supply of 10-DAB, contained in the plant's leaves, which is needed for producing paclitaxel and docetaxel, the company's two major products. Therefore, despite price drop of 10-DAB following increase of qualified suppliers, the company has enjoyed steady supply of the material, giving it an edge of head start.

C. Peptide

Thanks to gene sequencing, humans have more understanding of the function of genes and their association with peptide, paving the way for the rollout of more medicines containing peptide. Moreover, via constant improvement and progress in drug production, there will be increasing methods for transmission of peptide in human bodies, leading to rapid growth in the number of and demand for peptide medicines. In the past, annual market demand for peptide reached only several kilos, resulting in substantial idled capacity, a problem which has been substituted by strained capacity, thanks to rapid increase in demand in recent years. The traditional solid-phase peptide synthesis can be applied in mass production but the production equipment is expensive, on top of the high cost and disposal problem for the solvent needed for its purification. In addition to solid-phase peptide synthesis, the company has introduced the technology for forecasting solubility and the technology of continuous parallel purification, which greatly simplifies purification process and slashes the use of solvent. In addition, a chemical reaction is applied for final assembly of peptide, following the use of solid-phase synthesis, thereby eliminating the problem of connection caused by solubility issue. Finally, carry out reaction via traditional liquid-phase chemical reactor to change chemical polarity and produce sediment, thereby achieving convenient purification. This constitutes the company third technology for peptide production, featuring even reaction and simple separation and purification.

Furnished with aforementioned technologies, the company can apply optimal technology for different kinds of peptide medicines, which enable it to catch up with major suppliers of active pharmaceutical ingredients of peptide medicines, such as UCB, Lonza, Bachem, and Polypeptide, thereby breaking their oligopoly of the market, an outcome aspired by generic-drug companies or developers of new medicines.

D. Injection drugs

ScinoPharm Taiwan specializes in the development and production of active pharmaceutical ingredients of anti-cancer medicines featuring high activity and high technological threshold. It is a leading supplier of raw materials for highly active anti-cancer injection drugs, with the largest variety of products in the field worldwide. Moreover, it has extended its operation to downstream production of injection drugs by building an injection-drug plant which meets the international cGMP standards.

Many cancer API customers need contract production service for cancer injection drugs, due to lack of sufficient capacities for manufacturing the drugs, but at present plants for contract injection drug production meeting international standard of cGMP have limited capacities only. Moreover, unable to meet the increasingly strict eGMP standard, many injection drug plants in the U.S. and Europe have received warning notice from the U.S. Food and Drug Administration (FDA), asking them to make improvement by a deadline or suspend operation, which has aggravated the situation. In addition to quality, stable delivery has become a major consideration for generic-drug firms in seeking business partners. Under the environment, provision of a one-stop shopping service covering APIs and injection drugs can not only consolidate and expand ScinoPharm's existing API business but also enhance the company's long-term competitiveness and growth potential.

Facilities of the company's injection-drug plant, situated in Tainan Science Park, have been completed. The plant consists of the operational sections of R&D, quality control, cleansing, sterilization, manufacturing, filling, freezing and drying, packaging, and warehousing, capable of producing injection drugs in various forms, including bottled liquid, bottled frozen dried powder, and injection drugs filled in syringes.

The transformation is meant to provide value-added service to customers, without causing conflict with customers' business. The plant will boast versatile functions, including contract manufacturing service for existing customers of active pharmaceutical ingredients, development of own medicines, registration and production of injection drugs for sale to customers, and custom service for international pharmaceutical firms.

5.2.1.4 Favorable and adverse factors for development outlook

A. Favorable factors:

a. Government policy

The Chinese government amended GMP regulation in 2010, with the revised edition forcing less competitive pharmaceutical makers to withdraw from market, invest in improving manufacturing, or undertake corporate restructuring including via merger. In comparison, the new GMP regulation is favorable to healthy pharmaceutical makers.

At the end of 2015, the Chinese government issued a decree calling for intensifying the screening of imitation medicines and the review and approval of modified new medicines, improving the review and approval of clinical test, concentrating the review and approval of medicines of the same category, permitting applications to withdraw applications for unqualified medicines, strictly screening the safety and effectiveness of medicines, speeding up the screening and approval of medicines in urgent need for clinical tests, permitting the request for clinical test and medicine application before the expiration of patents, strictly penalizing faking of clinical tests, inducing rational applications, and regulating review of medicine registration. These measures are meant to reform the review and screening system for medicines. One key objective to enhance the quality of imitation medicines. As a result, the medicine review and screening system of China will link up with the international practice, facilitating the development of companies meeting international norms in the market.

In its 12th five-year national development plan, the Chinese government has set a 20% annual growth target for the nation's medicine market and encourage enterprises to build high-caliber plants, boosting the edge of its medicine industry. Another objective is to link China's biomedicine industry with the world. A major challenge for the nation is its fast expanding aged population. According to the forecast of the Economist Intelligence Unit, China's population will hit 1.36 billion at the end of 2016, the highest worldwide and slightly higher than India, 9.7% of which, or 130 million, will be people aged 65 or over, up from 2011's 8.4%. The aged population has high demand for medical and hygiene service, as aged citizens are more vulnerable to disease due to weaker immune system. Presently, the aged population accounts for 23-40% of China's prescription medicine market and 40-50% of the over-the-counter medicine market. Prompted by the rosy outlook, the company started to deploy in the Chinese market several years ago.

In October 2015, the talk on TPP (Trans-Pacific Partnership), spearheaded by the U.S., resulted in an agreement on medicine norm, which will be based on the Hatch-Waxman Act of the U.S., in the close linkage between patents and medicine applications, facilitating the extension of the company's operation to other markets, due to its focus on the U.S. market.

Passed in 1984, the U.S. Hatch & Waxman Act encourages in principle the application and usage of generic drugs, helping the latter achieve 70% market penetration rate in the U.S. (For every 100 prescription, 70 use generic drugs). The implementation of the "Patient Protection and Affordable Care Act," or known as "Obamacare," following its passage in March 2010, has further boosted the development of generic drugs.

b. Accelerated approval for marketing of new medicines and generic drugs

In 1992, the U.S. FDA promulgated the "Prescription Drug User Fee Act" (PDUFA), requiring pharmaceutical firms to pay fees to the FDA when applying for approval of new medicines, generating several tens of millions of U.S. dollar of extra income for the FDA for use in accelerating approval of applications for new medicines. Consequently, the majority of new drug applications (NDA) now need only one review cycle for approval, half of the previous duration.

In 2012, the "Generic Drug User Fee Amendments" (GDUFA) was promulgated, according to which pharmaceutical firms have to pay screening fee and fee for the cost of inspection facilities for applying the approval of generic drugs. The act has boosted the efficiency of

the FDA in screening and approving applications for generic drugs, slashing backlog of applications awaiting approval, and shortening average screening time, on top of additional risk check, facilitating marketing of generic drugs and enabling the public to access safe and effective generic drugs. The proposition of GDUGA was prompted by the success of PDUFA, which had helped patients obtain safe and effective new prescription drugs more rapidly. The implementation of GDUGA has facilitating obtaining of information on generic-drug manufacturing facilities and sites worldwide, augmenting the safety of global supply chain.

- c. Secure supply sources for key materials and cooperate closely with customers to speed approval of marketing for products

On the global prescription-medicine market, some active pharmaceutical ingredients most demanded by generic-drug pharmaceutical firms are very difficult to come by or are very difficult for certification and analysis. As a result, the market of generic drugs is still often in the firm grip of the original patent owners, despite the expiration of the patents. Therefore, in addition to effective planning for the sources of active pharmaceutical ingredients, the company has invested, in terms of manpower and fund, in related analytical work and actively cooperated with customers in obtaining approval of the marketing of medicines within the shortest time possible, thereby facilitating the company's development.

- d. Complying with cGMP norm

Pertaining to contract manufacturing of active pharmaceutical ingredients, despite higher cost than mainland Chinese and Indian counterparts, the company stands out on emphasis on patents and intellectual properties, cutting-edge facilities compliant with U.S. cGMP norm, in both hardware and software, and business mode and language compatible with the West. In China and India, only some large pharmaceutical firms can meet the requirements of quality and regulations in the U.S. and Europe, while great majority of companies there are incapable of large-scale investments for building plants compliant with the cGMP standard in the U.S. and Europe.

B. Adverse factors

- a. Price competition for generic drugs

Generic drugs refer to drugs with expired patents, enabling pharmaceutical firms other than original patent owners to produce, following approval, drugs with similar ingredients, dosage type, dosage amount, and curative effect. The scramble for the generic-drug market among pharmaceutical firms has driven downward their prices, thereby dampening prices of active pharmaceutical ingredients and the gross margin of their manufacturers.

Countermeasure:

The development of new generic drugs is a key strategy of ScinoPharm Taiwan, which selects development targets via analysis of market potential and possible competition. The company has been rolling out a number of generic drugs every year, focusing on those drugs which feature active pharmaceutical ingredients with high technological threshold, speedy R&D for synthetic method, and efficient process technology, so as to tap the market opportunities emerging after the expiration of patents. Following mass production, the company would continuously improve process technology, secure supply source for raw materials, and farm out front-end processing, so as to cut production cost. The company even develops process technology with cost lower than original patent owners, while upholding the purity and safety of products.

In general, the company would develop process technology for active pharmaceutical ingredients in one year following approval of original patent owners and then provide samples to generic-drug customers for conducting tests necessary for registration, in an effort to become their first supplier of active pharmaceutical ingredients. After setup of the partnership, the customers would need the approval of FDA for changing suppliers of active pharmaceutical ingredients, which would take two years and entail extra investments. The stable long-term partnership would help the company keep its overall gross margin at an adequate level.

Meanwhile, the company is building an injection-drug plant at the site of its existing Tainan plant, which will also accommodate the R&D on active pharmaceutical ingredients and preparations. Carry out integration of upstream and downstream operations to bolster the value of ScinoPharm's active pharmaceutical ingredients and the gross margin of its products, to cope with prices of generic drugs and active pharmaceutical ingredients trending downward. There are some 300 dedicated manufacturers worldwide capable of producing active pharmaceutical ingredients conforming to the standard set by the U.S. FDA. Only some 20 of them can provide highly active anti-cancer injection drugs, including ScinoPharm which boasts the largest product lineup in the pack, a market segmentation which constitutes a strong edge for the company in developing preparations and new anti-cancer medicines. As for active pharmaceutical ingredients, the company selects items featuring high technological threshold for early development and applies for patents for protecting process and crystal forms, upholding its edge. The development of preparations enables the company to take into account the schedule and steps for R&D on preparations in the R&D on active pharmaceutical ingredients enabling the company to have better grasp of the schedule for the marketing of drugs, compared with peers. The complete planning, on top of the market segmentation and timeliness for active pharmaceutical ingredients will furnish the company with a stronger edge than peers.

b. Price competition from China and India

Taking advantage of their low manufacturing-cost edge, China and India produce bulk generic drugs with low added value. Via imitation synthesis technology, India has grasp organic synthesis chemical technology and embraced low-price strategy in penetrating emerging markets.

Countermeasure:

Since its establishment, the company has targeted market of products featuring high technological threshold, such as active pharmaceutical ingredients for anti-cancer injection drugs. The company has been actively developing next-generation production technologies with higher efficiency, in order to supply active pharmaceutical ingredients at reasonable prices and help customer augment market competitiveness, while upholding the company's dominating status on the global market of active pharmaceutical ingredients.

The company specializes in special pharmaceutical ingredients featuring high technology, high price, and high activity. The Taiwan plant already passed six times of inspections by the U.S. FDA and the certification of the hygienic agencies of various countries, while the Changshu plant in China has also passed inspection by the FDA. In addition, the company has conducted rigorous control and management of public safety, hygiene, and the stability of process technology, to prevent intellectual-property infringement and harm to environmental ecology, while assuring stable supply. The purpose is to create a quality reputation for the company's products, thereby upholding their competitive edge and assuring business performance and growth.

ScinoPharm has shipped active pharmaceutical ingredients to Europe and the U.S. for many years, accumulating abundant experience in compilation of product information, inspection and certification registration (such as DMF registration for active pharmaceutical ingredients), communications with regulators, and reply to official documents, which enables the company to provide legal and technological service to customers. The expertise has given the company a strong edge, as customers invariably expect abundant legal experience from suppliers of active pharmaceutical suppliers capable of replying to regulators quickly, so as to speed up the screening and marketing of drugs.

- c. Laws/regulations on drug production feature strict standards and demand multiple inspections, as a result of which marketing of drugs has often been delayed, should the quality of their active pharmaceutical ingredients be doubted.

On top of protracted R&D process, as drugs are meant for application inside human bodies, the safety and effectiveness of active pharmaceutical ingredients are subject to rigorous screening and check of the regulator and have to pass certification before marketing. The end result is heavy pressure of development schedule and funding requirement, which often entrap small enterprises in financial difficulty.

Countermeasure:

The company has set up a legal unit for pharmaceutical affairs, in charge of import-related documents demanded by hygiene agencies of import countries or areas for approval of local sales. The company carries out internal auditing periodically, to assure compliance of the company's operation and internal procedures with cGMP standard. The regulation-compliance unit is in charge of affairs related to official inspection and customer auditing, cGMP education and training for staffers, stability testing plan, and annual product inspection. The company's quality assurance and control unit is responsible for the checking and testing of all products and samples, including raw materials, initiators, samples in process, and finished products, to assure compliance with set specifications. Since the company mainly produces pharmaceutical ingredients with high activity for anti-cancer injection drugs, monitoring and control of the water-supply system and manufacturing environment is crucial, in order to control the amount of particulate matters and microbes in equipment, to avoid contamination of medical-use pure water. In addition, the quality-control unit will stability test for samples, to assure that they are not affected by contamination of the external environment. Therefore, the company have fully prepared for meeting the strict standards of related laws/regulations for pharmaceutical production, enjoying a strong edge over peers.

- d. In order to postpone the stocking up of generic drugs after their marketing, original patent owners tend to file suits for patent infringement.

As innovation and R&D is the core competence of the biomedicine industry, pharmaceutical firms would spare no effort in prevent infringement of their intellectual properties by competitors. In order to safeguard their market share, original patent-owning firms would file suit related to patents or intellectual-property infringement, blocking stocking up by generic-drug firms or shipment by suppliers of active pharmaceutical ingredients.

Countermeasure:

The company strictly abides by the U.S. and international standards on intellectual-property right. For active pharmaceutical ingredients, process-technology patent is the most noteworthy intellectual property. A generic-drug firm may be sued by the original patent-owning firm for intellectual-property infringement, should it use active pharmaceutical ingredients implicated in infringement of process-technology patent. In order to avoid encroaching on others' intellectual properties, the company develops most of its patents by itself and licenses technologies from patent owners, when necessary. The company is furnished with advanced patent-searching software and subscribes to related services, to assure avoidance of infringing existing or expiring patents. In addition, it employs U.S. patent lawyers to provide legal protection of chemical process technologies. Meanwhile, it provides complete technological support to customers in product-marketing registration, minimizing the impact of the adverse factor.

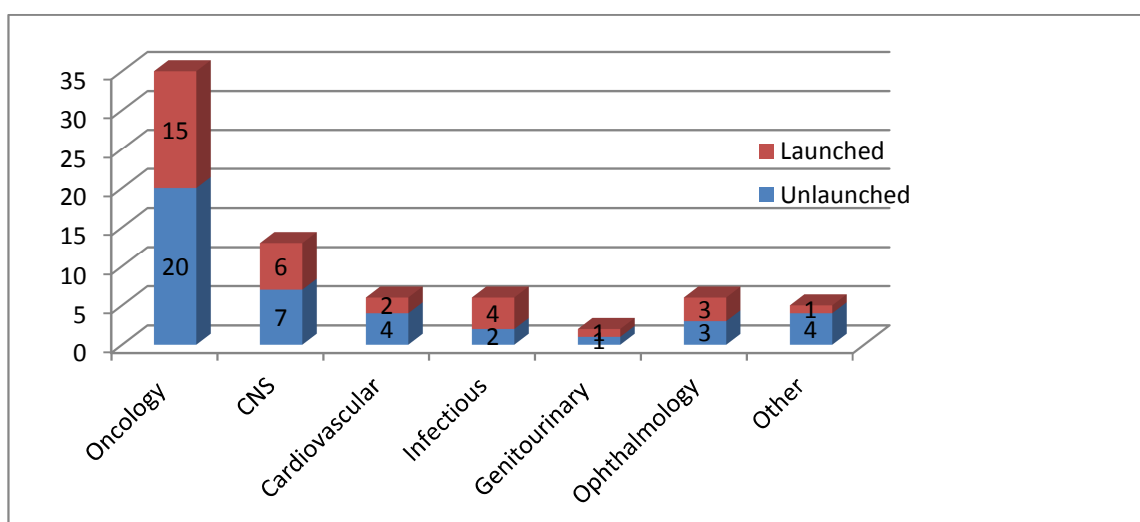
5.2.2 Important usages and production process of major products

5.2.2.1. Important usages of major products

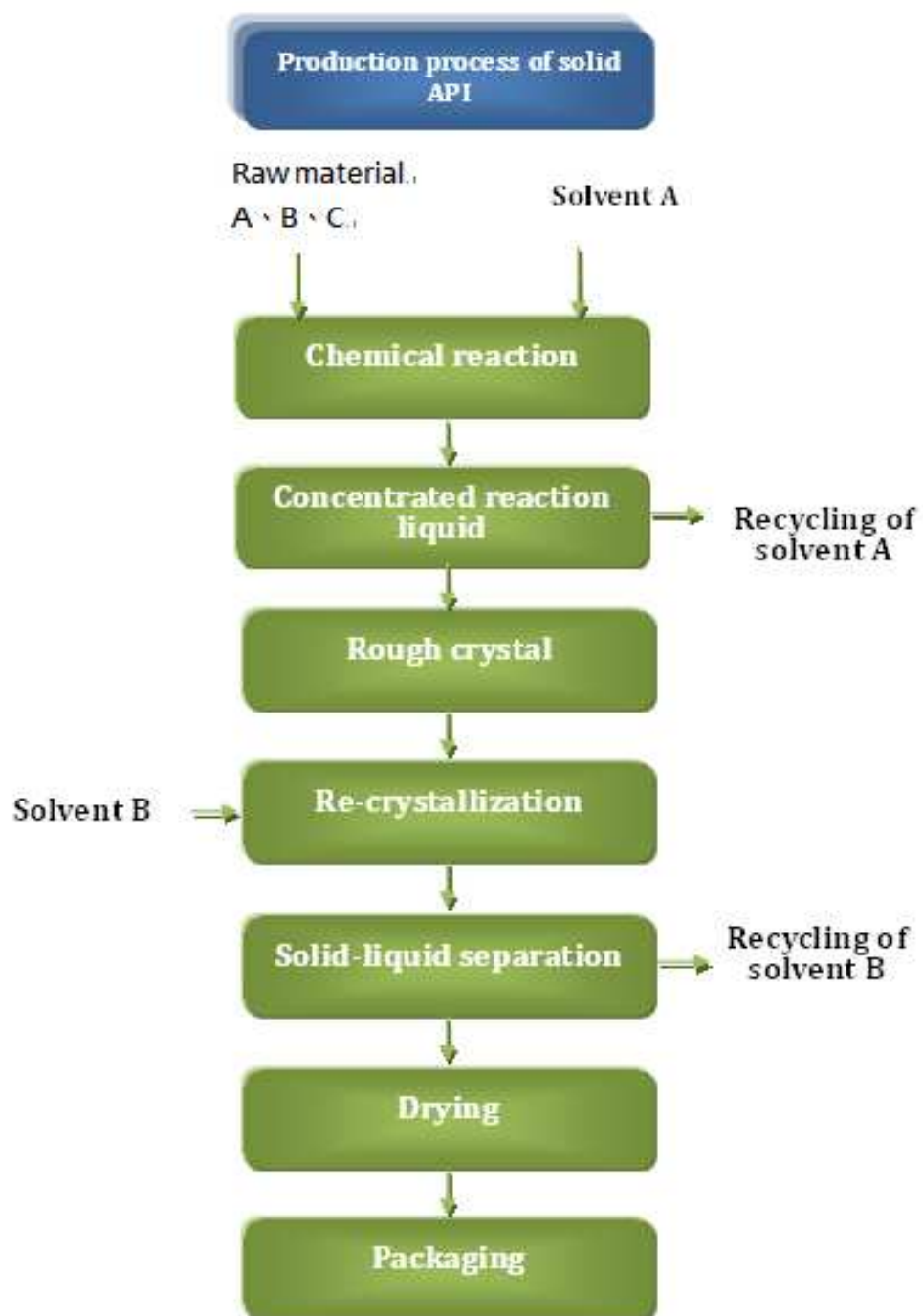
In the industry of active pharmaceutical ingredients, the success or failure of a company hinges on the success or failure of product development, for which the ability of a company in choosing right products and developing them according to schedule is crucial. In product selection, ScinoPharm takes into account customer orientation, market need, size of revenue, patent restriction, ability of technology and facilities, production cost, access to raw materials, workplace safety, and environmental protection. Priority is placed on those products for which ScinoPharm owns cutting-edge technologies and has control of source of raw materials, on top of less competition, high margin, and strong need by customers.

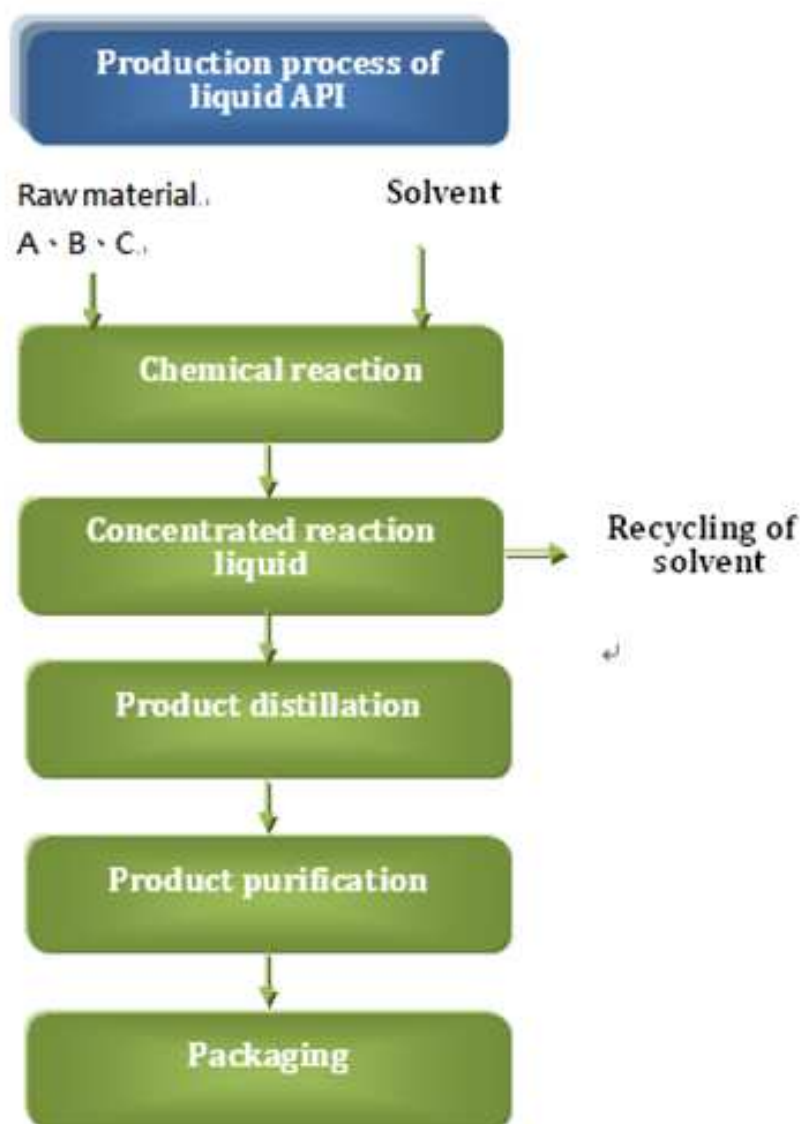
In order to speed up the pace of R&D, in addition to the utilization of solid in-house R&D strength, the company also entrusts a number of domestic and foreign research bodies for initial R&D or establishment of platform technology. Up to now, the company has successfully developed 20 products via cooperation with 10 domestic and foreign research institutions, the latter mainly academic and research units in mainland China. From those cases, many technologies have been transferred to the company as initial technologies for amplification and the company has applied patents for them. In 2011, the company incorporated its Kunshan subsidiary in China's Jiangsu Province, set up in 2001, into ScinoPharm (Changshu) Pharmaceuticals in China, while recruiting excellent chemical and chemical-engineering specialists in China for R&D and operating pilot plant for producing key materials and intermediates. ScinoPharm (Changshu) Pharmaceuticals has not only helped ScinoPharm cut production cost but also integrated cross-Strait resources for R&D, production, and management, on top of enriching its international management experience. ScinoPharm (Changshu) will be positioned as international plant for active pharmaceutical ingredients and parent company's operating base in China, which will provide large volume of quality active pharmaceutical ingredients and all-round R&D and contract manufacturing service, giving ScinoPharm a strong backing in its effort to expand international service.

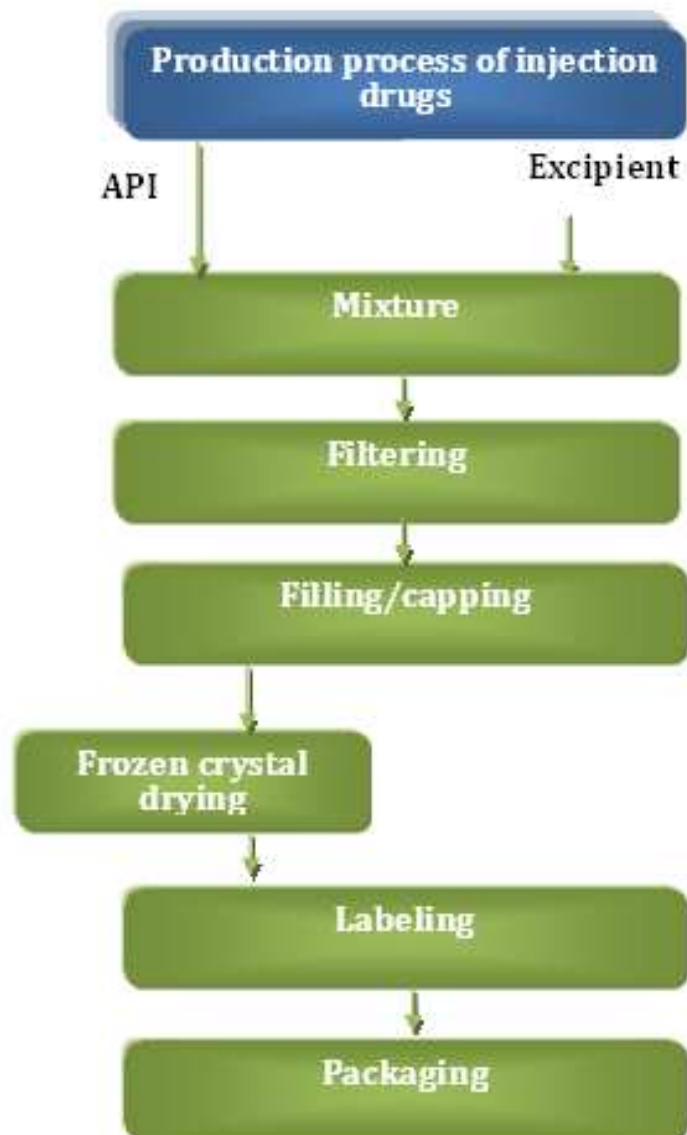
In view of the acute competition in the market of active pharmaceutical ingredients, the company chooses active pharmaceutical ingredients featuring high technological threshold and high prices for early development. The focus is on pharmaceutical ingredients featuring high activity for anti-cancer drugs, which have a high-growth market. Major usages, in terms of their shares, for the company's development products are listed below:



5.2.2.2. Production process of major products







5.2.2.3 Supply status of major raw materials

As a dedicated manufacturer of active pharmaceutical ingredients, the company is very demanding for the quality of raw materials, in order to uphold the stability of the quality of products. It requires suppliers, once selected, to comply with the need of production. The relationship between the company and suppliers is based on long-term cooperation, which will not be changed easily. Meanwhile, to avoid disruption of supply, the company has also been continuously seeking alternative suppliers to meet emergent situation.

5.2.2.4 Information on major suppliers/clients who have accounted for at least 10% of sales/procurement in either of the past two years

A. List of suppliers that have accounted for at least 10% of procurement over the past two years:

Unit: NT\$ thousands; %

Item	2017				2018				2019 First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	S Supplier	158,030	21	None	R Supplier	83,068	11	None	S Supplier	14,533	13	None
2	H Supplier	-	-	-	-	-	-	-	U Supplier	12,142	11	None
	Others	611,266	79	None	Others	664,352	89	None	Others	83,165	76	None
	Net Supply	769,296	100		Net Supply	747,390	100		Net Supply	109,840	100	

B. List of clients that have accounted for at least 10% of sales over the past two years:

Unit: NT\$ thousands; %

Item	2017				2018				2019First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Biddle Sawyer Pharma LLC	1,005,047	31	None	Biddle Sawyer Pharma LLC	753,185	23	None	SC	126,280	17	None
2					MEL	475,451	14	None	Biddle Sawyer Pharma LLC	121,530	17	None
3					SC	377,114	11	None	ITO	87,013	12	None
	Others	2,206,785	69	None	Others	1,726,623	52	None	Others	399,026	54	None
	Net Sales	3,211,832	100		Net Sales	3,332,373	100		Net Sales	733,849	100	

Explanation for change in sales in 2017 and 2018:

1. Sales for Biddle Sawyer Pharma LLT decreased, due to decreased demand for products used in the production of new drugs.
2. Sales for customer MEL increased, due to increased demand for antibiotic products.
3. Sales for customer SC increased, due to increased demand for intermediates for diabetes products.
4. New customer ITO, purchase more cancer drugs

5.2.2.5 Production in the Last Two Years

Unit: Kilo / NT\$ thousands

Output Major Products	Year	2017			2018		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
API		101,456	49,972	1,882,294	95,620	57,220	1,865,536
Total		101,456	49,972	1,882,294	95,620	57,220	1,865,536

Note: The company capacity and output vary according to difference in the production of product lineup. Output volume was higher in 2018, due to the production of massive amount of lower-priced products.

5.2.2.6 Shipments and Sales in the Last Two Years

Unit: Kilo / NT\$ thousands

Shipment & Sales Major Products (or by department)	Year	2017				2018			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chemical		-	-	-	-	-	-	23	567
API		571	78,221	33,794	3,133,611	19	54,297	43,637	3,277,509
Technical Services		-	21,012	-	143,584	-	16,856	-	135,634
Other operation income		-	-	-	139,814	-	266	-	39,404
Total		571	99,472	33,794	3,417,009	19	71,419	43,660	3,452,844

Note 1: Income from active pharmaceutical ingredients increased, due to increased demands from customers.

Note 2: Income from technical services decreased, as such income derives from R&D and analytical works commissioned by customers, with the timing for listing such income hinging on the timing and duration for the execution of such cases.

Note 3: Other operation income decreased, due to income related with strategic cooperation with customers decreased.

5.3 Human Resources

As employees are an enterprise's most important partners for sustained development, ScinoPharm Taiwan has been providing, in a friendly, open, and equal manner, providing employees fair development opportunities via human-resources management, thereby fulfilling the fundamental commitment to international human-rights standard and behavioral guidelines and creating a working place with assured safety, respect for plurality, and gender harmony.

ScinoPharm Taiwan is a world-class pharmaceutical plant and engaged in a knowledge and technology-intensive line, a feature which has been reflected in its manpower structure. As of April 30, 2019, the company and its subsidiaries had a workforce of 765, compared with 752 in 2018.

5.3.1 The Company

Year		2017	2018	2019.04.30
Number of Employees	Executive Officers	81	81	81
	Professionals	254	238	250
	Technical personnel	263	256	255
	Administration Personnel	25	38	38
	Total	623	613	624
Gender	male	71%	71%	71%
	Female	29%	29%	29%
Average Age		38.6	38.3	39.1
Average Years of Service		8.65	9.1	9.14
Education	Ph.D.	6.74%	6.36%	5.77%
	Masters	33.07%	32.95%	33.65%
	Bachelor's Degree	53.61%	55.00%	52.89%
	Senior High School (include under Senior High School)	6.58%	6.69%	7.69%

5.4 Environmental Protection Expenditure

5.4.1 The law requires application for license for the setup of pollution-abatement facilities, permit for emission of pollutants, payment of anti-pollution fees, and setup of dedicated environmental-protection unit and staffers. The company's status meets the requirement.

(1) Environmental-Protection Staffs: Air-pollution specialist, Waste-water specialist, Waste specialist
Toxin specialist

Item	Explanation
Air-pollution specialist	One grade-A specialist, license No: FA040125
Waste-water specialist	One grade-B specialist, license No:GB110218 One grade-B specialist(deputy), license No:GB480953
Waste specialist	One grade-A specialist, license No: HA160133
Toxin specialist	One grade-A specialist, license No: JA010198 One grade-B specialist, license No: JB060251

Equity investment in China

Item	Explanation
Waste-water specialist	Two primary-grade specialist, License No.: 1610020000523575、1110021001510433、0510045620350
Waste-water specialist	One intermediary-grade specialist, license No.: 1610020000523576
Operational license for operating dangerous chemicals	Four specialists, license No.: 20180479、20180478、20150738、20150739

(2) Permit

The company

Items	Permit No.
Air pollution permit	
M01Production procedure for active pharmaceutical ingredients	Permit No. R0062-02
M03Production procedure for active pharmaceutical ingredients	Permit No. R0094-002
M04Production procedure for active pharmaceutical ingredients	Permit No.R0002-03
M05Production procedure for active pharmaceutical ingredients	Permit No.R0008-03
M06Production procedure for active pharmaceutical ingredients	Permit No R0018-03
M07Production procedure for active pharmaceutical ingredients	Permit No R0079-02
M08Production procedure for active pharmaceutical ingredients	Permit No R0080-01
M09Production procedure for active pharmaceutical ingredients	Permit No R0090-01
M11Production procedure for active pharmaceutical ingredients	Permit No D0140-00
M12Production procedure for active pharmaceutical ingredients	Permit No D0137-02
M13Production procedure for active pharmaceutical ingredients	Permit No D0147-00
M14Production procedure for active pharmaceutical ingredients	Permit No D0164-00
Water-pollution permit	
Emission-pipe installation permit	B015-CH10-1060417
Water pollution-abatement measure	No.1080005146
Waste permit	
Waste disposal plan	No. 1080002608, January. 22, 2019
Toxin operation permit	
(Aniline)	038-12-O0001
(Arsenic trioxide)	045-12-O0001
(Sodium cyanide)	046-21-O0001

Items	Permit No.
(Potassium cyanide)	046-21-O0001
(Copper(I) cyanide)	046-21-O0001
(Zinc cyanide)	046-11-O0002
(Acrylamide)	050-21-O0001
(Acrylonitrile)	051-21-O0001
(Benzene)	052-21-O0001
(Carbon tetrachloride)	053-21-O0002
(Chloroform)	054-21-O0001
(Potassium dichromate)	055-21-O0003
(Potassium chromate)	055-21-O0003
(Ethylene Dibromide)	060-21-O0001
(Ethylene oxide)	061-21-O0002
(Trichloroethylene)	064-21-O0001
(Formaldehyde)	Usage 066-21-11002 Stockpile 066-21-21002
(o-Dichlorobenzene 、 1,2-Dichloro benzene)	069-21-J0008
(2-Methoxyethanol)	071-21-O0001
(Epichlorohydrin)	Usage 072-21-11002 Stock pile 072-21-21002
(Phthalic anhydride)	073-21-O0001
(1,2-Dichloroethane)	075-O010030
(1,1-Dichloroethylene)	077-O010025
(1,2-Dichloroethylene)	077-O020019
(Dichloromethane)	079-O010010
(Cumene)	081-010004
(Cyclohexane)	082-010006
(Chloroacetic acid)	083-010001
(Ethyl chloroformate)	084-010001
(Dimethyl sulfate)	Usage 086-21-11004 、 Stockpile 086-21-21004
(Carbon disulfide)	089-21-O0001
(Chlorobenzene)	090-21-O0002
(1,4-Dioxane)	Usage 093-21-11001 、 Stockpile 093-21-21001
(Methyl Iodide)	095-21-O0001
(Pyridine)	Usage 097-21-11002 、 Stockpile 097-21-21002
(N,N-Dimethyl formamide)	Usage 098-21-11013 、 Stockpile 098-21-21013
(Formamide)	Usage 098-21-11006 、 Stockpile 098-21-21006 098-0001
(Acrolein)	100-21-O0001
(Allyl alcohol)	101-21-J0003

Items	Permit No.
(Acetaldehyde)	104-21-O0002
(Acetonitrile)	105-21-O0001
(Benzyl Chloride)	106-21-O0001
(Butylaldehyde)	108-21-O0001
(m-Cresol)	112-21-O0004
(Diphenylamine)	115-21-O0001
(Ethybenzene)	116-21-O0001
(Methyl iso-butyl Ketone)	117-21-O0005
(Propane sultone)	120-21-O0001
(Triethylamine)	121-21-O0001
(Dibromomethane)	124-21-O0001
Bromoform (Tribromomethane)	125-21-O0001
Chloroethane, Ethyl chloride	126-21-O0001
(Nitrobenzene)	129-21-O0001
(Hexamethylphosphoramide(HMPA))	132-21-O0001
(Boron trifluoride)	142-21-J0034
(Crotonaldehyde (2-butenal))	143-J010001
(Thiourea)	144-21-O0001
(Tributyltin oxide)(Bis(tributyltin)oxide)	148-21-O0001
(Tributyltin Chloride)	148-21-O0002
(Tributyltin hydride)	148-21-O0002
(Dimethylcarbamyyl chloride)	153-21-O0001
(Phosphorus trichloride)	158-21-O0001
(Thiosemicarbazide 1-amino-2-thiourea)	159-21-O0001
(Methyl tert-butyl ether)	160-21-O0002
(Hydrazine)	164-21-O0002
(Nonylphenol polyethylene glycol ether)	165-21-O0001
(Maleic acid)	176-21-J0024
(Melamine)	185-21-J0017

Company of equity investment in China

Item	Permit No.
Waste permit (Kunshan Deyuan Environmental Protection Development Co., Ltd.)	JSSZ0583OOD029
Waste disposal permit (Jiangsu Kangbo Industrial Solid Waste Disposal Co., Ltd.)	JS0581OOI301-11
Waste disposal permit (Wuxi An Sheng Recycled Resources Co., Ltd.)	JSWX020500D008-1
Waste disposal permit (Jiangyin city Jiangna Metal Barrel Factory Co., Ltd.)	JS0281OOD054-9

- (3) Waste solvent of the company is handed to the park's resources regeneration center for processing.
- (4) In order to reduce the increasing amount of waste solvent emitted during the manufacturing process, in the wake of capacity expansion, the company has endeavored to enhance waste abatement capacity of stripper, separating aqueous phase and organic phase of high water-content waste solvent and channeling the former to waste-water processing plant for treatment, a method which can significantly cut the amount of waste solvent. The amount of waste solvent treated by the stripper for processing reaches. The amount of waste for recycling and use: the company 83 tons/month, affiliates: 0.61 ton/month.
- (5)The company entrusts the park's resource regeneration center to handle common waste, while affiliates entrust the work to city administrative units in coastal developed areas.
- (6)Other wastes are delivered to qualified firms for processing.

Processing fees for the aforementioned wastes (common solvent, common wastes, and other wastes): the company NT\$2.7 million per month, total for affiliates NT\$750,000 per month.

Air-pollution abatement fees: the company NT\$150,000 per month, total affiliates NT\$10,000 per month.

5.4.2. Investment in major environmental pollution-abatement equipment, their usage, and possible benefits:

The company:

30 Apr, 2019 ; Unit: NT\$ thousands

Name of equipment	Amount	Acquisition date	Investment cost	Balance of value after depreciation	Usage and expected benefit
MBR	2	2011.03.01 ~ 2014.03.01	11,763	2,977	Waste-water treatment system, in order to comply with the waste-water emission standard of Southern Taiwan Science Park
Strathtox active mud respiratory device	1	2015.05.01	1,048	725	Waste-water treatment system, monitoring the biological status of waste water, in order to assure that it can be effectively processed and meet the emission standard of Southern Taiwan Science Park.
Scrubber	18	2000.04.01 ~ 2016.06.01	32,557	5,524	For use in air-pollution abatement and reduction of emission of pollutants, in order to safeguard human health and cut air-pollution fee.
Installation of heat exchanger at waste-water treatment plant (EX-6227)	1	2018.10.01	851	780	Installation of heat exchangers to lower the temperature of discharged water to meet the requirement of the park's sewage treatment plant
Installation of three additional tanks to enhance the function of stripping columns	3	2019.03.01	8,859	8,648	Installation of three additional tanks for storage of waste liquid, so as to raise the handling volume of stripping columns

Company of equity investment in China

2019.04.30 ; Unit: RMB thousands

Name of equipment	Amount	Acquisition date	Investment cost	Balance of value after depreciation	Usage and expected benefit
Waste-water treatment system	1	2010.08.01	RMB2,275	RMB739	Waste-water treatment system, in order to comply with the regulation
Scrubber	7	2011.01.01~ 2013.02.01	RMB147	RMB66	For use in air-pollution abatement and reduction of emission of pollutants, in order to safeguard human health and cut air-pollution fee.
Cooling tower	1	2018.02	RMB284	RMB263	Application in air-pollutant abatement for cutting the emission of pollutants
Waste-water can	1	2018.03	RMB114	RMB106	Waste-water treatment system, in order to comply with the regulation
Early warning for flammable gases	1	2018.03	RMB153	RMB143	Prevention of leakage of flammable gases

- 5.4.3. Describe the company's effort in improving environmental pollution in recent two years and as of the date of the publication of the annual report, as well as pollution-related disputes and their handling, if any: Nil.
- 5.4.4. Describe, in recent two years and as of the date of the publication of the annual report, the total amount of the company's loss (including compensation) and fines from environmental pollution, as well as its countermeasures (including improvement measures) and possible outlays (including estimated value of possible loss, fines, and compensations in the absence of countermeasures; make explanation, should the value be unable to be estimated reasonably): Nil.
- 5.4.5. Existing polluting status and the effect of its improvement on the company's earnings, competitiveness status, and capital outlay, as well as forecast on capital outlays for environmental protection in the coming two years:
- (1) Existing polluting status: According to the kinds of pollutants, the major polluted sections of the company and affiliates can be classified into the three major categories of air pollution, waste water, and wastes.
 - A. Air pollution: nil.
 - B. Waste water: The company invested NT\$1.17 million in the cause of environmental protection in 2018, including the installation of heat exchangers to lower the temperature of discharged water to meet the requirement of the Science Park's sewage treatment plant and installation of liquid-level meters at storm-water pool, to facilitate the work of inspectors and avoid waterlogging at the pool, which may cause excessive discharge due to mistake.
 - C. Waste: The Company also spent NT\$300,000 in 2018 for constructing waste shelters at outdoor waste deposit area, in compliance with legal requirement.
 - (2) Effect of improvement of environmental pollution on the company's earnings, competitive status, and capital outlay:

In an all-out effort for combating environmental pollution, the company has invested heavily in air pollution-abatement equipment, including condenser, scrubber, and activated carbon absorber, and waste-water treatment equipment, such as membrane bioreactor, steam stripper, waste-liquid distillation system, and Strathtox active mud respiratory device. Abatement of environmental pollution can cut outlay for waste treatment, boosting the company's earnings, and meet the requirements of laws/regulations and customers on the treatment of toxic waste liquid and waste water by API (active pharmaceutical ingredients) plants, augmenting the company's competitiveness.
 - (3) Planned major capital outlays for environmental protection in the coming two years:

Both the company and the affiliates have no plan for the related investment.

5.5 Protective measures for workplace and personal safety of employees

To enhance autonomous management capability for safety and hygiene, the company has passed entirely the systematic certification of the management guidelines of the Taiwan Responsible Care Association (TRCA) SINCE 2007, including safety management of contractors, distribution management, product management, emergency response management, process safety management, waste management, and reduction management, as well as the acknowledgement by the vocational safety and hygiene management system for enterprises of the Ministry of Labor. Meanwhile, in line with the features of pharmaceutical business. To shield employees from exposure to the hazard of potent compound handling. In 2009, the company passed the certification of activated pharmaceutical operating system by international third fair party SafeBridge and has been maintaining and improving the operation according to the criteria of SafeBridge ever since. The company has been striving to build up a comfortable and safe working environment, free from accident, via participation in the operation of safety and hygiene management system by all staffers, enforcement of various safety and hygiene management measures, and the use of such tools of hazard detection, risk assessment, and risk control.

Related workplace, personal-safety measures, and supervisory measures of ScinoPharm are listed below:

* Status of dedicated units or staffers for safety/hygiene and environmental management

The company has set up "vocational safety and hygiene committee" and "sustainable management committee." The former, set up according to "vocational safety and hygiene management measures," is the supreme policy-making unit for environment, safety, and hygiene affairs. It is convened by the president and consists of tier-one chiefs of various business units and plants, chiefs of various sections, and representatives of employees. The committee convenes quarterly to review the company's affairs related to environment, safety, and hygiene, thereby putting forth key directors for improvement. The latter coordinates the company's effort in environmental protection, safety/hygiene, energy conservation, water-saving, and management of greenhouse-effect gases, in order to boost the company's competitiveness for sustainable development. Convened by the vice president in charge of production, the committee consists of the five functional sections of distribution and sales, health, safety, waste reduction, and energy conservation and puts forth sustainable development plan and review on the effect of implementation every year, for internal inspection. The goal is to strength the company's foundation for development, via safeguarding employees' health, creating a safe and friendly workplace, and incorporating environmental protection into the company's agenda.

* Control of the hazard of active pharmaceutical ingredients

For controlling the exposure to the hazard of active pharmaceutical ingredients, the company embraces common management mode among pharmaceutical firms worldwide. The mode calls for setup of exposure ceiling for active pharmaceutical ingredients and grading of hazards, planning for engineering protection for different grades of hazards, definition of the use and management of engineering-protective measures, and measurement of the effectiveness of the function and operating environment of engineering protection, the latest for ascertaining the sufficiency of engineering protection for different grades of hazards and the need for improvement or upgrading. In order to correctly identify the grades of hazards of active pharmaceutical ingredients and determine the exposure ceiling for active pharmaceutical ingredients, the company has set up an evaluation panel consisting of in-house and external experts in pharmacy, toxicology, chemical, and industrial hygiene for the task. Meanwhile, in order to assure protective engineering measures attaining expected containment, the company has established method for air sampling for analysis, by its own or outsourcing, carried out sampling via ISPE practice guide, for evaluating the actual effect.

* Management of process safety

To prevent unacceptable risk of process hazard during the stages of R&D through mass production, embrace four-stage analysis for process hazard: analysis of process hazard at laboratory (Lab PHA), analysis of intrinsic hazard (PHA1), analysis of reactive hazard (PHA2), and analysis of operating hazard (PHA3). Meanwhile, for evaluating safety issue resulting from thermal hazard induced by chemical reaction, carry out safety-test analysis with such laboratory equipment as differential scanning calorimeter, reaction calorimeter, and adiabatic calorimeter, in addition to conducting hazard forecast for chemicals without sufficient toxicological data with pharmaceutical-toxin forecast software Derek for Windows.

Change management procedure to evaluate and lower potential risks connected with modification of process engineering change. For control of operating safety, there have been norms for hazardous operations, such as procedural document for hazardous-operation permit, document for locking/tagging operational procedure, and document for restrictive-space operating procedure.

For in-plant use of chemicals, control its inventory at safe level and put in place standard procedure for separate bottling, with complete personal protective gear ready for use by operators, to assure safety in the use and stockpiling of chemicals.

* Emergency response management

To assure effective response to and removal of accidents, install three-stage emergency-response mechanism: initial accident-handling stage, emergency response and handling stage, and major disaster management stage. Since emergency response is a comprehensive incident, in addition to two whole-place drills, there are nighttime drills and drill for dispersal without alert, with the drills covering not only employees but also staffers of contractors stationed in the plants. Moreover, install the mechanism of emergency-response and disaster-relief experts by providing long-term training of disaster-relief skills to staffers selected by various plants, so as to carry out rapid and effective emergency response and disaster relief.

* Monitoring of operating environment

For detecting operating environment, formulate operating-environment detection plan containing sampling strategy, which starts with basic data collection and check of raw materials, process procedure, and hazardous materials, to be followed by observation, interviews and recording, investigation, planning of similar exposure groups, and sampling of staffers with largest chance of exposure. Detection items include CO₂, noise, and organic solvent.

Meanwhile, in line with the features of the pharmaceutical industry, in order to shield staffers from the exposure to hazard resulting handling active drugs, set up air-sampling method for analysis, by its own or outsourcing, which adopts the aforementioned procedure for detecting operating environment, to evaluate the effect of exposure to hazard.

* Training for industrial safety, hygiene, and environmental protection

To strengthen staffers' concept of industrial safety, hygiene, and environmental protection and prompt them to continuously strengthen and improve the safety of their own operating environment, in addition to holding legally required courses, the company formulate educational and training program on industrial safety, hygiene, and environmental protection according to actual needs inside the plants, the company also conduct related courses regularly or irregularly, so as to intensify the responsibility and awareness of staffers for industrial safety and hygiene.

* Management of contractors

Integrate the information on the management of contractors via the e-contractor management system, so as to actually control the number of contractor staffers, as well as their authorized rights, entering the plant compound, in order to intensify admission control and enhance the efficiency of industrial safety and dispersal of staffers for emergency response. In addition, contractors are required to convene related units for safety meeting before start of construction works, as well as tool-box meeting daily, informing related workers, orally or in written form, on noticeable items for safety and hygiene. All contractors are required to carry out safety-protective and control measures for construction works, in line with the requirements set out in the document on the procedure for hazardous-operation permit.

* Augmentation of employee health

To safeguard the health of staffers and shield them from the risk of exposure to hazard in operation and contraction of vocational diseases, in addition to provision of various protective equipment and semi-annual detection of operating environment, arrangement regular physical exam for staffers, including management and rank-and-filers, clinical service, promotion and provision of breastfeeding space, and the provision of messaging service to relieve the pressure of staffers, so as to strengthen staffers' immunity from diseases and work efficiency. Moreover, under a care-responsibility framework, set up a task force for review of employee health and sponsor health-enhancement events irregularly, so as to prompt staffers forming the habit of regular exercise, via the encouragement and inducement of organization, for upholding their physical and mental health and vigor. In addition, with an eye on enhancing the awareness of own health management among staffers, the infirmary conducts various health lectures and promotional events for health enhancement.

* Establishment of safety culture

In order to establish a safety culture with rank-and-file basis, push all staffers conducting comprehensive internal safety observation. Pushing the MBWA (management by walking around) practice for production security chief, calling for one field inspection every two weeks by chief of production department, under the company of production management, director, and EHS (environment, health, and safety) staffers, including on-site discussion with colleagues, to demonstrate the management's high regard for safety and arouse safety awareness among employees. Meanwhile, have on-site operators take part in the discussion for pushing safety risk evaluation or analysis of product/process hazard, to prevent increase of hazard risk resulting from discrepancy of recognition between the result of the discussion and actual operation.

In order to boost autonomous management capability, the mainland Chinese company invested by the company has conducted certification of standard corporate-safety management system for hazardous chemicals, including safety management for contractors, distribution management, product management, emergency response management, process safety management, and waste management and reduction management. Meanwhile, in line with the features of pharmaceutical business, the mainland Chinese company has had SafeBridge, an international fair third party, audit the system and has improved the system according to the opinions of SafeBridge auditors, so as to shield employees from exposure to the hazard of potent compound handling. The mainland Chinese company has been striving to build up a comfortable and safe working environment, free from accident, via participation in the operation of safety and hygiene management system by all staffers, enforcement of various safety and hygiene management measures, and the use of such tools of hazard detection, risk assessment, and risk control.

Related workplace, personal-safety measures, and supervisory measures are listed below:

* Status of dedicated units or staffers for safety/hygiene and environmental management

For controlling the exposure to the hazard of active pharmaceutical ingredients, the company embraces common management mode among pharmaceutical firms worldwide. The mode calls for setup of exposure ceiling for active pharmaceutical ingredients and grading of hazards, planning for engineering protection for different grades of hazards, definition of the use and management of engineering-protective measures, and measurement of the effectiveness of the function and operating environment of engineering protection, the latest for ascertaining the sufficiency of engineering protection for different grades of hazards and the need for improvement or upgrading. In order to correctly identify the grades of hazards of active pharmaceutical ingredients and determine the exposure ceiling for active pharmaceutical ingredients, the company has set up an evaluation panel consisting of in-house and external experts in pharmacy, toxicology, chemical, and industrial hygiene for the task. Meanwhile, in order to assure protective engineering measures attaining expected containment, the company has established method for air sampling for analysis, by its own or outsourcing, carried out sampling via ISPE practice guide, for evaluating the actual effect.

* Management of process safety

To prevent unacceptable risk of process hazard during the stages of R&D through mass production, embrace four-stage analysis for process hazard: analysis of process hazard at laboratory (Lab PHA), analysis of intrinsic hazard (PHA1), analysis of reactive hazard (PHA2), and analysis of operating hazard (PHA3). Meanwhile, for evaluating safety issue resulting from thermal hazard induced by chemical reaction, carry out safety-test analysis with such laboratory equipment as differential scanning calorimeter, reaction calorimeter, and adiabatic calorimeter, in addition to conducting hazard forecast for chemicals without sufficient toxicological data with pharmaceutical-toxin forecast software Derek for Windows.

Change management procedure to evaluate and lower potential risks connected with modification of process engineering change. For control of operating safety, there have been norms for hazardous operations, such as procedural document for hazardous-operation permit, document for locking/tagging operational procedure, and document for restrictive-space operating procedure.

For in-plant use of chemicals, control its inventory at safe level and put in place standard procedure for separate bottling, with complete personal protective gear ready for use by operators, to assure safety in the use and stockpiling of chemicals.

5.6 Labor Relations

5.6.1 The company's various employee welfares, advanced study, training, and retirement system and their execution, as well as labor-management agreements and various measures upholding employee rights and interests

1. Employee Benefits:

In order to create a good and harmonious working environment, actively provide employees various caring measures, on top of legally required measures, such as labor insurance and health insurance:

- (1) Sound corporate regime: There are set measures governing promotion, award/penalty, performance appraisal, leave, and salaries and related operational and management regulations are upgraded timely, in line with change of laws/regulations, so as to assure legal compliance of business activities, consolidate corporate management, and safeguard employees' interests.
- (2) Fair, reasonable, and competitive compensations system: Continuously appropriate a set portion of earnings as employee compensations, and provide performance bonus and year-end bonus to employees. In addition, multiple incentives are available to encourage good performance, on top of compensations regime addressing both internal fairness and external competitiveness, for retention of excellent talent.
- (3) Multiple fringe benefits: In line with legal requirement, establish employees' welfare committee, appropriate employee welfare fund, and push contracted stores, employee clubs, annual employee travel, and other activities promoting employee exchange, on top of provision of subsidy for employee study, scholarship for employees' children, subsidies for child birth and child care, bonuses for Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, and free company bus and parking space.t Festival, and Mid-Autumn Festival, as well as free commuting bus and parking space.
- (4) Plan for promotion of employee health: In addition to mandatory insurance for employees, the company has also taken out various group insurances for their families, including life insurance, injury insurance, medical insurance for accidental injuries, and insurance for major diseases. Moreover, the company arranges physical check for employees every year and has medical staffers track the health status of employees continuously, on top of other health betterment activities, such as lectures on health issues, weight loss, and hiking. To promote balanced diet among employees, the employee restaurant pays much attention to the nutrition of meals and safety of foodstuff, striving to achieve a balance between caloric value and nutrition.
- (5) Secure and friendly workplace: In addition to a flextime, enabling employees to take good care of family and work simultaneously, a well furnished breastfeeding room and special parking space for pregnant employees are available. There are massage therapists stationed in the plant to give employees timely relief from their works, as well as contracted consulting service, to help employees handle their troubles in work, daily life, or health.
- (6) LOHAS (lifestyles of health and sustainability): Hold employee well-being month and family days, for exchanges among employees and their families; subsidize employee clubs, to encourage hobbies and activities among employees in their leisure time and cement employee bond.

2. Advanced training

As a demonstration of its high regard for talent cultivation and in line with strategic human-resources management and the need of organizational development, the Company, in addition to on-the-job training, has arranged professional management courses, for the purpose of enhancing management skills and work performance, supplemented by one-on-one coaching and instruction, job rotation, and project assignment, in the hope of strengthening the expertise of individual employees at various levels and improving the execution performance of teams.

As for professional expertise and knowledge, conduct internal or external training on GMP quality system, environmental protection, industrial safety, and hygiene, whose execution is also incorporated into ERP system for management and regular tracking:

(1) Business and management training:

Upon its inception, the company already established Professional Management Training (PMT) system, designing tailor-made courses for managerial staffers at various levels and cultivation of other talents, which is supplemented coaching by senior superiors for dissemination of corporate culture, facilitating passing of experience and attaining sustainable development of the company. Up to now, the company has completed five rounds of such training courses, which have become critical channel for the company's talent cultivation.

(2)GMP training: To uphold high product quality and assure compliance of all production-related operations with legal requirement, every employee has to undertake set hours of GMP training, according to their different positions. It is mandatory to undertake certain hours of GMP (good manufacturing practice) every year.

(3) Industrial safety/hygiene training: To provide employees a safe working environment, in addition to enforcement of workplace-safety management, fire-fighting safety management, and employee health management, the company holds education and training on safety and hygiene for employees regularly, so that they can possess necessary safety and hygiene knowledge.

(4) Training for core and professional skills: To help employees in different job categories enhance their knowledge or operating skills for smooth execution of their duties, analyze necessary core and professional skills for different kinds and levels of jobs before formulating corresponding study roadmaps and training plans. Individual education and training budget is appropriated for every employee, for him/her to attend job-related workshop/training or professional technology seminars, domestic or overseas ones. The technology department also arrange on-the-job training to pass on professional knowledge and experience.

(5) Person(6al development: Given frequent contact with international pharmaceutical firms in the company's operation, the company has cooperated with English-language training institutions for the provision of English-language courses, Assistance for self-learning: In order to help employees augment their job-related knowledge and skills, formulate encouragement measures subsidizing study by employees themselves, in addition to holding study courses and artistic and literary lectures regularly, to facilitate self-learning by employees.

(6) New employee training: New employees would take basic instruction on factory safety/hygiene and GMP upon reporting to job, so that they can understand the company and job-related requirements in a short time, in addition to arrangement of introductory training courses, to help them fit in with the working environment.

ScinoPharm Taiwan conducted training sessions for 18,954 person/times totaling 22,381hours in time, with training items and results listed below:

Items	Person/times	Total hours
Business and management	1,500	3,249
GMP training	4,773	4,440
Training on industrial safety, hygiene, and environmental protection	2,759	3,350
Training on professional skills	9,210	10,180
Language and others	712	1,162

3. Retirement system and status of execution

Based on the Labor Standards Act and the Labor Pension Act, the company has formulated measures on employee retirement, stipulating retirement conditions and the criteria for the calculation for retirement payment. Accordingly, the company has made monthly appropriation for retirement reserve fund and set up supervisory committee for the fund, to assure payment for retired employees.

4. Labor-management consultation and upholding of employee benefits

In reflection of the company's high regard for harmony and mutual communications between management and labor, in addition to regular meeting at various units and levels, the company holds a meeting attended by all the employees every year, to acquaint employees with the company's latest business development and enable them to propose suggestions, thereby boosting their identification with the company.

Moreover, the company has asked human-resources management unit to organize labor-management meeting, for communication and discussion on various major issues related to labor-management relationship, on top of multiple platforms for internal communications, including corporate website, regular e-bulletin, employee opinion box, cross-level dining, and dedicated employee-complaint mailbox. Employees can freely propose suggestions on various measures and management system via various channels, as major reference for related units in business promotion. Chiefs at various levels also respond to employee opinions regularly, to uphold a harmonious labor-management relationship and consolidate employee identification with the company.

The company didn't suffer loss from labor-management dispute in 2018 and 2019, as of the date of the publication of the annual report.⁵ Various measures for upholding employees' rights and interests

5.6.2 Estimated Losses from Labor Relation Conflicts during the Past Two years and the Future and our planned reaction:

The companies has faithfully complied with and implemented related laws/regulations of the government, dedicated to set up complete systems and safeguard employees' right and interests, and regarded highly two-way communication with employees, leading to harmonious management-labor relationship, as a result of which there has been no loss caused by labor-management disputes up to now.

5.7 Important Contracts

ScinoPharm Taiwan, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Development Agreement	A local organization	2012.11.20~	Development for oncology API	Secrecy Obligation
Supply Agreement	A company in the USA	2010.8.19~7 th anniversary after commercial launch	Supply of API for depressive disorder	Secrecy Obligation
Supply Agreement	A company in the USA	2011.01.18 ~2 nd anniversary after commercial launch	Supply of API for diseases of central nervous system	Secrecy Obligation
Supply Agreement	A company in China	2012.12.10 ~3 rd anniversary after commercial launch	Supply of API for cardiovascular diseases	Secrecy Obligation
Development Agreement	A company in China	2011.02.08 ~2026.02.08	Development for oncology API	Secrecy Obligation
Patent License Agreement	A company in Canada	2011.03.15~2025.05.26	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Patent License Agreement	A company in India	2011.11.18~2025.06.30	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Collaboration Agreement	A Company in in the USA	2012.03.27 ~ 7 th anniversary after commercial launch	Supply of oncology API	Secrecy Obligation
Lease Agreement	Southern Taiwan Science Park Bureau	2018.03.01~2038.02.28	Land Renting for Building ScinoPharm	1.Contract term is up to 20 years 2. Contract can be renewed after expiration
Collaboration Agreement	Baxter	2017.02.27 ~10 th anniversary after commercial launch	Development and Sales of oncology drug	Secrecy Obligation
Development Agreement	A company in China	2014.01.02~2024.01.01	Development of oncology drug	Secrecy Obligation
Non-Exclusive License Agreement	A local research institution and a local university	2013.12.10 ~ expiration of the licensed patents	License of the patents for manufacture of API for Cardiovascular diseases	Receive Royalties & Secrecy Obligation
Non-Exclusive License Agreement	A company in China	2013.07.20~No expiration	Supply of API for diseases of central nervous system	Receive Royalties & Secrecy Obligation
Supply Agreement	A company in Germany	2014.01.01~2018.12.31	Development and sales of Oncology drug	Secrecy Obligation
Supply Agreement 刪除	A company in Ireland	2013.04.12~2018.04.12	Supply of Anti-viral API	Secrecy Obligation
Supply Agreement	A company in China	2014.06.03~ 5 th anniversary after commercial launch	Development and Supply of the API for Peripheral Nervous System	Exclusive Supply Obligation & Secrecy Obligation
Collaboration Agreement	A company in China	2014.11.06 ~ 10 th anniversary after commercial launch	Development, Manufacture and sale of the drug for Myocardial Perfusion Imaging.	Secrecy Obligation

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Collaboration Agreement	A company in China	2014.09.26 ~ 20 th anniversary from commercial launch	Development and sales of Oncology drug	Non-Competition & Secrecy Obligation
Service Agreement	A local company	2014.07.30~2024.07.29	development of new drug for Stem cell	Non-Competition & Secrecy Obligation
Collaboration Agreement	A company in China	2014.05.05 ~8 th anniversary from commercial launch	Development and sale of anticoagulant medication	Exclusive supply
Development and supply agreement	A company in the USA	2014.03.06 ~10 th anniversary after commercial launch	Development and Sales of drug for leukemia	Non-Competition & Secrecy Obligation
Development and Supply Agreement	A company in the USA	2015.01.19~7 th anniversary after commercial launch	Development and Supply of oncology drug	Secrecy Obligation
Service Agreement	A company in the USA	2015.04.10~10 years after the effective date, or all works in the project orders effective before the 10 th anniversary are completed, whichever is later.	API development	Secrecy Obligation
Development Agreement	A local medical device company	2015.07.29~	Development of certain medical device	Secrecy Obligation
Supply Agreement	R Company in USA	2015.06.10~2018.06.10	Supply of Anti-cancer API	Secrecy Obligation
Customer Protection Agreement	C Company in Uruguay	2015.11.02~2018.11.02	Entrusted sale of specific customers' products	Secrecy Obligation
Contract for outsourcing of R&D and production	A U.S. company	2016.07.27 ~ 2021.07.26	Commissioned R&D and production for API	Secrecy Obligation
Contract for outsourcing of R&D and production	A Taiwanese company	2016.04.27 ~	Commissioned R&D and production for API	Secrecy Obligation
Supply Agreement	A Company in USA	2017.06.19~2024.06.18	Supply API of New Anti-biotic drug	Secrecy Obligation
Supply Agreement	A Company in USA	2017.05.31~2020.05.30	Supply API of New Anti-biotic drug	Secrecy Obligation
Supply Agreement	A Company in Dubai	2017.05.03~ 2027.05.02	Supply of Anti-cancer API	Secrecy Obligation
Joint warranty contract	ANZ Bank 删除	2017.12.27~Loan payback day	Voucher for SciAnda (Changshu) Pharmaceuticals, Ltd.	Secrecy Obligation
Joint warranty contract	Australia and New Zealand Banking Group Limited	2017.12.27~Loan payback day	Voucher for SciAnda (Changshu) Pharmaceuticals, Ltd.	Secrecy Obligation
Joint warranty contract	CTBC Bank	2016.05.26~Loan payback day	Voucher for SciAnda (Changshu) Pharmaceuticals, Ltd.	Secrecy Obligation
Joint warranty contract	Bank of Communications Taipei Branch	2017.05.15~Loan payback day	Voucher for SciAnda (Changshu) Pharmaceuticals, Ltd.	Secrecy Obligation
Supply Agreement	A company in China	2018.12.10~	Sales of API	Secrecy Obligation

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Supply Agreement	A company in Japan	2018.04.12~	Supply of API	Secrecy Obligation
Supply Agreement	A company in Germany	2019.01.01~	Sales of multiple APIs	Secrecy Obligation

SciAnda (Changshu) Pharmaceuticals, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Collaboration Agreement	Two companies in China	2013.01.31 ~20 th anniversary after commercial launch	Development, manufacture and sales of oncology drug	Secrecy Obligation
Research agreement	A company in China	2013.08.06 till both parties' obligations are completed	Contract research service for oncology drug	Secrecy Obligation
Research agreement	A company in China	2014.02.24 till both parties' obligations are completed	Contract manufacturing for API	Secrecy Obligation
Supply Agreement	A company in China	2014.10.28 ~5 th anniversary after commercial launch	Supply and sale of oncology API	Non-Competition & Secrecy Obligation
Service Agreement	A company in the USA	2015.07.15~2017.07.14 and will be automatically renewed for one year	Contract research service	Secrecy Obligation
Development Agreement	A company in China	2017.06.13 ~	Contract manufacturing for API	Secrecy Obligation
Development Agreement	A company in China	2017.06.19 ~	Contract manufacturing for oncology drug	Secrecy Obligation
Manufacture Agreement	A company in China	2017.04.25 ~2017.08.24	Contract manufacturing for API	Secrecy Obligation
Development & Manufacture Agreement	A company in China	2017.04.25 ~2022.04.24	Contract development & manufacturing for oncology drug	Secrecy Obligation
Development Agreement	A company in China	2017.01.03 ~	Contract development for cardiovascular diseases	Secrecy Obligation
Manufacture Agreement	A company in China	2017.01.03 ~	Contract manufacturing of drug for eye disease	Secrecy Obligation
Service Agreement	A company in China	2017.11.23~	Stability Test for Urea cycle disorders drug	Secrecy Obligation
Development Contract	A Taiwanese company	2017.10.31~	Manufacture, validation, stability test and new drug clinical trial application for hypertension API	Secrecy Obligation
Contract for syndicated loan	Banking consortium led by CTBC Bank	2016.06.14~2019.06.14	Repayment of banking loans owed by SciAnda (Changshu) Pharmaceuticals, Ltd.	According to the stipulation of the contract
Credit Agreement	ANZ Bank	2017.02.08 ~2019.02.07	Credit Content adjustments	Secrecy Obligation
Credit Agreement	ANZ Bank (China), Shanghai Branch	2019.01.16~2019.12.08	Credit Content adjustments	Secrecy Obligation
Supply Agreement	A company in China	2018.04.13~2028.04.13	Contract manufacturing for API	According to the stipulation of the contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Financial Information-IFRS

Consolidated Condensed Balance Sheet Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2019
		2014	2015	2016	2017	2018	
Current assets		5,249,555	6,032,910	6,585,375	6,467,127	6,506,167	6,624,810
Property, Plant and Equipment		5,065,025	5,170,714	5,208,898	5,088,713	4,758,846	4,705,994
Intangible assets		23,554	22,918	24,078	23,334	16,753	20,699
Other assets		1,033,686	995,053	964,649	1,122,215	1,281,562	2,378,035
Total assets		11,371,820	12,221,595	12,783,000	12,701,389	12,563,328	13,729,538
Current liabilities	Before distribution	1,918,033	2,274,983	1,691,693	1,115,458	1,945,644	1,958,920
	After distribution	2,058,625	2,494,308	1,919,791	1,495,013	(Note 1)	(Note 1)
Non-current liabilities		73,516	89,619	863,514	1,168,706	78,652	951,940
Total liabilities	Before distribution	1,991,549	2,364,602	2,555,207	2,284,164	2,024,296	2,910,860
	After distribution	2,132,141	2,583,927	2,783,305	2,663,719	(Note 1)	(Note 1)
Equity attributable to shareholders of the parent		9,380,271	9,856,993	10,227,793	10,417,225	10,539,032	10,818,678
Capital stock		7,029,643	7,310,829	7,603,262	7,907,392	7,907,392	7,907,392
Capital surplus		1,257,277	1,265,544	1,275,660	1,286,872	1,292,555	2,293,203
Retained earnings	Before distribution	992,677	1,211,525	1,352,325	1,242,726	1,299,469	1,377,930
	After distribution	570,899	699,767	820,097	863,171	(Note 1)	(Note 1)
After distribution		100,674	69,095	(3,454)	(19,765)	39,616	240,153
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	9,380,271	9,856,993	10,227,793	10,417,225	10,539,032	10,818,678
	After distribution	9,239,679	9,637,668	9,999,695	10,037,670	(Note 1)	(Note 1)

Note 1: Proposal for allocation of the company's earnings in 2018 has yet to be approved by Shareholders' Meeting

Parent Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Year (Note 1)					Financial Summary As of 2019.03.31 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		4,311,642	4,928,490	5,718,294	5,858,009	5,971,748	-
Property, Plant and Equipment		3,736,412	3,718,257	3,722,375	3,609,589	3,387,960	-
Intangible assets		7,013	12,656	12,633	10,752	8,402	-
Other assets		1,940,707	1,766,228	1,508,972	1,506,463	1,806,712	-
Total assets		9,995,774	10,425,631	10,962,274	10,984,813	11,174,822	-
Current liabilities	Before distribution	541,987	479,019	641,933	496,656	557,228	-
	After distribution	682,579	698,344	870,031	876,211	(註 1)	-
Non-current liabilities		73,516	89,619	92,548	70,932	78,562	-
Total liabilities	Before distribution	615,503	568,638	734,481	567,588	635,790	-
	After distribution	756,095	787,963	962,579	947,143	(註 1)	-
Equity attributable to shareholders of the parent		-	-	-	-	-	-
Capital stock		7,029,643	7,310,829	7,603,262	7,907,392	7,907,392	-
Capital surplus		1,257,277	1,265,544	1,275,660	1,286,872	1,292,555	-
Retained earning	Before distribution	992,677	1,211,525	1,352,325	1,242,726	1,299,469	-
	After distribution	570,899	699,767	820,097	863,171	(註 1)	-
Other equity interest		100,674	69,095	(3,454)	(19,765)	39,616	-
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	9,380,271	9,856,993	10,227,793	10,417,225	10,539,032	-
	After distribution	9,239,679	9,637,668	9,999,695	10,037,670	(註 1)	-

Note 1: Proposal for allocation of the company's earnings in 2018 has yet to be approved by shareholders' meeting.

Note 2: According to the guidelines for the compilation of financial statement by securities issuers, individual financial report only has to be compiled at the end of a year.

Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					Financial Summary As of 3/31/2019
	2014	2015	2016	2017	2018	
Operating revenue	4,097,844	3,955,207	4,030,921	3,516,481	3,524,263	772,045
Gross profit	1,600,566	1,676,654	1,805,961	1,550,157	1,542,514	329,750
Income from operations	559,442	749,703	868,276	558,962	558,412	117,424
Non-operating expenses	42,767	53,181	(57,676)	(83,660)	(67,871)	(13,447)
Income before tax	602,209	802,884	810,600	475,302	490,541	103,977
Net income	484,143	634,965	658,693	422,367	442,978	78,461
Loss from discontinued operations	-	-	-	-	-	-
Net income (Loss)	484,143	634,965	658,693	422,367	442,978	78,461
Other comprehensive income (income after tax)	54,506	(25,918)	(78,684)	(16,049)	(95,774)	200,537
Total comprehensive income	538,649	609,047	580,009	406,318	347,204	278,998
Total comprehensive income	484,143	634,965	658,693	422,367	442,978	78,461
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	538,649	609,047	580,009	406,318	347,204	278,998
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	0.69	0.87	0.87	0.53	0.56	0.10

Parent Condensed Statement of Income –Based on IFRS

Unit:NT\$ thousands

<div> <div>Year</div> <div>Item</div> </div>	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2019
	2014	2015	2016	2017	2018	
Operation revenue	4,092,478	3,897,137	3,888,611	3,449,175	3,470,109	-
Gross profit	1,664,368	1,665,688	1,848,076	1,671,193	1,661,639	-
Income from operations	837,561	920,731	1,066,196	801,318	765,170	-
Non-operating income/ expense	(232,213)	(150,622)	(244,390)	(312,542)	(297,519)	-
Income before tax	605,348	770,109	821,806	488,776	467,651	-
Income from operations of continued segments- After tax	484,143	634,965	658,693	422,367	442,978	-
Income from discontinued operation	-	-	-	-	-	-
Income before tax	484,143	634,965	658,693	422,367	442,978	-
Income from operations of continued segments after tax	54,506	(25,918)	(78,684)	(16,049)	(95,774)	-
Total comprehensive income	538,649	609,047	580,009	406,318	347,204	-
Net income attributable to shareholders of the parent	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	0.69	0.87	0.87	0.53	0.56	-

Note1: According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

6.1.2 Auditors' Opinions from 2013 to 2017

Year	Accounting Firm	CPA	Audit Opinion
2014	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Tzu-Meng Liu	Unqualified
2015	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Ming-Hsien Lee	Unqualified
2016	PricewaterhouseCoopers, Taiwan	Yung-Chih Lin Ming-Hsien Lee	Unqualified
2017	PricewaterhouseCoopers, Taiwan	Yung-Chih Lin Tzu-Meng Liu	Unqualified
2018	PricewaterhouseCoopers, Taiwan	Yung-Chih Lin Tzu-Meng Liu	Unqualified

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Year Item(Note 4)		Financial Analysis for the Last Five Years					Financial Analysis As of 3/31/2018 (Note1)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	17.51	19.35	19.99	17.98	16.11	21.20
	Ratio of long-term capital to property, plant and equipment	186.65	192.36	212.93	227.68	223.11	250.12
Solvency (%)	Current ratio	273.69	265.18	389.28	579.77	334.40	338.19
	Quick ratio	138.15	162.42	268.57	419.18	259.31	267.33
	Interest earned ratio (times)	146.50	90.03	23.44	7.20	7.12	6.57
Operating performance	Accounts receivable turnover (times)	5.49	5.50	5.10	5.32	5.92	6.04
	Accounts receivable turnover (times)	67	66	72	69	62	60
	Inventory turnover (times)	0.90	0.84	0.90	0.83	0.93	0.90
	Accounts payable turnover (times)	15.51	30.69	26.94	23.39	20.92	20.72
	Average days in sales	406	435	406	440	392	406
	Property, plant and equipment turnover (times)	0.88	0.75	0.74	0.62	0.68	0.62
	Total assets turnover (times)	0.36	0.32	0.31	0.25	0.26	0.22
Profitability	Return on total assets (%)	4.27	5.45	5.51	3.81	4.01	2.84
	Return on stockholders' equity (%)	5.09	6.60	6.56	4.09	4.23	2.94
	Pre-tax income to paid-in capital (%)	8.57	10.98	10.66	6.01	6.20	5.26
	Profit ratio (%)	11.81	16.05	16.34	12.01	12.57	10.16
	Earnings per share (NT\$) (Note2)	0.69	0.87	0.87	0.53	0.56	0.10
Cash flow	Cash flow ratio (%)	46.31	45.91	98.42	87.11	63.30	33.31
	Cash flow adequacy ratio (%)	75.24	60.63	68.31	81.12	128.36	205.10
	Cash reinvestment ratio (%)	0.58	6.39	9.21	4.49	5.33	4.01
Leverage	Operating leverage	1.88	1.67	1.54	1.81	1.80	1.90
	Financial leverage	1.01	1.01	1.04	1.16	1.17	1.19

Analysis of financial ratio differences for the last two years.

(Not required if the difference does not exceed 20%)

1. Current ratio decreased due to increase in 2018 Current Liabilities
2. Quick ratio decreased due to increase in 2018 Current liabilities
3. Cash flow ratio decreased due to increase in 2018 Current liabilities

Note1: Financial Information prepared as of 3/31/2019 follows IFRS and has been verified by independent auditors.

Note2: Calculated based on weighted average number of outstanding shares during each year.

Note3: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to fixed assets ratio = (Shareholders' Equity + Long-term Liabilities) / Net Properties

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets — Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average collection turnover = Net Sales / Average Trade Receivables

(2) Average collection days = 365 / Receivables Turnover rate

(3) Average inventory turnover = Cost of Sales / Average inventory

(4) Average inventory turnover days = 365 / Inventory Turnover rate

(5) Average payment turnover = Cost of Sales / Average Trade Payables

(6) Fixed assets turnover = Net Sales / Average Net Properties

(7) Total assets turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets

(2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity

(3) Operating income to paid-in capital = Operating Income / Capital

(4) Pre-tax income to paid-in capital = Income before tax / Capital

5. Cash Flow

(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.

(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: Cash-flow analysis

1. Net cash flow for business activities refers to the amount of business activities-related cash flow in the cash-flow table

2. Capital outlay refers to the amount of cash outflow for capital investment

3. Increased amount of inventory is taken into account only when final inventory is larger than initial inventory. The entry will be zero, should inventory at the end of year decrease.

4. Cash dividend includes cash dividend for both common shares and preferred shares

5. Gross value of real estates, factory buildings, and equipment refers to their gross value before accumulated depreciation.

Parent Financial Analysis – Based on IFRS

<div> <div>Year</div> <div>Item(Note 4)</div> </div>		Financial Analysis for the Last Five Years					Financial Analysis As of 3/31/2019 (Note1)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	6.16	5.45	6.70	5.17	5.69	NA
	Ratio of long-term capital to property, plant and equipment	253.02	267.51	277.25	290.56	313.39	
Solvency (%)	Current ratio	795.52	1,028.87	890.79	1,179.49	1071.69	
	Quick ratio	356.36	593.56	602.53	857.33	834.11	
	Interest earned ratio (times)	302,675.00	27,504.89	74,710.63	22,218.09	105.95	
Operating performance	Accounts receivable turnover (times)	5.48	5.60	5.31	5.54	5.95	
	Average collection period	67	65	69	66	61	
	Inventory turnover (times)	0.95	0.91	0.92	0.87	0.99	
	Accounts payable turnover (times)	18.53	55.88	32.23	15.74	14.56	
	Average days in sales	384	401	397	420	369	
	Property, plant and equipment turnover (times)	1.19	1.02	1.02	0.87	0.95	
	Total assets turnover (times)	0.40	0.37	0.35	0.29	0.30	
Profitability	Return on total assets (%)	4.68	6.22	6.16	3.85	4.03	
	Return on stockholders' equity (%)	5.09	6.60	6.56	4.09	4.23	
	Pre-tax income to paid-in capital (%)	8.61	10.53	10.81	6.18	5.91	
	Profit ratio (%)	11.83	16.29	16.94	12.25	12.77	
	Earnings per share (NT\$) (Note 2)	0.69	0.87	0.87	0.53	0.56	
Cash flow	Cash flow ratio (%)	219.64	257.31	291.35	235.13	222.74	
	Cash flow adequacy ratio (%)	87.17	77.01	89.91	108.01	146.30	
	Cash reinvestment ratio (%)	2.90	7.86	11.27	6.24	5.57	
Leverage	Operating leverage	1.49	1.46	1.36	1.44	1.42	
	Operating leverage	1.00	1.00	1.00	1.00	1.01	

Analysis of financial ratio differences for the last two years.

(Not required if the difference does not exceed 20%)

1. Interest earned ratio decreased, mainly due to the reduction of interest expenses in 2018.
2. Cash flow adequacy ratio increased, mainly due to increase in capital outlays, increased inventory amount and decreased cash dividend payout.

Note 1: Individual financial statement is only compiled at the end of year, according to the guidelines for compilation of financial statement issuers of securities.

Note 2: Calculated based on weighted average number of outstanding shares during each year.

Note 3: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to fixed assets ratio = (Shareholders' Equity + Long-term Liabilities) / Net Properties

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets — Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average collection turnover = Net Sales / Average Trade Receivables

(2) Average collection days = 365 / Receivables Turnover rate

(3) Average inventory turnover = Cost of Sales / Average inventory

(4) Average inventory turnover days = 365 / Inventory Turnover rate

(5) Average payment turnover = Cost of Sales / Average Trade Payables

(6) Fixed assets turnover = Net Sales / Average Net Properties

(7) Total assets turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets

(2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity

(3) Operating income to paid-in capital = Operating Income / Capital

(4) Pre-tax income to paid-in capital = Income before tax / Capital

5. Cash Flow

(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.

(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: Cash-flow analysis

1. Net cash flow for business activities refers to the amount of business activities-related cash flow in the cash-flow table

2. Capital outlay refers to the amount of cash outflow for capital investment

3. Increased amount of inventory is taken into account only when final inventory is larger than initial inventory. The entry will be zero, should inventory at the end of year decrease.

4. Cash dividend includes cash dividend for both common shares and preferred shares

5. Gross value of real estates, factory buildings, and equipment refers to their gross value before accumulated depreciation.

6.3 Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report (Translated from Chinese)

I hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2018 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

ScinoPharm Taiwan, Ltd.
Chairman of the Audit Committee: Wei-te Ho
March 25, 2019

6.4 The Audited Consolidated Financial Report for the most Recent Fiscal Year

Please refer to appendix A

6.5 The Audited Parent Company only Financial Report for the most Recent Fiscal Year

Please refer to appendix B

6.6 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties as of the date of this Annual Report: None

VII Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Consolidated Financial statement

Unit: NT\$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	6,506,167	6,467,127	39,040	0.60
Property, Plant and Equipment	4,758,846	5,088,713	(329,867)	(6.48)
Intangible Assets	16,753	23,334	(6,581)	(28.20)
Other Assets	1,281,562	1,122,215	159,347	14.20
Total Assets	12,563,328	12,701,389	(138,061)	(1.09)
Current Liabilities	1,945,644	1,115,458	830,186	74.43
Other Liabilities	78,652	1,168,706	(1,090,054)	(93.27)
Total Liabilities	2,024,296	2,284,164	(259,868)	(11.38)
Total Stockholders' Equity	10,539,032	10,417,225	121,807	1.17

Parent Company Only Financial statement

Unit: NT\$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	5,971,748	5,858,009	113,739	1.94
Property, Plant and Equipment	3,387,960	3,609,589	(221,629)	(6.14)
Intangible Assets	8,402	10,752	(2,350)	(21.86)
Other Assets	1,806,712	1,506,463	300,249	19.93
Total Assets	11,174,822	10,984,813	190,009	1.73
Current Liabilities	557,228	496,656	60,572	12.20
Non-current Liabilities	78,562	70,932	7,630	10.76
Total Liabilities	635,790	567,588	68,202	12.02
Total Stockholders' Equity	10,539,032	10,417,225	121,807	1.17

7.1.1 Explanation for variance (if the variation is 20 % or more):

Consolidated Financial Statements:

1. Intangible assets decreased, due mainly to some assets fully amortized.
2. Current liabilities increased, due to reclassified the current portion of long-term loan of SciAnda (Changshu) Pharmaceuticals, Ltd. to current portion
3. Non-Current Liabilities decreased due to reclassified the current portion of long-term loan of SciAnda (Changshu) Pharmaceuticals, Ltd. to current portion

Parent Company Only Financial statement:

1. Intangible assets decreased, due mainly to some assets fully amortized.

7.1.2 Effect of said changes on the Company: The aforementioned changes did not affect the Company significantly.

7.1.3 Future response plans: Not applicable.

7.2 Analysis of Operation Results

Consolidated Financial statement

Unit: NT\$ thousands

Item	2018	2017	Difference	(%)
Net Operating Revenue	3,524,263	3,516,481	7,782	0.22
Operating Costs	(1,981,749)	(1,966,324)	(15,425)	0.78
Net Operating Margin	1,542,514	1,550,157	(7,643)	(0.49)
Operating Expenses	(984,102)	(991,195)	7,093	(0.72)
Operating Profit	558,412	558,962	(550)	(0.10)
Non-operating Income And Expenses	(67,871)	(83,660)	15,789	18.87
Profit Before Income Tax	490,541	475,302	15,239	3.21
Income Tax Expense	(47,563)	(52,935)	5,372	(10.15)
Profit For the Year	442,978	422,367	20,611	4.88
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(95,774)	(16,049)	(79,725)	496.76
Total Comprehensive Income For The Year	347,204	406,318	(59,114)	(14.55)

Parent Company Only Financial statement

Unit: NT\$ thousands

Item	2018	2017	Difference	(%)
Net Operating Revenue	3,470,109	3,449,175	20,934	0.61
Operating Costs	(1,808,470)	(1,777,982)	(30,488)	1.71
Net Operating Margin	1,661,639	1,671,193	(9,554)	0.57
Operating Expenses	(896,469)	(869,875)	(26,594)	3.06
Operating Profit	765,170	801,318	(36,148)	(4.51)
Non-operating Income And Expenses	(297,519)	(312,542)	15,023	4.81
Profit Before Income Tax	467,651	488,776	(21,125)	(4.32)
Income Tax Expense	(24,673)	(66,409)	41,736	(62.85)
Profit For the Year	442,978	422,367	20,611	4.88
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(95,774)	(16,049)	(79,725)	496.76
Total Comprehensive Income For The Year	347,204	406,318	(59,114)	(14.55)

7.2.1 Explanation for variance (if the variation is 20 % or more):

Consolidated financial statement

1. Net amount of other comprehensive current incomes decreased: due mainly to reduction of gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

Individual financial statements:

1. Income tax expense decreased: due mainly to the deferred tax assets adjusted by 20% income tax rate effective in year 2018.
2. Net amount of other comprehensive current incomes decreased: due mainly to reduction of gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

7.2.2 Sales forecast and basis

A. Forecast of sales amount

Item	Amount(kg)
Generic API	19,554
CMO API	3,335
CRO API	23,196
Total	46,085

B. Basis of sales forecast:

The forecast of sales amounts in the above table is based on the needs of customers for the company's products, the company's capacity, and status of new-product development, and the schedule for the introduction of new products.

C. Possible effect of future finance and business and contingency plan:

In view of the company's sound finance and stable business outlook, there is no major uncertainty for future finance and business.

7.2.3 Effect of said changes on the Company: The aforementioned changes did not affect the Company significantly.

7.2.4 Future response plans: Not applicable.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Parent Company Only Financial statement				Unit: NT\$ thousands	
Cash and Cash Equivalents, Beginning of Year(1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
3,910,791	1,231,594	(939,047)	4,203,338	-	-

- (1) Business activities: Business activities generated NT\$ 1,231,594thousands dollars net cash inflow in 2018, attesting to the company's good business status.
- (2) Investment activities: Investment activities caused NT\$ 299,995thousands dollars of net cash outflow in 2018, mainly for the construction of new injection-drug plant and substitution of new equipment for old one.
- (3) Funding activities: Funding activities caused NT\$627,037 thousand dollars of net cash outflow, mainly due to cash-dividend payout and payback of bank loan.
- (4)Effect of change in exchange rate to cash and cash equivalent cash outflow was 12,015 thousand dollars

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Countermeasure for insufficient cash: There was no shortage of cash in the year.

7.3.3 Cash Flow Analysis for the Coming Year

Parent Company Only Financial statement				Unit: NT\$ thousands	
Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
4,203,338	410,508	(1,617,490)	2,996,356	-	-

7.3.3.1 Analysis of change in cash flow in the coming one year:

- (a) Business activities: The main source is net profit from the company's business. However, it is predicted that business-related net cash inflow will top NT\$410,508thousand dollars in order to meet the need for development of products for the injection-medicine plant and other business needs in accordance with the company's policy.
- (b) Investment activities: Investment activities are expected to cause NT\$205,112thousand dollars of net cash outflow, mainly due to, on top of capital outlays for equipment updating and maintenance, continuing outlay for the last phase of construction of new injection-drug plant.
- (c) Funding activities: Funding activities are expected to cause NT\$1,412,378 thousand dollars cash outflow, due mainly to the payout of cash dividend and the payback of bank loans for the operation of SciAnda (Changshu) Pharmaceuticals, Ltd.

7.3.3.2 Countermeasures for insufficient cash and liquidity analysis: Not applicable, since the situation is nonexistent.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Parent Company Only Financial statement				Unit: NT\$ thousands	
Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Expected Capital Expenditure	Actual Capital Expenditure
Plant construction	Own fund	2019/12	2012/07/01~2019/04/30	1,502,910	Had invested NT\$1,481,331 as of April 30, 2019

Note: The aforementioned major capital expenditure have no effect on the company's finance and business, thanks to stable profit, sufficient liquidity, and good relations with financial institutions.

7.4.2 Expected benefits

ScinoPharm is the leading supplier, in terms of the variety of products and number of major customers, of active pharmaceutical ingredients for anti-cancer drugs in the global regulated market. Majority of customers outsourced preparations to CMOs (contract manufacturing organizations), due to inability to produce anti-cancer injection drugs. Many existing injection-drug plants have been forced to close down, due to failure to pass the increasingly rigorous legal requirements, resulting in huge demand which overstrains the capacity of CMOs, especially that for anti-cancer injection drugs. In order to meet customers' need for one-stop shopping service and boost their adherence, the company has invested in the construction of anti-cancer injection drug plant, which will raise the added value of supply chain for active pharmaceutical ingredients of anti-cancer drugs, while augmenting the long-term competitiveness and expanding the growth potential and business scale of ScinoPharm.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1. Equity investment policy

- (1) SciAnda (Kunshan) Biochemical Technology, Ltd.: ScinoPharm's Kunshan plant stopped operation in 2013 and transferred its operation to the company's Changshu plant, while continuing to make shipment from its inventories.
- (2) SciAnda (Changshu) Pharmaceuticals, Ltd.: ScinoPharm's Changshu plant obtained production license for 16 active pharmaceutical ingredients from China's State Food and Drug Administration and passed inspection by several major customers in 2018, as well as inspection by the U.S. FDA at the end of the 2015. The plant is now dedicated to the development and production of new active pharmaceutical ingredients. It's estimated to complete the technical revision approval and be ready for massive production at the second half of 2019.
- (3) SciAnda Shanghai Biochemical Technology, Ltd.: The subsidiary is mainly meant for tapping China's domestic market and service U.S. and European customers in Shanghai, on top of agency, sales, and import/export of active pharmaceutical ingredients and intermediates in China, as well as biotech R&D consulting service.

7.5.2 Reasons for profit or loss

- (1) SciAnda (Kunshan) Biochemical Technology, Ltd.: The Company had stopped production. Operating profit is higher than the previous period due to the selling intermediates in stockpile
- (2) SciAnda (Changshu) Pharmaceuticals, Ltd.: It suffered loss, due to less-than-expectation sales growth, resulting from increasingly stringent environmental, safety, and hygiene regulations, infrastructural investments necessitated by new GMP edition, rising environmental-protection costs, and increasing business risk, which boost R&D and manufacturing cost.
- (3) SciAnda Shanghai Biochemical Technology, Ltd.: Tasked with the mission of helping the parent company and SciAnda (Changshu) with the application for registration of pharmaceuticals and the development of potential customers, the company suffered current loss, due to provision of impairment loss for inability to realize deferred income-tax assets in the year.

7.5.3. Improvement plan

Having cleared plant inspection by the U.S. FDA and Japan PMDA, SciAnda (Changshu) is seeking early plant inspection by China Food and Drug Administration for the products in collaboration with customers and accelerated operation of the Changshou plant via cost control and focus on products which can generate revenue and boost capacity utilization rate in short term. Seeking more business opportunities in CDMO, and strive to accelerate the pace of operation of ScinoPharm (Changshu).

7.5.4. Future investment plans

SciAnda (Changshu) Pharmaceuticals: Increase the capital of 100%-owned offshore subsidiary SPT International Ltd. to invest US\$74.5 million in SciAnda (Changshu) Pharmaceuticals, the investment had been completed at the end of August, 2018. The company's board of director has resolved to increase the capital of another US\$38 million in SciAnda (Changshu) Pharmaceuticals in stages on August 2018.

7.6 Analysis of Risk Management

7.6.1. Risk-management policy and organizational structure

The company carries out risk management via acknowledgement, identification, analysis, and evaluation of potential risks before controlling, handling, and monitoring them via proper methods and then formulating improvement plan for centralized management and tiered executions according to the features and range of effect of risks, so as to have a firm grip of all risks.

The company's major risk-management organization and unit in charge of risk-management execution follow:

1. Financial risk, liquidity risk, credit risk, and legal risk:

For the management policy, assessment, responsive strategy, and quantified exposure information for such risks, refer to page XX~XX.

2. Market risk

In daily operation, various business and functional units formulate and execute various strategies according to their respective authorities and evaluate various countermeasures via analysis of changes in laws/regulations, policies, and markets. At times of possible market-risk crisis, put forth necessary risk management and handling method at regular management meeting.

3. Strategy and management risk

The company has been tracking management performance continuously and adjust business strategy timely, in line with changes in market competition and pharmaceutical laws/regulations, so as to lower management risk and ensure business strategy conforming to corporate vision and facilitating attainment of corporate business target. Dimensions and management mechanism of business risks follow:

- (1) Compliance with pharmaceutical safety and laws/regulations: study and law-making for pharmaceutical safety, pharmaceutical-safety inspection and execution, control of CGMP production flow, crisis management;
- (2) Consolidating market status: Reinforcement of corporate core value, strengthening of competitiveness, development of new products, and continuing optimization of flow;
- (3) Management of raw materials: procurement-risk evaluation, supplier management;
- (4) Analysis and management cost: analysis and management of inventory cost, cost of manufacturing flow, and cost of raw materials;
- (5) Control of accounts receivable: risk management for accounts receivable
- (6) Business of risk management units: adjustment of strategy timely

4. Auditing office

The company's major business decisions are evaluated and analyzed by units in charge before submission to the board of directors for resolution and then execution. According to risk assessment and legal requirements, the auditing office formulates annual auditing plan and evaluation procedure and method, as basis for continuing management of aforementioned potential risks and submit the auditing results to the board of directors for perusal periodically.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Effect of change in interest rate

At present, the company doesn't have apparent risk deriving from change in interest rates. As shown in its financial reports, the Taiwan parent company raked in NT\$16,221 thousand net interest income in 2018, accounting for 0.47% and 2.12% of turnover and operating profit. The company has ample operating fund in hand, due to absence of large-scale outlays for fixed assets and equipment, following completion of the construction of the ampule plant. In asset allocation, the company mainly invested in banking deposits and short-term fixed-yield financial products, such as bonds with repo agreement and commercial papers, in order to uphold the safety and liquidity of principal. As shown in the consolidated financial statement, net interest outlays amounted to NT\$46,935 thousand dollars in 2018, lower than NT\$51,548 thousands dollars in 2017, accounting for 1.33% and 8.41% of turnover and operating profit. Interest outlay differed due to the arrangement of 300 million renminbi yuan medium- and long-term syndicated loan and it has been utilized entirely in 2017 and start to pay back the loan. The company will closely monitor timing and effect of interest-rate hike in the U.S. and China, while increasing capital timely to meet funding needs in the future. As for allocation of assets, subsidiaries focus on short-term principal-protection fixed-yield products, to safeguard principal and retain good liquidity.

Unit: NT\$ thousands

Item	2018 Parent Company Only Financial statement	2018 Consolidated Financial statement
Net interest income (expense) –(1)	16,221	(46,935)
Operating revenue-(2)	3,470,109	3,524,263
Operating profit -(3)	765,170	558,412
Share of interest income (expense) in operating revenue-(1)/(2)	0.47%	(1.33%)
Share of interest income (expense) in operating profit-(1)/(3)	2.12%	(8.41%)

In line with the plan for future capital expenditures, the company and its affiliates will be monitoring closely change in interest rate, to ward off adverse effect of change in interest rates on the company's business development. In view of possible funding need in the future, the company will adopt the following countermeasures according to actual need, to sidestep the effect of change in interest rate:

- A. Funding from financial institutions: The company has maintained a good relationship in dealing with financial institutions, such as banks and bills finance companies, retained proper loan quota, and periodically evaluate the discrepancy between loan rate and average market rate, ready to secure most preferential interest rates when it needs to borrow from financial institutions.
- B. Taking advantage of the capital market: The company is ready, whenever necessary for business development, to float corporate bonds or convertible bonds for direct finance or carry out cash capital increment, to lower funding cost.

- C. Plural fund-raising channels: In line with the scale of capital expenditures, the company can also secure syndicated banking loan. It can also borrow foreign currency-denominated loans or float overseas convertible bonds, to meet the need of foreign currency-denominated funds, maintaining a flexible fund-funding method.
- D. Effect of change in laws/regulations: As for the Chinese subsidiary, it is necessary to notice the effect of change in laws/regulations on funding method, as well as possible overall effect resulting from change in interest and exchange rates, in order to seek optimal funding channel.

(2).Effect of change in foreign exchange rate

As shown in the report of the parent company in Taiwan, there was NT\$11,601,000 of net loss in conversion of exchange in 2018, less than NT\$29,423,000 of net loss in 2017, amounting to 0.33% of operating revenue and 1.52% of operating profit, lower than the corresponding rates of 0.85% and 3.67% in 2017, thanks mainly to 3% rebound in the exchange rate of U.S. dollar against NT dollar in 2018. Conversion of exchange was still in the red in 2018, due to significant fluctuation in exchange rate and the high risk-hedging cost resulting from interest-rate spread between the U.S. and Taiwan.

As shown in the consolidated financial statement, there was net loss of NT\$9,971,000 from conversion of exchange in 2018, less than the net loss of NT\$34,678,000 in 2017, amounting to 0.28% of operating revenue and 1.79% of operating profit, lower than the corresponding rates of 0.99% and 6.20% in 2017, due mainly to benefits deriving from strong performance of U.S. dollar on the international market, which mitigated the effect of exchange-rate fluctuation on the parent company's U.S. dollar-denominated assets and renminbi-denominated liabilities of subsidiaries in China.

Unit: NT\$ thousands		
Item	2018 Parent Company Only Financial statement	2018 consolidated financial statement
Net currency exchange gain (loss)-(1)	(11,601)	(9,971)
Operating revenue-(2)	3,470,109	3,524,263
Operating profit-(3)	765,170	558,412
Share of net currency exchange gain (loss) in operating revenue-(1)/(2)	(0.33%)	(0.28%)
Share of net currency exchange gain (loss) in operating profit- (1)/(3)	(1.52%)	(1.79%)

As for the parent company in Taiwan, given trust of large U.S. and European pharmaceutical firms in the quality of the company's products, the company's products are mainly for exports, generating revenue denominated mainly in U.S. dollar, with a small portion in euros, different from the company's payment which is mainly in the form of NT dollar, with a limited portion in U.S. dollar and euros. Therefore, depreciation of NT dollar will benefit the company in revenue and profit, and vice versa. As for subsidiaries in China, SciAnDa (Changshu) Pharmaceuticals, Ltd. has relied on loans from affiliates and banking loans for working capital since inauguration of its plant. In order to avoid effect of exchange-rate fluctuation, its loans are entirely denominated in renminbi.

The company has adopted the following countermeasures for the possible effect of change in exchange rate:

- A. The financial unit keeps close contact with the foreign exchange departments of financial institutions, constantly collects information on change in exchange rate, and have firm grip on the international trend of exchange rates and political and economic development, as reference for engagement in foreign-exchange trading and counter the adverse effect of exchange-rate fluctuation.
- B. The financial unit engages in certain extent of forward forex trading for risk hedging and proposes evaluation report periodically, as reference for the management to make judgment.
- C. Make general evaluation of the effect of exchange/interest rates and adjust currency denominations for debt position properly, so as to ward off the adverse effect of exchange-rate fluctuation.
- D. Make payment for procurements in currencies similar to the denominated currencies for proceeds from sales, so as to achieve a risk-hedging effect automatically.
- E. Business or procurement units should consult financial unit on trend of exchange rates and other factors of influence before offering quotes, to facilitate overall consideration and evaluation.

(3) The effect of inflation

According to the Cabinet-level Directorate General in Budget, Accounting, and Statistics in Taiwan, Taiwan's consumer price index (CPI) and wholesale price index (WPI) rose by 1.35% and 3.64%, respectively, in 2018, lower than 2.1% of CPI and 3.5% of PPI (producer price index) in China, based figures of China's National Bureau of Statistics. The higher WPI hike in Taiwan is attributed to rebound of international energy prices and exchange-rate factor, which was reflected to CPI only moderately, though. In general, the global economy began to show signs of stagnation in 2018, reversing original moderate recovery, which has been aggravated by Sino-U.S. trade war. Therefore, in addition to inflation, it's necessary to heed economic stagnation or even possible recession. The company will continue monitoring price trend of raw materials and adjust sales prices and inventory level, should procurement cost rise, in addition to diversifying supply sources.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

(1) High-risk and high-leveraged investment

In line with the principle of stability for business development, the company shuns high-risk and high-leveraged investments.

(2) Lending, endorsement, and guarantee

In response to operating need of the business group, the company and subsidiaries in China has formulated, according to the regulations of competent authority, "procedure for loan extension to others" and "procedure for provision of endorsement and guarantee," as the basis in execution and risk assessment and effective control by related units. Meanwhile, according to the "Regulations Governing Establishment of Internal Control System by Public Companies," the auditing unit has instituted related system, to carry out risk management and auditing works.

As for loan extension, in 2018 except loan extended by ScinoPharm (Kunshan) Biochemical Technology Ltd. (to SciAnda (Changshu) Pharmaceuticals, Ltd., there was no loans extended to others by the company and subsidiaries. Outstanding loan extended by ScinoPharm (Kunshan) Biochemical Technology Ltd. to SciAnda (Changshu) Pharmaceuticals, Ltd. stood at NT\$178,615,000, as of the end of 2018.

As for endorsement and guarantee, the company's board of directors resolved in March 2016 to provide endorsement and guarantee equivalent to 350,000,000 yuan in value to SciAnda (Changshu) Pharmaceuticals, Ltd. for the latter's syndicated loan and acquisition of medium- and long-term loans from financial institutions, followed by resolutions by the board of directors in Aug. and Nov. 2017 for extensions of endorsement and guarantee equivalent to US\$10,000,000 and 141,000,000 in value, respectively. In 2018, there was no any endorsement and guarantee provided by the company and subsidiaries. As of the end of 2018, the outstanding value of endorsement and guarantee provided by the company stood at NT\$2,499,643,000.

(3) Trading in derivate

The parent company ScinoPharm Taiwan, Ltd. and its subsidiaries in China have formulated their respective "procedure for acquisition and disposal of assets" as basis governing transactions in derivatives, which are mainly for the purpose of hedging market risk deriving from fluctuation in exchange rate and interest rate for foreign currency-denominated assets (liabilities), excluding arbitrage and speculation.

As shown the report of the parent company in Taiwan and the consolidated report, there was NT\$18,000,000 of evaluated loss in financial products in both in 2018, due mainly to risk associated with trading in forward forex by the parent company, for hedging exchange-rate risk, which is a difficult task, given the high interest rate spread between the U.S. and Taiwan. The subsidiaries in China never engaged in trading in derivatives.

In the future, the company will still engage in transaction in derivatives for hedging risk associated with fluctuation of exchange rates and interest rates, while shunning speculative trading. Units in charge of the transactions should report the status of transactions to the management monthly, for reference in judgment, according to the "procedure for the acquisition or disposal of assets," and the risk-hedging strategy should be adjusted timely, in line with the company's business status and market trend.

7.6.4 Future Research & Development Projects and Corresponding Budget

Given long period and high uncertainty for R&D on pharmaceuticals, on top of strong R&D strength and technological advantages, ScinoPharm Taiwan has invested heavily in R&D every year. Taking advantage of high-specifications cGMP production equipment and abundant experience accumulated over a long term, the company has not only develop products with market potential but also installed innovative technological platform, facilitating joint development of new preparations and new drugs with business partners and ushering the company into a new era.

On the existing base, the company will continue developing active pharmaceutical ingredients for new anti-cancer and central nerve system drugs featuring timeliness and new process. Meanwhile, from the angles of market potential, production difficulty, and manipulability, evaluate cautiously new crystal form or new combination of APIs for antiviral agents and chronic-disease medicines. Especially, in the field of combination medicines, the company's past efforts are expected to bear fruit gradually, thanks to progress in related technology which focuses on process, taking advantage of the features of combination medicines to provide transmission function for targeted therapy and thereby enhance medicine effectiveness and lowering side effect. Moreover, with increasing amount of new peptide drugs, ScinoPharm Taiwan's peptide-drug technological platform will exhibit its advantageous function, facilitating the development of APIs for peptide drugs which feature high technological threshold.

In addition to continuing focus on the core business of anti-cancer APIs for consolidation of the company's leading market status, ScinoPharm Taiwan will gradually extend to the R&D on recipe and process for injection cancer drugs and obtain permit for new drug via simplified application procedure in the U.S. and Europe. Another R&D focus is recipe for new preparations and drug-administration technology, in the hope of developing patented niche pharmaceuticals. In combination with the production capability for injection drugs, ScinoPharm Taiwan will extend the value chain of its pharmaceuticals to injection drugs, from the original field of APIs.

The company appropriates R&D budget according to plan for new-product development, with R&D expense accounting for 7-10% in past years. Along with revenue growth, the company will gradually increase its R&D budget, to boost corporate competitiveness. The company expects to invest NT\$800 million in R&D in the coming two years.

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

Given limited effect of the extension of medical and pharmaceutical practice permit and patents in the revised Pharmaceutical Affairs Law on the company, including finance, the company is actively making all-round product deployment and engaging in product development.

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company's R&D team outperforms peers in product development and closely monitors, along with marketing and planning teams, general trend for pharmaceutical development and technological progress, as the basis for medium- and long-term development plan. Since the company's APIs are self-developed ones entirely, there is no any problem concerning patent infringement. The company has spared no effort in technological innovation and development of patented progress, to uphold product competitiveness. Taking advantage of established basis, the company has been developing new products actively every year, so as to expand product lineup and support the company's global deployment. In addition to APIs, the company has stepped into the realm of production of preparations and, via joint venture, new drug development, gradually becoming an all-round pharmaceutical firm. The company has adhered to the principle of balancing efforts for short-, medium-, and long-term development, capable of coping with technological and industrial changes, without affecting financial soundness.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

In adherence to the concept of sustainable development and long-term partnership with customers and communities, the company regards highly corporate image and risk management, publicizing business status at shareholders' meeting and investors' conference regularly, so as to increase financial transparency. In addition, the company has taken part actively in communal and public-service events, fulfilling its social responsibilities. There are designated staffers to handle various unexpected happenings, minimizing uncertainty for corporate operation. Therefore, there was no major happening which harmed corporate image and caused corporate crisis.

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

As of the date for the publication of the yearbook, the company had no other M&A plan. Should there be any such plan in the future, the company will cautiously evaluate, according to the company's "measures for acquisition and disposal of assets," whether it can bring concrete synergy to the company, so as to uphold the interest of the company and shareholders.

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Due to progress in uperization equipment and technology, requirements of international laws/regulations on the production and quality of injection medicines have become increasingly stringent. As a result, many renowned injection-medicine plants have been forced to suspend their operations, due to inability to meet cGMP requirements on factory design or product quality, leading to short supply for many injection medicines. In line with the development trend of the pharmaceutical industry, the company has been endeavoring to strengthen the competitiveness of the entire supply chain. The new injection-medicine plant in Tainan has been ready for operation, following installation of two production lines in 2017 and certification of plant and equipment in 2018, with approval of registration for several products still pending. Following inauguration of the new plant, on top of supplying generic drugs and APIs for new medicine, the company will be able to provide trustworthy contract-production service to branded customers. Expected benefits, possible risks, and countermeasures of the injection-medicine plant follow:

(1) Benefits

ScinoPharm's ampule plant meets the highest specifications of international regulations in design, including sterile glove-box filling lines, minimizing sterile operating space and human interference with the sterile environment. Disposable materials are employed at production lines as much as possible, to avoid cross contamination brought about by washing and repeated usage.

Of the two existing production lines, one is capable of turning out advance-filled and cartridge ampules with high activity and the other cytotoxin liquid and frozen dry anti-cancer ampules, taking advantage of the company's expertise in anti-cancer API. Thanks to the advantages of high sterility and product-switch flexibility of glove-box filling lines, ScinoPharm's ampule plant turns out cartridge-bottle and advance-filled ampules, facilitating development of production of generic-drug ampules and contract production for international ampule firms in the future. Given its simultaneous engagement in development and production of APIs and ampules, ScinoPharm is expected to create even more opportunities for different business cooperation models, leading to higher competitiveness in the pharmaceutical industry.

(2) Risks/Adaptive measures

While expansion to injection-medicine production in the manner of vertical integration will boost the company's competitiveness, thanks to the effect of market segmentation, the new injection-medicine plant faces the risk of low capacity utilization rate and idle equipment, should orders fail to meet expectation. As countermeasures, the company will strive to solicit one-stop shopping business, covering API and injection medicines, from customers and offer custom process service, according the features of customers' products, on top of continuing cooperation with generic-drug customers in the U.S. and Europe in tapping the market of self-developed generic drugs to reduce the risk.

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The company generated NT\$1,008,847 thousand dollars and NT\$761,592 thousand dollars of revenue, respectively, from Biddle Sawyer Pharma LLC in 2016 and 2017, for shares of 28.69% and 21.65%, Biddle Sawyer Pharma LLC is the company's sole agent for the North American market, the world's largest generic-drug market, having helped the company sell its active pharmaceutical ingredients of anti-cancer drugs to 60 generic-drug companies in the region. The heavy reliance on Biddle Sawyer Pharma LLD brings a concentration risk, which will impact the company's operation, should the former stop placing orders with the company.

Countermeasures:

(1) Maintain long-term strategic alliance with Biddle Sawyer Pharma LLC

Based on long-term dealings, the company has formed a strategic alliance with Biddle Sawyer Pharma LLC, which is also one of the company's founding shareholders.

(2) Keep close relationship with end customers

For a long while, the company has been keeping close contact with end customer generic-drug companies, ruling out the concern of information monopoly by agent or dealers and enabling the company to have a firm grip of status of market demand. Moreover, likelihood for generic-drug companies to substitute other suppliers for the company, in view of the protracted certification process for active pharmaceutical ingredients.

(3) Actively developing customers in other regions

Following consolidation of the North American market, the company is extending its business reach to other regions, such as Europe, Asia, and Japan and lowering the share of the North American market.

Consequently, the risk of adverse effect associated with business concentration on Biddle Sawyer Pharma LLC has been alleviated.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights There is no change in operating right in the most recent years.

7.6.13 Litigation or Non-litigation Matters:

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.14 Other Major Risks:

In a continuing effort to improve and strengthen information safety, ScinoPharm Taiwan has put in place a complete information safety system, rigorously controlling information-safety risk, so as to uphold key corporate operations, including management, production, and quality control, and assure the confidentiality, safety, and integrity of corporate data.

Information-safety management, technological utilization, and legal compliance are the centerpieces of the company's information-safety strategy, according to which the company has been striving to enhance information-safety protection capability and the capability of continuing service.

1. As for strengthening information-safety management, in addition to conformance to the most rigorous information-safety requirement in planning network structure, the company has resorted to the assistance of outside information-safety specialists and endeavored to pinpoint possible or potential problems for rectification, via various self-developed monitoring systems. The company has installed a rigorous access control system, to assure physical safety, and endeavored to assure access and retrieval control and prevent data alteration via strict requirement of passwords, authorization management, and control of operating environment. Encryption system for documents has been introduced, to assure document confidentiality and prevent data stealth, on top of installation of firewall system, sandbox system, and APT protection technology, so as to ward off hacker attack, DDos attack, advanced continuing attack, compute virus, spam, social-engineering attack, thereby lowering information-safety risk.
2. Take advantage of new technology to strengthen data protection and enhance system usability and capability for continuing operation, introduce continuing data protection system, to alleviate the impact of uncertain factors on major systems, and conduct system recovery test periodically, to confirm the validity of protection mechanism, and introduce virtualization of physical systems, including virtualization of mainframe and network, to assure high usability and safety of key systems and lower the impact resulting from outdated software and hardware.
3. The company has dedicated to installation of information systems conforming GMPs of various countries, including US 21-CFR Part 11, EU EUDRALEX Volume 4 Annex 11, and maintenance of the status of conformance. The company has also complied with various regulations on data integrity, such as US FDA, MHRA, WHO, PIC/S, pushing information safety according rigorous standards. (3) the Company strives to construct the information system that in compliance with the GMP regulation worldwide, including US21-CFR Part 11, EU EUDRALEX Volume 4 Annex 11, and to maintain continuously compliance; The company is in compliance with the Data Integrity provision such as : US FDA, MHRA, WHO, PIC/S and even utilize more stringent standards to advance the information system safety.

7.7 Other Important Matters: None

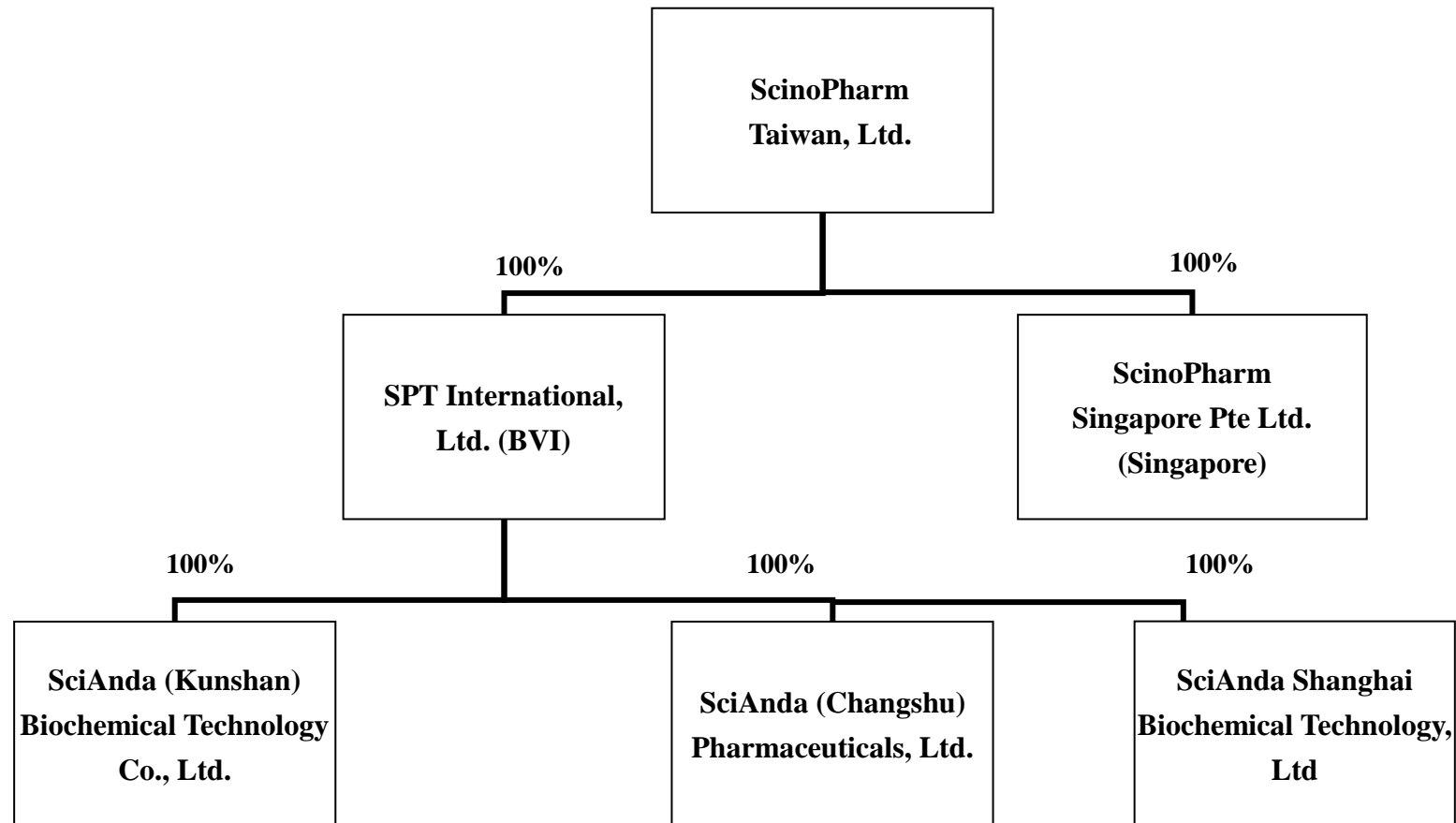
VIII.Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Business Report of Affiliated Companies

8.1.1.1 Affiliated Companies Chart

Dec 31, 2018



8.1.1.2 of Affiliated Companies Information

Dec 31, 2018

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business Production Items
ScinoPharm Taiwan, Ltd.	1997.11.11	No.1, Nan-Ke 8th Road, Southern Taiwan Science Park, Shan-Hua, Tainan, 74144, Taiwan	NT\$7,907,392,220	Counseling, consulting, and technological services for active pharmaceutical ingredients, injection drugs, preparations, and other related products
SPT International, Ltd.	1998.10.22	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US\$80,524,644	Common investment business
ScinoPharm Singapore Pte Ltd.	1999.11.13	50 Raffles Place #06- 00 Singapore Land Tower, Singapore 068808	SG\$2	Common investment business
SciAnda (Kunshan) Biochemical Technology Co., Ltd.	2001.02.13	No.88 Weiye Road, Business Incubator For Overseas Chinese Scholars, Kungshan, Jiangsu, China.	US\$4,000,000	Establish R&D center, develop new drugs, new process for active pharmaceutical ingredients, medical pharmaceutical technology, and provide consulting service for biotechnical R&D and others; produce and sell active pharmaceutical ingredients and intermediates
SciAnda (Changshu) Pharmaceuticals, Ltd..	2009.08.18	No. 16, Dong Zhou Rd., Economic Development Zone, Changshu, Jiangsu, China	US\$74,500,000	Production of heterocyclic fluoride and other fluorine-containing highly active intermediates and preparations; R&D on recipe of active pharmaceutical and crafting, recipe of preparations, and consulting for on biotech R&D; sale of own products Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D
SciAnda Shanghai Biochemical Technology, Ltd	2011.11.15	Room 209, Block B, Uni-President Building, NO.568 Tianshan west Road, Changning District, Shanghai, 200335, China	US\$1,200,000	Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D

8.1.1.3 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

8.1.1.4 Business covered by ScinoPharm and its Affiliated Enterprises: Pharmaceutical, biotech service, and equity investment

8.1.1.5 Directors, Supervisors and Presidents of Affiliated Companies

Dec 31, 2018, Unit: Shares; %, NT\$ thousands

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
ScinoPharm Taiwan, Ltd.	Chairman	Chih-Hsien Lo (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Tsung-Ming Su (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Kun-Shun Tsai (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Tsung-Pin Wu (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Jia-Horng Guo (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Fu-Jung Lai (Representative of Uni-President Enterprises Corp.)	299,968,639	37.94%
	Director	Po-Ming Hou (Representative of Tainan Spinning Co., Ltd.)	23,605,921	2.99%
	Director	Ming-Chuan Hsieh (Representative of National Development Fund, Executive Yuan)	109,539,014	13.85%
	Director	Ya-Po Yang (Representative of National Development Fund, Executive Yuan)	109,539,014	13.85%
	Director	Chiou-Ru Shih (Representative of President International Development Corp.)	28,673,421	3.63%
	Director	Shiow-Ling Kao (Representative of Kao Chyuan Investment Co., Ltd.)	14,832,733	1.88%
	Director	Kuo-Hsi Wang (Representative of Taiwan Sugar Corporation)	32,581,963	4.12%
	Independent Director	Wei-Te Ho	0	0%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
	Independent Director	Wen-Chang Chang	0	0%
	Independent Director	Li-Tzong Chen	0	0%
	CEO	Tsung-Ming Su	0	0%
SPT International, Ltd.	Director	Tsung-Ming Su (Representative of ScinoPharm Taiwan, Ltd.)	80,524,644	100%
	Director	Chih-Hui Lin (Representative of ScinoPharm Taiwan, Ltd.)	80,524,644	100%
	Director	Ching-Wen Lin (Representative of ScinoPharm Taiwan, Ltd.)	80,524,644	100%
ScinoPharm Singapore Pte Ltd	Director	Ching-Wen Lin (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Director	Chih-Hui Lin (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Independent Director	Krishnaveni D/O Sandanam	0	0%
SciAnda (Kunshan) Biochemical Technology Co., Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$4,000	100%
	Director	Chih-Fang Chen (Representative of SPT International, Ltd.)	US\$4,000	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$4,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$4,000	100%
	General Manager	Chih-Fang Chen	0	0%
SciAnda (Changshu) Pharmaceuticals, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$74,500	100%
	Director	Gloria Chang (Representative of SPT International, Ltd.)	US\$74,500	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$74,500	100%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
	Director	Chih-Fang Chen (Representative of SPT International, Ltd.)	US\$74,500	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$74,500	100%
	Supervisor	Shun-Yang Lin (Representative of SPT International, Ltd.)	US\$74,500	100%
	General Manager	Chih-Fang Chen	0	0%
SciAnda Shanghai Biochemical Technology, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$1,200	100%
	Director	Gloria Chang (Representative of SPT International, Ltd.)	US\$1,200	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$1,200	100%
	Director	Chih-Fang Chen (Representative of SPT International, Ltd.)	US\$1,200	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$1,200	100%
	General Manager	Ching-Wen Lin	0	0%

Note: Shareholding column lists either shares or amounts.

8.1.1.6 Summarized Operation Results of Affiliated Enterprises

Dec. 31, 2018; Unit: NT\$ thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income (After Tax)	Earnings Per Share (NT\$) (After Tax)
ScinoPharm Taiwan, Ltd.	7,907,392	11,174,822	635,790	10,539,032	3,470,109	765,170	442,978	0.56
SPT International, Ltd.	2,473,314	806,963	-	806,963	-	-332	-286,374	-3.56
ScinoPharm Singapore Pte Ltd	0	155	58	97	341	16	16	8,224
SciAnda (Kunshan) Biochemical Technology Co., Ltd.	122,860	422,987	562	422,425	10,838	1,343	10,677	N/A
SciAnda (Changshu) Pharmaceuticals, Ltd.	2,288,268	1,976,417	1,612,949	363,468	259,005	-201,137	-295,758	N/A
SciAnda Shanghai Biochemical Technology, Ltd.	36,858	18,765	1,463	17,302	23,536	371	-1,093	N/A

Note: Affiliates for foreign companies, information comes from reports and statements compiled by affiliates themselves, related figures are based on the following conversion rates:

(1) Figures in balance sheet are based on the spot exchange rates on Dec. 31, 2018:

RMB:NTD = 1 : 4.465363 USD:NTD = 1: 30.715

(2) Figures in income statement are based on average exchange rates in 2018

RMB:NTD = 1: 4.558209 USD:NTD = 1: 30.175120

ScinoPharm Taiwan, Ltd.
Statement on Affiliates Report

March 25, 2019

The company's 2018 affiliates report (Jan. 1 through Dec. 31, 2018) was compiled according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

Company name: ScinoPharm Taiwan, Ltd.

Chairman: Chih-Hsien Lo

March 25, 2019



ScinoPharm Taiwan, Ltd.

Re-auditing report by Certified Public Accountant on Affiliates Report

No. 18006966

To ScinoPharm Taiwan, Ltd. :

ScinoPharm's 2018 affiliates report was compiled on March 25, 2019 according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

The certified public account didn't find any major deviation from the aforementioned statement after comparing the affiliates report and notes in ScinoPharm Taiwan's 2018 financial statement.

PricewaterhouseCoopers, Taiwan

Yung-Chih Lin

Independent Accountants

Tzu-Meng Liu

Financial Supervisory Commission R.O.C.(Taiwan)

Approval of certifications:

Financial –Supervisory –Securities#1050029592

Former Securities Management Committee, the Ministry of Finance

Approval of certifications:

No. (84) Taiwan-Finance-Securities-(6)-29174

March 25, 2019

ScinoPharm Taiwan, Ltd.

1. Status of relationship between affiliated companies and controlling company

The company is subordinated to Uni-President Enterprises Corp., with information on the relationship listed below:

Unit: Share ; %

Controlling company	Controlling reason	Shareholding of controlling company and status of mortgage			Directors, Supervisors, or Managers representing the controlling company	
		Number of shares owned	Share of stake	Amount of mortgaged shares	Title	Name
Uni-President Enterprises Corp.	That company owns, directly and indirectly, seven seats on the board of directors of the company, directly controlling the company's personnel, finance, and business management.	Uni-President Enterprises Corp. 299,968,639 shares	37.94%	—	Director Director Director Director Director Director	Chih-Hsien Lo Jia-Horng Guo Tsung-Ming Su Kun-Shun Tsai Tsung-Pin Wu Fu-Jung Lai
		President International Development Corp. (Note 1) 28,673,421 shares	3.63%	20,000,000 shares	Director	Chiou-Ru Shih
		Tong Yu Investment Corp. (Note 2) 15,371,166 shares	1.94%	—	—	—
		Kai Yu Investment Co. , Ltd.(Note 3) 14,763,165 shares	1.87%	—	—	—
		Kai Nan Investment Co. , Ltd.(Note 3) 13,950,061 shares	1.76%	—	—	—

(Note 1) Uni-President Enterprises Corp. owns 69.37% stake. °

(Note 2) President International Development Corp. owns 100% stake °

(Note 3) Uni-President Enterprises Corp. owns 100% stake.

Chairman : Chih-Hsien Lo

CEO : Tsung-Ming

Director of Accounting : Chih-Hui Lin

ScinoPharm Taiwan, Ltd.

2. Dealings between subordinated companies and controlling company:

- (1) Procurement and sale: None
- (2) Property transaction: None
- (3) Financing: None
- (4) Lease of assets: None
- (5) Other major dealings: None

3. Provision of endorsement and guarantee between subordinated companies and controlling company: None

Chairman : Chih-Hsien Lo CEO : Yung-Fa Chen Director of Accounting : Chih-Hui Lin

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Other Necessary Supplement

8.4.1 The company's key performance index (KPI)

In line with features of the pharmaceutical industry, the company uses the number of registration for DMF (drug master file) as the KPI.

As the number of product registration parallels the number of products developed by a pharmaceutical company, the number of DMF has been used to embody a company's R&D strength. The company aims to apply for four to five DMF registrations in major countries each a year. In 2018, the company applied for 41 DMF registrations worldwide, including 5 in the U.S. As of April 2019, the company had 813DMF registrations worldwide.

8.4.2 Criteria and basis for the evaluation of provisions for assets/liabilities evaluation items

(1) Policy for provisions for bad debts of accounts receivable

Evaluation criteria: Measures for analyzing debt amount and debt length

Evaluation basis: Percentages of provisions according to debt length

Customer debts are classified into two kinds:

- For customers which are leading enterprises of a specific industry with good record of dealings with the company over the past three years and over 5% share in the company's sales, there are no provisions for bad debts.

Overdue length of debts	Percentage of provisions
1~30 days	0.05%
31~60 days	0.10%
61~90 days	0.25%
91~180 days	10%
More than 180days	100%

- For other customers, bad-debt provisions are appropriated according to the length of overdue debt, as shown in the following:

Overdue length of debts	Percentage of provisions
1~30 days	0.10%
31~60 days	0.20%
61~90 days	0.50%
91~180 days	10%
over 180 days	100%

The accounting unit calculates the amount of bad-debt provisions according to the aforementioned basis and adjusts the value under the item "bad-debt provisions" accordingly.

(2) Provisions for loss in inventories from price drop

The company embraces a perpetual inventory system, whose cost is calculated with a weighted average method. The value of inventory at the end of the current term is set according to cost or net realizable value, whichever is lower. The comparison between cost and net realizable value is made item by item. Net realizable value refers to the balance of estimated sales value deducting the cost of input needed for completion of work and marketing expense. Provisions for price drop must be made and listed as current business cost, should cost exceed net realizable value. Should net realizable value rise again, the increase can be used for offsetting the loss, within the scope of evaluated balance of loans and listed as a reduction item for current business cost.

In evaluating the price-drop loss in inventory, products in the same category are evaluated together

8.4.4. Evaluation of financial products

The company uses the following method and assumption in evaluating the fair value of financial products:

- (1) In the short term, due to little different in discounting value, paper value is used in gauging fair value. The method applies to cash, cash equivalent, accounts receivable, other accounts receivable, other financial assets-liquidity, notes payable and debt, expense payable, other expenses payable, and rentals payable-liquidity.
- (2) Other financial assets--Discounting value based on expected cash flow is used in evaluating the fair value of noncurrent and refundable deposits. The discount rate is equivalent to the fixed interest rate for one-year time deposits at the end of the current term at Chunghwa Post.
- (3) Discounting value based on expected cash flow is used in gauging the fair value of refundable deposits. The discount rate is based on the interest rates available for the company for securing loans with similar conditions.
- (4) The evaluation of the fair value of derivatives is based on expected amount which the company can obtain or must pay, should it terminate the contract on the date of the financial statement, ahead of due date. It generally contains unrealized benefit for the settlement of contract at the end of the current term.
- (5) The company's forward-forex contracts are based on quotes for spot or forward-forex rates shown on the webpage of Bank of Taiwan. Therefore, the unrealized benefit/loss of a specific forward-forex contract is calculated according to forward-forex rate on the due date of the contract.

8.5 Other Supplementary Disclosure

If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, such situations shall be listed : None.

ScinoPharm Taiwan, Ltd.

Chairman : Chih-Hsien Lo

Address : No.1, Nan-ke 8th Road,

Southern Taiwan Science Park,

Shan-Hua, Tainan, 74144, Taiwan

886 - 6 - 505 2888

Appendix A

SCINOPHARM TAIWAN, LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

SCINOPHARM TAIWAN, LTD.

By Alex Lo

Chairman

March 25, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group’s consolidated financial statements of 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Cutoff of export revenue from Taiwan

Description

Refer to Note 4(27) for accounting policy on revenue recognition.

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

How our audits addressed the matter

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

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

Inventory valuation

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2)1 for the uncertainty of accounting estimates and assumptions applied in inventory valuation, and Note 6(5) for details of inventories. As of December 31, 2018, the balances of inventory and allowance for inventory valuation losses were \$1,889,295 thousand and \$525,498 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of API. 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 the product launch may be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold under normal terms, the Group measures

inventories at the lower of cost and net realisable value. For inventories aging over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turnover. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audits addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ScinoPharm Taiwan, Ltd. as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

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

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

March 25, 2019

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)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,203,338	34	\$ 3,910,791	31
1110	Financial assets at fair value through profit or loss - current	6(2) and 12	409	-	-	-
1136	Financial assets at amortised cost - current	6(3)	178,615	1	-	-
1170	Accounts receivable, net	6(4) and 12	558,950	4	567,318	4
1200	Other receivables		104,021	1	197,620	2
130X	Inventories	5 and 6(5)	1,363,797	11	1,675,088	13
1410	Prepayments		97,037	1	116,310	1
11XX	Total current assets		6,506,167	52	6,467,127	51
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(6) and 12	468,117	4	-	-
1543	Financial assets carried at cost - non-current	12	-	-	391,097	3
1600	Property, plant and equipment	6(7)(9)(27)	4,758,846	38	5,088,713	40
1780	Intangible assets		16,753	-	23,334	-
1840	Deferred income tax assets	5 and 6(25)	593,103	5	503,570	4
1915	Prepayments for equipment	6(7)(27)	108,869	1	110,529	1
1920	Guarantee deposits paid		6,885	-	9,179	-
1980	Other financial assets - non-current	8	29,270	-	28,831	-
1985	Long-term prepaid rents	6(8)	75,318	-	79,009	1
15XX	Total non-current assets		6,057,161	48	6,234,262	49
1XXX	Total assets		\$ 12,563,328	100	\$ 12,701,389	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2100	Short-term borrowings	6(10)(28)	\$	233,290	2	\$	374,713	3
2130	Contract liabilities - current	6(19) and 12		30,617	-		-	-
2150	Notes payable			1,148	-		1,161	-
2170	Accounts payable			89,393	1		90,784	1
2200	Other payables	6(11)(27)		347,319	3		350,117	3
2230	Current income tax liabilities	6(25)		65,374	-		50,251	-
2310	Advance receipts	6(19)		-	-		28,896	-
2320	Long-term liabilities, current portion	6(12)(28) and 9		1,178,503	9		219,536	2
21XX	Total current liabilities			1,945,644	15		1,115,458	9
Non-current liabilities								
2540	Long-term borrowings	6(12) and 9		-	-		1,097,682	9
2570	Deferred income tax liabilities	6(25)		81	-		-	-
2640	Net defined benefit liabilities	6(13)		76,863	1		69,312	-
2645	Guarantee deposits received	6(28)		1,708	-		1,712	-
25XX	Total non-current liabilities			78,652	1		1,168,706	9
2XXX	Total liabilities			2,024,296	16		2,284,164	18
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(14)(17)		7,907,392	63		7,907,392	62
3200	Capital surplus	6(15)(16)		1,292,555	10		1,286,872	10
	Retained earnings	6(6)(14)(17)(24)						
3310	Legal reserve			568,302	4		526,065	4
3320	Special reserve			22,829	-		22,829	-
3350	Unappropriated earnings			708,338	6		693,832	6
3400	Other equity interest	6(18) and 12		39,616	1	(	19,765)	-
3XXX	Total equity			10,539,032	84		10,417,225	82
Significant contingent liabilities and unrecognised contract commitments		9						
3X2X	Total liabilities and equity		\$	12,563,328	100	\$	12,701,389	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 earnings per share amounts)

	Items	Notes	Year ended December 31			
			2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19) and 12	\$ 3,524,263	100	\$ 3,516,481	100
5000	Operating costs	6(5)(23)(24) and 9	(1,981,749)	(56)	(1,966,324)	(56)
5900	Net operating margin		<u>1,542,514</u>	<u>44</u>	<u>1,550,157</u>	<u>44</u>
	Operating expenses	6(8)(23)(24), 7, 9 and 12				
6100	Selling expenses		(146,931)	(4)	(145,756)	(4)
6200	General and administrative expenses		(524,047)	(15)	(531,163)	(15)
6300	Research and development expenses		(313,208)	(9)	(314,276)	(9)
6450	Gain on reversal of expected credit losses		<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses		<u>(984,102)</u>	<u>(28)</u>	<u>(991,195)</u>	<u>(28)</u>
6900	Operating profit		<u>558,412</u>	<u>16</u>	<u>558,962</u>	<u>16</u>
	Non-operating income and expenses					
7010	Other income	6(20) and 12	48,597	1	39,522	1
7020	Other gains and losses	6(2)(9)(21) and 12	(36,299)	(1)	(46,551)	(1)
7050	Finance costs	6(7)(22)(27)	(80,169)	(2)	(76,631)	(2)
7000	Total non-operating income and expenses		<u>(67,871)</u>	<u>(2)</u>	<u>(83,660)</u>	<u>(2)</u>
7900	Profit before income tax		<u>490,541</u>	<u>14</u>	<u>475,302</u>	<u>14</u>
7950	Income tax expense	6(25)	(47,563)	(1)	(52,935)	(2)
8200	Profit for the year		<u>\$ 442,978</u>	<u>13</u>	<u>\$ 422,367</u>	<u>12</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial (losses) gains on defined benefit plans	6(13)	(\$ 8,328)	-	\$ 316	-
8316	Unrealised losses from equity instrument measured at fair value through other comprehensive income	6(6)(18)	(67,722)	(2)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>1,763</u>	<u>-</u>	<u>(54)</u>	<u>-</u>
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	(21,487)	(1)	(16,311)	-
8300	Total other comprehensive loss for the year		<u>(\$ 95,774)</u>	<u>(3)</u>	<u>(\$ 16,049)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 347,204</u>	<u>10</u>	<u>\$ 406,318</u>	<u>12</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 442,978</u>	<u>13</u>	<u>\$ 422,367</u>	<u>12</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 347,204</u>	<u>10</u>	<u>\$ 406,318</u>	<u>12</u>
	Earnings per share (in dollars)	6(26)				
9750	Basic		<u>\$ 0.56</u>		<u>\$ 0.53</u>	
9850	Diluted		<u>\$ 0.56</u>		<u>\$ 0.53</u>	

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

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

		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 (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Notes									
For the year ended December 31, 2017									
		\$ 7,603,262	\$ 1,275,660	\$ 460,196	\$ 22,829	\$ 869,300	(\$ 3,454)	\$ -	\$ 10,227,793
		-	-	-	-	422,367	-	-	422,367
Other comprehensive income (loss) for the year ended December 31, 2017	6(18)	-	-	-	-	262	(16,311)	-	(16,049)
Total comprehensive income (loss) for the year ended December 31, 2017		-	-	-	-	422,629	(16,311)	-	406,318
Distribution of 2016 net income:									
Legal reserve		-	-	65,869	-	(65,869)	-	-	-
Cash dividends	6(17)	-	-	-	-	(228,098)	-	-	(228,098)
Stock dividends	6(14)(17)	304,130	-	-	-	(304,130)	-	-	-
Employee stock option compensation cost	6(15)(16)	-	11,212	-	-	-	-	-	11,212
Balance at December 31, 2017		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765)	\$ -	\$ 10,417,225
For the year ended December 31, 2018									
		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765)	\$ -	\$ 10,417,225
Effect on retrospective application and restatement	6(18) and 12	-	-	-	-	-	-	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 year ended December 31, 2018		-	-	-	-	442,978	-	-	442,978
Other comprehensive loss for the year ended December 31, 2018	6(6)(18)	-	-	-	-	(6,565)	(21,487)	(67,722)	(95,774)
Total comprehensive income (loss) for the year ended December 31, 2018		-	-	-	-	436,413	(21,487)	(67,722)	347,204
Distribution of 2017 net income:									
Legal reserve		-	-	42,237	-	(42,237)	-	-	-
Cash dividends	6(17)	-	-	-	-	(379,555)	-	-	(379,555)
Employee stock option compensation cost	6(15)(16)	-	5,683	-	-	-	-	-	5,683
Disposal of equity instruments at fair value through other comprehensive income	6(6)(18)	-	-	-	-	(115)	-	115	-
Balance at December 31, 2018		\$ 7,907,392	\$ 1,292,555	\$ 568,302	\$ 22,829	\$ 708,338	(\$ 41,252)	\$ 80,868	\$ 10,539,032

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

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

	Notes	For the years ended December 31,	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 490,541	\$ 475,302
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on valuation of financial assets and liabilities		(409)	(2,822)
Gain on reversal of expected credit losses	12	(84)	-
Reversal of allowance for doubtful accounts	6(20) and 12	-	(516)
(Reversal of allowance for) loss on inventory market price decline	6(5)	(28,851)	53,212
Provision for obsolescence of supplies		8,980	11,088
Depreciation	6(7)(23)	395,379	423,322
Property, plant and equipment transferred to loss	6(7)	14,349	-
Loss on disposal of property, plant and equipment	6(21)	75	300
Gain on reversal of impairment loss	6(7)(9)(21)	(2,273)	(3,741)
Amortisation	6(23)	10,442	9,217
Amortisation of long-term prepaid rent	6(8)	1,858	1,835
Employee stock option compensation cost	6(15)(16)	5,683	11,212
Interest income	6(20)	(33,234)	(25,083)
Interest expense	6(22)	80,169	76,631
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		8,453	71,604
Other receivables		92,033	422
Inventories		340,142	101,410
Prepayments		7,320	83,456
Changes in operating liabilities			
Contract liabilities - current		1,721	-
Notes payable		(13)	160
Accounts payable		(1,391)	21,054
Other payables		6,429	(34,800)
Advance receipts		-	(33,488)
Net defined benefit liabilities - non-current		(777)	(425)
Cash inflow generated from operations		1,396,542	1,239,350
Interest received		31,668	24,938
Interest paid		(76,487)	(87,051)
Income tax paid		(120,129)	(205,523)
Net cash flows from operating activities		1,231,594	971,714

(Continued)

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

	Notes	For the years ended December 31, 2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost - current		(\$ 1,214,112)	\$ -
Proceeds from disposal of financial assets at amortised cost		1,035,497	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	3,733	-
Increase in financial assets carried at cost - non-current		-	(27,008)
Cash paid for acquisition of property, plant and equipment	6(27)	(51,290)	(289,479)
Interest paid for acquisition of property, plant and equipment	6(7)(22)(27)	-	(10,964)
Proceeds from disposal of property, plant and equipment		79	50
Acquisition of intangible assets		(4,076)	(8,625)
Increase in prepayment for equipment		(71,681)	(101,859)
Decrease in guarantee deposits paid		2,294	560
Increase in other financial assets - non-current		(439)	-
Net cash flows used in investing activities		(299,995)	(437,325)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(28)	(137,723)	(583,878)
Increase in long-term borrowings	6(28)	163,736	572,084
Decrease in long-term borrowings	6(28)	(273,493)	(54,023)
Decrease in guarantee deposits received	6(28)	(2)	(19,999)
Payment of cash dividends	6(17)	(379,555)	(228,098)
Net cash flows used in financing activities		(627,037)	(313,914)
Effect of foreign exchange rate changes		(12,015)	(16,835)
Net increase in cash and cash equivalents		292,547	203,640
Cash and cash equivalents at beginning of year	6(1)	3,910,791	3,707,151
Cash and cash equivalents at end of year	6(1)	\$ 4,203,338	\$ 3,910,791

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (“API”), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.
- (3) Uni-President Enterprises Corp., the Company’s ultimate parent company, holds 37.94% equity interest in the Company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 25, 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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, 'Financial instruments'

- A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- C. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4)B.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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'

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2019, the Group expects to increase right-of-use asset by \$975,606 and lease liability by \$900,288, and decrease long-term prepaid rent by \$75,318 using the modified retrospective approach.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to 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”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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
			December 31, 2018	December 31, 2017	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
SPT International, Ltd.	SciAnda (Kunshan) Biochemical Technology Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	—
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale of self-produced products, etc.	100.00	100.00	—
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	—

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains and losses”.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) 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 structured 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. 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) Operating leases (lessee)

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

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment

loss shall be reversed to the extent of the loss previously recognised in profit or loss. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

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

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The

rate used to discount is determined by using interest of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

C. Employees' compensation and directors' remuneration

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

(23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells API, intermediates, etc. Sales are recognised when control of the products has transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue is recognised based on the price specified in the contract, net of the sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an

assessment at each reporting date. 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.

(28) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical 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 December 31, 2018, the carrying amount of inventories was \$1,363,797.

B. Realisability of deferred income tax assets

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

(b) As of December 31, 2018, the Group recognised deferred income tax assets amounting to \$593,103.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash:		
Cash on hand	\$ 138	\$ 235
Checking accounts and demand deposits	<u>289,723</u>	<u>287,317</u>
	<u>289,861</u>	<u>287,552</u>
Cash equivalents:		
Time deposits	3,633,833	3,385,448
Bill under repurchase agreements	<u>279,644</u>	<u>237,791</u>
	<u>3,913,477</u>	<u>3,623,239</u>
	<u>\$ 4,203,338</u>	<u>\$ 3,910,791</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 - non-current") as of December 31, 2018 and 2017 are provided in Note 8.

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

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

A. The Group recognised net loss of \$18,000 on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the year ended December 31, 2018.

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):

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

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

C. The Group has no financial assets at fair value through profit or loss pledged to others as of December 31, 2018.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

E. Information on financial liabilities at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) FINANCIAL ASSETS AT AMORTISED COST - CURRENT

<u>Items</u>	<u>December 31, 2018</u>
Structured deposits	\$ 178,615

A. The Group entered into structured deposits, which are guaranteed yield financial products, with financial institutions.

B. The Group recognised interest income of \$10,166 from financial assets at amortised cost for the year ended December 31, 2018.

C. The Group has no financial assets at amortised cost pledged to others as of December 31, 2018.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) ACCOUNTS RECEIVABLE, NET

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 558,995	\$ 567,448
Less: Loss allowance	(45)	(130)
	<u>\$ 558,950</u>	<u>\$ 567,318</u>

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

	December 31, 2018	December 31, 2017
Not past due	\$ 520,461	\$ 437,913
Less than 30 days	34,841	121,829
Between 31 to 90 days	<u>3,693</u>	<u>7,706</u>
	<u>\$ 558,995</u>	<u>\$ 567,448</u>

The above ageing analysis is based on past due date.

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

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$558,950 and \$567,318, respectively.

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

E. Information relating to credit risk of accounts receivable as of December 31, 2017 is provided in Note 12(4).

(5) INVENTORIES

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	<u>867,614</u>	<u>(287,763)</u>	<u>579,851</u>
	<u>\$ 1,889,295</u>	<u>(\$ 525,498)</u>	<u>\$ 1,363,797</u>

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

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

	For the years ended December 31,	
	2018	2017
Cost of goods sold	\$ 1,682,408	\$ 1,509,589
Loss on physical inventory	4,018	6,198
Loss on inventory scrap	4,952	42,367
Under applied manufacturing overhead	246,150	291,135
(Reversal of allowance for) loss on inventory market price decline (Note)	(28,851)	53,212
Total cost of goods sold	<u>\$ 1,908,677</u>	<u>\$ 1,902,501</u>

Note: The Group reversed 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	December 31, 2018
Equity instruments	
Listed stocks	\$ 219,576
Unlisted stocks	<u>167,673</u>
	387,249
Valuation adjustment	<u>80,868</u>
	<u>\$ 468,117</u>

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$468,117 as at December 31, 2018.
- B. As the underlying share price of investment target is higher than the underwriting price of the over-allotment, the over-allotment shares was fully refunded. The Group sold \$3,733 of Foresee Pharmaceuticals Co., Ltd. investment at fair value which resulted in cumulative loss of \$115 on disposal and reclassified to retained earnings during the year ended December 31, 2018.
- C. 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 year ended December 31, 2018
Fair value change recognised in other comprehensive income	<u>(\$ 67,722)</u>
Cumulative losses reclassified to retained earnings due to derecognition	<u>\$ 115</u>

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2018.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- F. Information on financial assets carried at cost as of December 31, 2017 is provided in Note 12(4).

(7) PROPERTY, PLANT AND EQUIPMENT

						Construction in progress and equipment before acceptance inspection	
<u>January 1, 2018</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>		<u>Total</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 year ended December 31, 2018</u>							
At January 1	\$ 2,577,534	\$ 1,363,451	\$ 3,289	\$ 42,680	\$ 42,403	\$ 1,059,356	\$ 5,088,713
Additions	-	6,287	-	-	-	32,094	38,381
Reclassified from prepayments for equipment	-	-	-	-	-	72,851	72,851
Reclassified upon completion	9,858	73,691	732	6,995	2,496	(93,772)	-
Transferred to loss	-	-	-	-	-	(14,349)	(14,349)
Depreciation charge	(147,766)	(219,079)	(1,727)	(16,956)	(9,851)	-	(395,379)
Disposals — Cost	-	(2,551)	(1,059)	(721)	(1,083)	-	(5,414)
— Accumulated depreciation	-	2,551	1,059	676	974	-	5,260
Reversal of impairment loss	-	2,322	-	(34)	(15)	-	2,273
Net currency exchange differences	(21,465)	(10,987)	(19)	(214)	(804)	(1)	(33,490)
At December 31	<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>December 31, 2018</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>

						Construction in progress and equipment before acceptance	
	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	inspection	Total
<u>January 1, 2017</u>							
Cost	\$ 2,948,766	\$ 4,853,501	\$ 28,601	\$ 213,075	\$ 154,986	\$ 1,610,548	\$ 9,809,477
Accumulated depreciation	(820,361)	(3,491,593)	(22,848)	(152,407)	(98,730)	-	(4,585,939)
Accumulated impairment	-	(14,640)	-	-	-	-	(14,640)
	<u>\$ 2,128,405</u>	<u>\$ 1,347,268</u>	<u>\$ 5,753</u>	<u>\$ 60,668</u>	<u>\$ 56,256</u>	<u>\$ 1,610,548</u>	<u>\$ 5,208,898</u>
<u>For the year ended December 31, 2017</u>							
At January 1	\$ 2,128,405	\$ 1,347,268	\$ 5,753	\$ 60,668	\$ 56,256	\$ 1,610,548	\$ 5,208,898
Additions	340	2,875	-	80	11	262,454	265,760
Reclassified from prepayments for equipment	-	-	-	-	-	56,122	56,122
Reclassified upon completion	585,165	256,234	-	6,411	2,424	(850,234)	-
Depreciation charge	(138,369)	(243,242)	(2,344)	(24,171)	(15,196)	-	(423,322)
Disposals — Cost	-	(23,600)	(1,266)	(4,430)	(783)	-	(30,079)
— Accumulated depreciation	-	23,467	1,177	4,380	705	-	29,729
Reversal of impairment loss	-	3,741	-	-	-	-	3,741
Net currency exchange differences	1,993	(3,292)	(31)	(258)	(1,014)	(19,534)	(22,136)
At December 31	<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>December 31, 2017</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>

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

	For the years ended December 31,	
	2018	2017
Amount capitalised	\$ -	\$ 10,964
Interest rate	—	4.09% ~ 4.70%

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

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

(8) LONG-TERM PREPAID RENT

	December 31, 2018	December 31, 2017
Land use right	\$ 75,318	\$ 79,009

In 2008, the Group's Mainland China subsidiary entered into a land use right contract with the local government relating to the acquisition of the right to use the land located in Changshu, Jiangsu province, with a lease term of 50 years. The subsidiary had prepaid all rental expenses on the contract date, and recognised rental expenses of \$1,858 and \$1,835 for the years ended December 31, 2018 and 2017, respectively (listed as "General and administrative expenses").

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Group reversed the impairment loss amounting to \$2,273 and \$3,741 for the years ended December 31, 2018 and 2017, 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:

Segments	For the years ended December 31,			
	2018		2017	
	Recognised in other		Recognised in other	
	Recognised in profit or loss	comprehensive income	Recognised in profit or loss	comprehensive income
ScinoPharm Taiwan	\$ 2,322	\$ -	\$ 3,741	\$ -
SciAnda (Changshu)	(49)	-	-	-
	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 3,741</u>	<u>\$ -</u>

(10) SHORT-TERM BORROWINGS

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

Please refer to Note 6(22) for interest expense recognised in profit or loss for the years ended December 31, 2018 and 2017, respectively.

(11) OTHER PAYABLES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accrued salaries and bonuses	\$ 126,736	\$ 126,492
Payables on equipment	41,417	54,326
Others	179,166	169,299
	<u>\$ 347,319</u>	<u>\$ 350,117</u>

(12) LONG-TERM BORROWINGS

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

(13) PENSIONS

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 121,105	\$ 119,272
Fair value of plan assets	(44,242)	(49,960)
Net defined benefit liability	<u>\$ 76,863</u>	<u>\$ 69,312</u>

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

For the year ended December 31, 2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 119,272	(\$ 49,960)	\$ 69,312
Current service cost	1,425	-	1,425
Interest expense (income)	1,431	(600)	831
	<u>122,128</u>	<u>(50,560)</u>	<u>71,568</u>
Remeasurements:			
Return on plan assets	-	(1,417)	(1,417)
Change in financial assumptions	2,606	-	2,606
Experience adjustments	7,139	-	7,139
	<u>9,745</u>	<u>(1,417)</u>	<u>8,328</u>
Pension fund contribution	-	(3,033)	(3,033)
Paid pension	(10,768)	10,768	-
At December 31	<u>\$ 121,105</u>	<u>(\$ 44,242)</u>	<u>\$ 76,863</u>

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

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2018	2017
Discount rate	1.00%	1.20%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2018 and 2017.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 3,246)	\$ 3,367	\$ 2,991	(\$ 2,905)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 3,195)	\$ 3,319	\$ 2,955	(\$ 2,866)

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

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

(f) Expected contributions to the defined benefit pension plan of the Company for 2019 is \$3,066.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	4,085
2~5 years		19,302
Over 6 years		121,364
	\$	<u>144,751</u>

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (SciAnda (Kunshan) Biochemical Technology, Ltd., SciAnda (Changshu) Pharmaceuticals, Ltd., and SciAnda Shanghai Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the years ended December 31, 2018 and 2017, the pension costs recognised under the aforementioned defined contribution pension plans were \$30,958 and \$33,162, respectively.

(14) SHARE CAPITAL

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

	For the years ended December 31,	
	2018	2017
At January 1	790,739	760,326
Capitalisation of retained earnings	-	30,413
At December 31	790,739	790,739

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

C. As of December 31, 2018, the Company's authorised capital was \$10,000,000 and the paid-in capital was \$7,907,392 (790,739 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) CAPITAL RESERVES

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be 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 year ended December 31, 2018		
	Share premium	Stock options	Total
At January 1	\$ 1,235,148	\$ 51,724	\$ 1,286,872
Employee stock options compensation cost			
- Company	-	5,683	5,683
Employee stock options forfeited	2,639	(2,639)	-
At December 31	\$ 1,237,787	\$ 54,768	\$ 1,292,555

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

(16) SHARE-BASED PAYMENT

- A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the 'Grant Date'). The exercise price of the options was set at \$91.70 (in dollars), \$41.65 (in dollars) and \$40.55 (in dollars), respectively, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of December 31, 2018, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to \$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 \$5,683 and \$11,212 for the years ended December 31, 2018 and 2017, respectively.
- B. Details of the share-based payment arrangements are as follows:

	For the year ended December 31, 2018	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,075	\$ 46.53
Options forfeited	(350)	44.56
Options outstanding at end of the year	2,725	46.08
Options exercisable at end of the year	1,908	54.00
	For the year ended December 31, 2017	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,457	\$ 48.03
Options forfeited	(382)	46.10
Options outstanding at end of the year	3,075	46.53
Options exercisable at end of the year	1,198	60.97

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

Grant date	Expiry date	December 31, 2018		December 31, 2017	
		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	572	\$ 75.90	624	\$ 77.10
11.6.2015	11.5.2025	1,037	37.90	1,147	38.50
10.14.2016	10.13.2026	1,116	38.40	1,304	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.

(17) 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. The Company recognised cash dividends and stock dividends distributed to owners amounting to \$228,098 (\$0.30 (in dollars) per share) and \$304,130 (\$0.40 (in dollars) per share) for the year ended December 31, 2017, respectively. On March 25, 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.

(18) OTHER EQUITY ITEMS

For the year ended December 31, 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	-	(67,722)	(67,722)
Revaluation transferred to retained earnings	-	115	115
Currency translation differences - group	(21,487)	-	(21,487)
At December 31	<u>(\$ 41,252)</u>	<u>\$ 80,868</u>	<u>\$ 39,616</u>

For the year ended December 31, 2017			
Unrealised gain (loss)			
	Currency translation	on valuation	Total
At January 1	(\$ 3,454)	\$ -	(\$ 3,454)
Currency translation differences - group	(16,311)	-	(16,311)
At December 31	<u>(\$ 19,765)</u>	<u>\$ -</u>	<u>(\$ 19,765)</u>

(19) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2018	API Revenue	Technical Service Revenue	Other Operating Revenue	Total
Timing of revenue recognition:				
At a point in time	\$ 3,332,373	\$ -	\$ -	\$ 3,332,373
Over time	-	152,220	39,670	191,890
	<u>\$ 3,332,373</u>	<u>\$ 152,220</u>	<u>\$ 39,670</u>	<u>\$ 3,524,263</u>

- B. The Group has recognised contract liabilities related to the contract revenue from advance customer payment of \$30,617 on December 31, 2018.
- C. The revenue recognised that was included in the contract liability balance (listed as “Advance receipts”) at the beginning of the year amounted to \$9,657 for the year ended December 31, 2018.
- D. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5).

(20) OTHER INCOME

	For the years ended December 31,	
	2018	2017
Interest income	\$ 33,234	\$ 25,083
Gain on reversal of allowance	-	516
Compensation revenue	9,051	6,003
Others	6,312	7,920
	<u>\$ 48,597</u>	<u>\$ 39,522</u>

(21) OTHER GAINS AND LOSSES

	For the years ended Decemer 31,	
	2018	2017
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 18,000)	\$ 10,917
Loss on disposal of property, plant and equipment	(75)	(300)
Gain on reversal of impairment loss	2,273	3,741
Net currency exchange gain (loss)	8,029	(45,595)
Miscellaneous	(28,526)	(15,314)
	<u>(\$ 36,299)</u>	<u>(\$ 46,551)</u>

(22) FINANCE COSTS

	For the years ended December 31,	
	2018	2017
Interest expense:		
Bank loans	\$ 80,169	\$ 87,595
Less: Capitalisation of qualifying assets	-	(10,964)
	<u>\$ 80,169</u>	<u>\$ 76,631</u>

(23) EXPENSES BY NATURE

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 414,290	\$ 348,215	\$ 762,505
Depreciation	278,559	116,820	395,379
Amortisation	3,932	6,510	10,442
	<u>\$ 696,781</u>	<u>\$ 471,545</u>	<u>\$ 1,168,326</u>

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

(24) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 349,562	\$ 295,511	\$ 645,073
Labor and health insurance expenses	29,327	20,796	50,123
Pension costs	19,979	13,235	33,214
Other personnel expenses	15,422	18,673	34,095
	<u>\$ 414,290</u>	<u>\$ 348,215</u>	<u>\$ 762,505</u>

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 370,547	\$ 322,875	\$ 693,422
Labor and health insurance expenses	31,219	21,162	52,381
Pension costs	21,905	13,892	35,797
Other personnel expenses	19,588	19,726	39,314
	<u>\$ 443,259</u>	<u>\$ 377,655</u>	<u>\$ 820,914</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 years ended December 31, 2018 and 2017, the employees' compensation was accrued at \$46,765 and \$48,877, respectively, while the directors' remuneration was accrued at \$7,840 and \$7,608, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 25, 2019, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of \$46,765 and \$7,840, respectively, and the employees' compensation will be distributed in the form of cash.

The actual amounts approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2017 was the same as the estimated amounts recognised in the 2017 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.

(25) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current income tax:		
Income tax in current year	\$ 135,808	\$ 141,200
Tax on unappropriated retained earnings	84	5,446
Over provision of prior year's income tax	(640)	(3,624)
Total current tax	<u>135,252</u>	<u>143,022</u>
Deferred income tax:		
Origination and reversal of temporary differences	(25,072)	(90,087)
Impact of change in tax rate	(62,617)	-
Total deferred tax	<u>(87,689)</u>	<u>(90,087)</u>
Income tax expense	<u>\$ 47,563</u>	<u>\$ 52,935</u>

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

	For the years ended December 31,	
	2018	2017
Remeasurement of defined benefit obligations plan	(\$ 1,667)	\$ 54
Impact of change in tax rate	(96)	-
	<u>(\$ 1,763)</u>	<u>\$ 54</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Income tax at statutory tax rate	\$ 89,887	\$ 80,801
Effect of items disallowed by tax regulation	49,474 (	9,946)
Impact of change in tax rate	(62,617)	-
Effect of net operating loss carryforward	(25,413) (	19,309)
Effect of investment tax credits	(3,212) (	433)
Tax on unappropriated retained earnings	84	5,446
Over provision of prior year's income tax	(640)	(3,624)
Income tax expense	<u>\$ 47,563</u>	<u>\$ 52,935</u>

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

For the year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unrealised loss on inventory				
market value decline	\$ 73,417	\$ 4,789	\$ -	\$ 78,206
Investment loss	249,018	105,190	-	354,208
Technology know-how	14,174	(1,848)	-	12,326
Pensions	11,783	1,827	1,763	15,373
Employee benefits - unused				
compensated absences	3,996	816	-	4,812
Impairment of assets	1,853	(137)	-	1,716
Unrealised exchange loss	1,135	(324)	-	811
Unrealised equipment loss	-	2,870	-	2,870
Loss carryforward	148,194	(25,413)	-	122,781
	<u>\$ 503,570</u>	<u>\$ 87,770</u>	<u>\$ 1,763</u>	<u>\$ 593,103</u>
Deferred tax liabilities:				
Temporary differences:				
Unrealised loss on financial				
liabilities	\$ -	(\$ 81)	\$ -	(\$ 81)
	<u>\$ 503,570</u>	<u>\$ 87,689</u>	<u>\$ 1,763</u>	<u>\$ 593,022</u>

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

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

December 31, 2017			
		Unrecognised	
Qualifying items	Unused tax credits	deferred tax assets	Expiry year
Research and development expenditures	<u>\$ 7,677</u>	<u>\$ 7,677</u>	2018

December 31, 2018: None.

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

December 31, 2018				
Year incurred	Amount filed /assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2014~2018	<u>\$ 1,250,193</u>	<u>\$ 1,245,459</u>	<u>\$ 754,334</u>	2019~2023
December 31, 2017				
Year incurred	Amount filed /assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2013~2017	<u>\$ 1,267,104</u>	<u>\$ 1,267,104</u>	<u>\$ 674,327</u>	2018~2022

F. 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 March 25, 2019.

G. 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.

(26) EARNINGS PER SHARE ("EPS")

For the year ended December 31, 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	<u>\$ 442,978</u>	<u>790,739</u>	<u>\$ 0.56</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 442,978	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	<u>-</u>	<u>2,343</u>	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 442,978</u>	<u>793,082</u>	<u>\$ 0.56</u>

For the year ended December 31, 2017			
		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	\$ 422,367	790,739	\$ 0.53
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 422,367	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,839	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 422,367	792,578	\$ 0.53

For the years ended December 31, 2018 and 2017, some abovementioned stock options issued are anti-dilutive, therefore they were not included in the EPS calculation.

(27) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	\$ 38,381	\$ 265,760
Add: Beginning balance of payable on equipment (listed as "Other payables")	54,326	89,009
Less: Ending balance of payable on equipment (listed as "Other payables") (	41,417) (	54,326)
Capitalisation of interest	-	10,964)
Cash paid for acquisition of property, plant and equipment	\$ 51,290	\$ 289,479

B. Investing activities with no cash flow effects:

	For the years ended December 31,	
	2018	2017
Prepayments for equipment reclassified to property, plant and equipment	\$ 72,851	\$ 56,122

(28) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	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	(137,723)	(109,757)	(2)	(247,482)
Impact of changes in foreign exchange rate	(3,700)	(28,958)	(2)	(32,660)
At December 31, 2018	<u>\$ 233,290</u>	<u>\$ 1,178,503</u>	<u>\$ 1,708</u>	<u>\$ 1,413,501</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

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

(3) Significant transactions and balances with related parties

Other expenses

	For the years ended December 31,	
	2018	2017
Management service fees:		
— Ultimate parent company	\$ 5,138	\$ 5,439
— Associate of ultimate parent company	2,115	2,051
	<u>\$ 7,253</u>	<u>\$ 7,490</u>

(4) Key management compensation

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 48,946	\$ 54,722
Share-based payments	2,794	4,156
Post-employment benefits	581	621
Termination benefits	1,746	1,450
	<u>\$ 54,067</u>	<u>\$ 60,949</u>

8. PLEDGED ASSETS

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

Assets	December 31, 2018	December 31, 2017	Purpose of collateral
Time deposits (Note)	<u>\$ 29,270</u>	<u>\$ 28,831</u>	Customs duty and performance guarantee

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of December 31, 2018 and 2017, the Group's unused letters of credit amounted to \$3,571 and \$4,952, respectively.
- (2) As of December 31, 2018 and 2017, the Group's remaining balance due for construction in progress and prepayments for equipment was \$102,016 and \$132,783, 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 the 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 equipment 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 39,871 and \$22,276 (listed as "operating costs" and "operating expenses") was recognised in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</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>357,586</u>
	<u>\$ 457,057</u>	<u>\$ 475,471</u>

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

	<u>Nature</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount		
		<u>\$ 2,499,643</u>	<u>\$ 2,543,275</u>

As of December 31, 2018 and 2017, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$1,178,504 and \$1,317,219, 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 Notes 6 and 12(4) .

B. Risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from

the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

- (ii) To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- (iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2018			
(Foreign currency functional currency)	Foreign currency		Book value
	amount (in thousands)	Exchange rate	(NTD)
<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

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

- (iv) As of December 31, 2018 and 2017, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2018 and 2017 would increase/decrease by \$30,045 and \$28,965, respectively. If the NTD:EUR and NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2018 and 2017 is immaterial.
- (v) Total exchange gain (loss) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to \$8,029 and (\$45,595), 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 years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in USD and CNY.
- (ii) The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (iii) If the borrowing interest rates had increased/decreased by 10% with all other variables

held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$643 and \$362, 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 year ended December 31, 2018
At January 1	\$ 130
Gain on reversal of expected credit losses	(84)
Impact of foreign exchange rate	(1)
At December 31	<u>\$ 45</u>

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

(c) Liquidity risk

- I. Cash flow forecasting is performed by the Group's treasury department which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet

operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. The Group has undrawn borrowing facilities amounting to \$5,519,200 and \$5,836,733 as of December 31, 2018 and 2017, respectively.

III. The following table comprises the Group's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are 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.

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

(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 payable, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

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

<u>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

December 31, 2017: None.

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:

	<u>Listed shares</u>
Market quoted price	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. Foresee Pharmaceuticals Co., Ltd. has been listed on the Taipei Exchange from June, 2018, therefore, the Group transferred the fair value from Level 2 to Level 1 at the end of the month when the event occurred. For the year ended December 31, 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
	Equity instrument	Equity instrument
At January 1	\$ -	\$ -
Effect on retrospective application and restatement	242,355	-
Balance after restatement on January 1	242,355	-
Loss recognised in other comprehensive income	(42,309)	-
At December 31	\$ 200,046	\$ -

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 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

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, other comprehensive income for the year ended December 31, 2018 is immaterial.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Available for sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(c) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

- (iv) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
 - (i) Financial assets carried at cost

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

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
- (d) Financial liabilities at fair value through profit or loss
 - i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
 - (i) Hybrid (combined) contracts; or
 - (ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

- (iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- ii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.
- B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:
- Under IFRS 9, financial assets carried at cost amounting to \$391,097 were not held for the purpose of trading, and the Group has made an irrevocable election to reclassify as “Financial assets at fair value through other comprehensive income” amounting to \$539,572, and increased other equity interest in the amount of \$148,475.
- C. The significant accounts as of and for the year ended December 31, 2017 are as follows:
- (a) Financial assets carried at cost - non-current

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

- i. The Group classified some of its equity investments as available-for-sale financial assets, based on its intention. However, as these stocks are not traded in an active market, and there is no sufficient information of similar companies in the industry, fair value of the investments cannot be measured reliably. Accordingly, the Group classified those stocks as “financial assets carried at cost”.
- ii. As of December 31, 2017, no financial assets carried at cost held by the Group were pledged to others.
- (b) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2017</u>
Current items:	
Financial assets held for trading	
Non-hedging derivatives	\$ <u><u>-</u></u>

- i. The Group recognised net gain of \$10,917 on financial liabilities held for trading (listed as “Other gains and losses”) for the year ended December 31, 2017.
- ii. The Group entered into forward foreign contracts to hedge exchange rate risk of operating

activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

D. Credit risk information as of December 31, 2017 is as follows:

(a) As of December 31, 2017, the Group had no accounts receivable classified as “past due but not impaired”.

(b) Movements on the provision for impairment of accounts receivable are as follows:

	For the year ended December 31, 2017
	Group provision
At January 1	\$ 647
Reversal for impairment (Note)	(516)
Effects of exchange rate	(1)
At December 31	\$ 130

Note: Listed as "Other income".

(c) The Group’s accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties’ industrial characteristics, business scale and profitability.

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

(e) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

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

(a) Sales of goods

The Group manufactures and sells API and intermediates, etc. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognised when

the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) Sales of services

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

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Sales revenue	\$ 3,436,755
Less: Sales returns	(224,923)
Net sales revenue	3,211,832
Technical services	164,596
Other operating revenue	140,053
	<u>\$ 3,516,481</u>

C. If the Group continues adopting above accounting policies for the year ended December 31, 2018, the effect and description on current balance sheet are as follows. The effect on the statement of comprehensive income is immaterial.

Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of December 31, 2018, the balance amounted to \$30,617.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2018.

(1) Significant transactions information

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

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

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

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: 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 5.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

For the year ended December 31, 2018				
	ScinoPharm	SciAnda (Changshu)		
	Taiwan, Ltd.	Pharmaceuticals Ltd.	Others	Total
Segment revenue	\$ 3,470,109	\$ 259,005	\$ 34,714	\$ 3,763,828
Revenue from internal customers	10,737	201,469	27,359	239,565
Revenue from external customers	3,459,372	57,536	7,355	3,524,263
Interest income	20,677	5,675	6,882	33,234
Depreciation and amortisation	289,601	116,217	3	405,821
Interest expense	4,456	75,713	-	80,169
Income (loss) from segment before income tax	773,883	(276,395)	12,928	510,416
Segment assets	10,429,274	1,976,417	445,674	12,851,365
Other acquisition of non-current assets	104,389	9,749	-	114,138
Segment liabilities	635,790	1,612,949	2,084	2,250,823

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

(4) Reconciliation for segment

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

		For the years ended December 31,	
		2018	2017
Reportable segments profit before income tax	\$	497,488	\$ 473,793
Other segments income (loss) before income tax		12,928	(4,298)
Internal segments transaction elimination	(	19,875)	5,807
Profit before income tax	\$	490,541	\$ 475,302

- B. The amount of total assets provided to the Chief Operating Decision-Maker adopts the same measurement for assets in the Group's financial statements. A reconciliation of assets of reportable segments and total assets is as follows:

	December 31, 2018	December 31, 2017
Assets of reportable segments	\$ 12,405,691	\$ 12,587,821
Assets of other operating segments	445,674	216,681
Internal segment transaction elimination	(288,037)	(103,113)
Total assets	<u>\$ 12,563,328</u>	<u>\$ 12,701,389</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:

	December 31, 2018	December 31, 2017
Liabilities of reportable segments	\$ 2,248,739	\$ 2,573,785
Liabilities of other operating segments	2,084	722
Internal segment transaction elimination	(226,527)	(290,343)
Total liabilities	<u>\$ 2,024,296</u>	<u>\$ 2,284,164</u>

(5) Information on product and service

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

	For the years ended December 31,	
	2018	2017
Revenue from sales of products	\$ 3,332,373	\$ 3,211,832
Revenue from technical services	152,220	164,596
Others	39,670	140,053
	<u>\$ 3,524,263</u>	<u>\$ 3,516,481</u>

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 78,775	\$ 3,488,914	\$ 102,032	\$ 3,686,153
USA	1,488,676	-	1,343,964	-
India	348,813	-	388,386	-
Asia	367,880	1,470,872	521,445	1,615,432
Europe	1,201,155	-	1,126,095	-
Others	38,964	-	34,559	-
	<u>\$ 3,524,263</u>	<u>\$ 4,959,786</u>	<u>\$ 3,516,481</u>	<u>\$ 5,301,585</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	<u>For the year ended December 31, 2018</u>		<u>For the year ended December 31, 2017</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 761,592	ScinoPharm Tawian, Ltd.	\$ 1,008,847	ScinoPharm Tawian, Ltd.
B	482,593	ScinoPharm Tawian, Ltd.	143,772	ScinoPharm Tawian, Ltd.
C	<u>381,600</u>	ScinoPharm Tawian, Ltd.	<u>143,454</u>	ScinoPharm Tawian, Ltd.
	<u>\$ 1,625,785</u>		<u>\$ 1,296,073</u>	

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 327,272	\$ 178,615	\$ 178,615	2.2%~3.0%	2	\$ -	Additional operating capital and loan repayment	\$ -	—	\$ -	\$ 422,425	\$ 422,425	—

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 1:4.465).

ScinoPharm Taiwan, Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor (Note 1)	(Note 2)						(Note 2)				
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,539,032	\$ 2,593,428	\$ 2,499,643	\$ 1,178,504	\$ -	23.72%	\$ 10,539,032	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 100% 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 1:4.465 ; USD:NTD 1:30.715).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

December 31, 2018

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				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	\$ 200,046	16.84%	\$ 200,046	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,711,269	268,071	5.34%	268,071	—
	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	-	178,615	-	-	—

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 year ended December 31, 2018

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
ScinoPharm Taiwan, Ltd.	Stocks: SPT International, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	66,525	\$ 664,038	14,000	\$ 430,010	-	\$ -	\$ -	\$ -	- (\$ 348,596)	80,525	\$ 745,452	
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	-	260,930	-	430,010	-	-	-	-	- (327,472)	-	363,468	
SciAnda (Changshu) Pharmaceuticals, Ltd.	Structured Products: Industrial and Commercial Bank of China, E- Principal-Guaranteed Products	Financial assets at amortised cost - current	—	—	-	-	-	411,717	-	416,116 (	411,717)	4,399	-	-	-	-
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank(China) Co.,Ltd. Structured Products	Financial assets at amortised cost - current	—	—	-	-	-	578,845	-	403,974 (	400,230)	3,744	-	-	-	178,615

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the year ended December 31, 2018

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 (SPT International, Ltd.)	Purchases	\$ 193,686	22%	Closes its accounts 90 days from the end of each month after acceptance	\$ -	—	(\$ 28,821)	(25%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(193,686)	(75%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	28,821	77%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

December 31, 2018

Table 6

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018		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	\$ 178,756	—	\$ —	—	\$ —	\$ —

Note : Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at December 31, 2018 (CNY:NTD 1:4.465).

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

Table 7

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transactions		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount		
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 193,686	Closes its accounts 90 days from the end of each month after acceptance	5%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	28,821	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	2,499,643	—	20%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	178,756	—	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 1:4.465 ; USD:NTD 1:30.715).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 2,473,314	\$ 2,043,304	80,524,644	100.00	\$ 745,452	(\$ 286,374)	(\$ 306,248)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	96	16	16	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 1:30.715).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China—Basic information

For the year ended December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	\$ 122,860	(Note 1)	\$ 114,396	\$ -	\$ -	\$ 114,396	\$ 10,677	100%	\$ 10,677	\$ 422,425	\$ -	Subsidiary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	2,288,268	(Note 1)	1,858,258	430,010	-	2,288,268	(295,758)	100%	(295,758)	363,468	-	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	36,858	(Note 1)	36,858	-	-	36,858	(1,093)	100%	(1,093)	17,301	-	Subsidiary
<u>Company name</u>	<u>as of December 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)</u>										
ScinoPharm Taiwan, Ltd.	\$ 2,477,119	\$ 2,477,119	\$ 6,323,419										

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

Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2018 was based on audited financial statements of investee companies as of and for the year ended December 31, 2018.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:30.715).

Appendix B

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of ScinoPharm Taiwan, Ltd. (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company’s parent company only financial statements of 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters for the parent company only financial statements of the current period are stated as follows:

Cutoff of export revenue

Description

Refer to Note 4(27) to the parent company only financial statements for accounting policy on revenue recognition.

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

How our audits addressed the matter

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

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

Inventory valuation

Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2)1 for the uncertainty of accounting estimates and assumptions applied in inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2018, the balances of inventory and allowance for inventory valuation losses were \$1,634,620 thousand and \$391,032 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of API. 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 the product launch may be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold under normal terms, the Company measures inventories at the lower of cost and net realisable value. For inventories aging over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turnover. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audits addressed the matter

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

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

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

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

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

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

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

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

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

March 25, 2019

The accompanying parent company only 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 parent company only 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.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,075,456	36	\$ 3,675,824	33
1110	Financial assets at fair value through profit or loss - current	6(2) and 12	409	-	-	-
1170	Accounts receivable, net	6(3) and 12	550,740	5	567,122	5
1200	Other receivables		15,657	-	12,441	-
1210	Other receivables - related parties	7	5,625	-	2,597	-
130X	Inventories	5(2) and 6(4)	1,243,588	11	1,500,581	14
1410	Prepayments		80,273	1	99,444	1
11XX	Total current assets		5,971,748	53	5,858,009	53
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(5) and 12	468,117	4	-	-
1543	Financial assets carried at cost - non-current	12	-	-	391,097	4
1550	Investments accounted for under equity method	6(6)	745,548	7	664,118	6
1600	Property, plant and equipment	6(7)(8)(25)	3,387,960	31	3,609,589	33
1780	Intangible assets		8,402	-	10,752	-
1840	Deferred income tax assets	5(2) and 6(23)	470,322	4	355,376	3
1915	Prepayments for equipment	6(7)(25)	92,552	1	65,812	1
1920	Guarantee deposits paid		903	-	1,229	-
1980	Other financial assets - non-current	8	29,270	-	28,831	-
15XX	Total non-current assets		5,203,074	47	5,126,804	47
1XXX	Total assets		\$ 11,174,822	100	\$ 10,984,813	100

(Continued)

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)(26)	\$ 61,694	-	\$ -	-
2130	Contract liabilities - current	6(17) and 12	22,541	-	-	-
2150	Notes payable		1,148	-	1,161	-
2170	Accounts payable		73,739	1	73,943	1
2180	Accounts payable - related parties	7	39,307	-	53,928	-
2200	Other payables	6(10)(25)	293,946	3	294,007	3
2230	Current income tax liabilities	6(23)	64,853	1	50,251	-
2310	Advance receipts	6(17)	-	-	23,366	-
21XX	Total current liabilities		557,228	5	496,656	4
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	81	-	-	-
2640	Net defined benefit liabilities	6(11)	76,863	1	69,312	1
2645	Guarantee deposits received	6(26)	1,618	-	1,620	-
25XX	Total non-current liabilities		78,562	1	70,932	1
2XXX	Total liabilities		635,790	6	567,588	5
Equity						
Share capital						
3110	Share capital - common stock	6(12)(15)	7,907,392	71	7,907,392	72
3200	Capital surplus	6(13)(14)	1,292,555	11	1,286,872	12
	Retained earnings	6(5)(12)(15)(22)				
3310	Legal reserve		568,302	5	526,065	5
3320	Special reserve		22,829	-	22,829	-
3350	Unappropriated earnings		708,338	6	693,832	6
3400	Other equity interest	6(16) and 12	39,616	1	(19,765)	-
3XXX	Total equity		10,539,032	94	10,417,225	95
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		\$ 11,174,822	100	\$ 10,984,813	100

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

		Year ended December 31			
Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 3,470,109	100	\$ 3,449,175	100
5000 Operating costs	6(4)(11)(21)(22), 7 and 9	(1,808,470)	(52)	(1,777,982)	(52)
5900 Net operating margin		<u>1,661,639</u>	<u>48</u>	<u>1,671,193</u>	<u>48</u>
Operating expenses	6(11)(21)(22), 7, 9 and 12				
6100 Selling expenses		(151,924)	(4)	(146,006)	(4)
6200 General and administrative expenses		(449,576)	(13)	(459,538)	(13)
6300 Research and development expenses		(295,064)	(9)	(264,331)	(8)
6450 Gain on reversal of expected credit losses		<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses		<u>(896,469)</u>	<u>(26)</u>	<u>(869,875)</u>	<u>(25)</u>
6900 Operating profit		<u>765,170</u>	<u>22</u>	<u>801,318</u>	<u>23</u>
Non-operating income and expenses					
7010 Other income	6(18), 7 and 12	48,546	2	42,981	1
7020 Other gains and losses	6(2)(8)(19) and 12	(35,377)	(1)	(39,020)	(1)
7050 Finance costs	6(20)	(4,456)	-	(22)	-
7070 Share of loss of associates and joint ventures accounted for using equity method	6(6)	(306,232)	(9)	(316,481)	(9)
7000 Total non-operating income and expenses		<u>(297,519)</u>	<u>(8)</u>	<u>(312,542)</u>	<u>(9)</u>
7900 Profit before income tax		467,651	14	488,776	14
7950 Income tax expense	6(23)	(24,673)	(1)	(66,409)	(2)
8200 Profit for the year		<u>\$ 442,978</u>	<u>13</u>	<u>\$ 422,367</u>	<u>12</u>
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Actuarial (losses) gains on defined benefit plans	6(11)	(\$ 8,328)	-	\$ 316	-
8316 Unrealised losses from equity instruments measured at fair value through other comprehensive income	6(5)(16)	(67,722)	(2)	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	1,763	-	(54)	-
Components of other comprehensive loss that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(16)	(21,487)	(1)	(16,311)	-
8300 Total other comprehensive loss for the year		<u>(\$ 95,774)</u>	<u>(3)</u>	<u>(\$ 16,049)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 347,204</u>	<u>10</u>	<u>\$ 406,318</u>	<u>12</u>
Earnings per share (in dollars)	6(24)				
9750 Basic		\$ 0.56		\$ 0.53	
9850 Diluted		\$ 0.56		\$ 0.53	

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Retained earnings				Other equity interest			
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
For the year ended December 31, 2017									
Balance at January 1, 2017		\$ 7,603,262	\$ 1,275,660	\$ 460,196	\$ 22,829	\$ 869,300	(\$ 3,454)	\$ -	\$ 10,227,793
Net income for the year ended December 31, 2017		-	-	-	-	422,367	-	-	422,367
Other comprehensive income (loss) for the year ended December 31, 2017	6(16)	-	-	-	-	262	(16,311)	-	(16,049)
Total comprehensive income (loss) for the year ended December 31, 2017		-	-	-	-	422,629	(16,311)	-	406,318
Distribution of 2016 net income:									
Legal reserve		-	-	65,869	-	(65,869)	-	-	-
Cash dividends	6(15)	-	-	-	-	(228,098)	-	-	(228,098)
Stock dividends	6(12)(15)	304,130	-	-	-	(304,130)	-	-	-
Employee stock option compensation cost	6(13)(14)	-	11,212	-	-	-	-	-	11,212
Balance at December 31, 2017		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765)	\$ -	\$ 10,417,225
For the year ended December 31, 2018									
Balance at January 1, 2018		\$ 7,907,392	\$ 1,286,872	\$ 526,065	\$ 22,829	\$ 693,832	(\$ 19,765)	\$ -	\$ 10,417,225
Effect on retrospective application and restatement	6(16) and 12	-	-	-	-	-	-	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 year ended December 31, 2018		-	-	-	-	442,978	-	-	442,978
Other comprehensive loss for the year ended December 31, 2018	6(5)(16)	-	-	-	-	(6,565)	(21,487)	(67,722)	(95,774)
Total comprehensive income (loss) for the year ended December 31, 2018		-	-	-	-	436,413	(21,487)	(67,722)	347,204
Distribution of 2017 net income:									
Legal reserve		-	-	42,237	-	(42,237)	-	-	-
Cash dividends	6(15)	-	-	-	-	(379,555)	-	-	(379,555)
Employee stock option compensation cost	6(13)(14)	-	5,683	-	-	-	-	-	5,683
Disposal of equity instruments at fair value through other comprehensive income	6(5)(16)	-	-	-	-	(115)	-	115	-
Balance at December 31, 2018		\$ 7,907,392	\$ 1,292,555	\$ 568,302	\$ 22,829	\$ 708,338	(\$ 41,252)	\$ 80,868	\$ 10,539,032

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 467,651	\$ 488,776
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on valuation of financial assets and liabilities		(409)	(2,822)
Gain on reversal of expected credit losses	12	(95)	-
Reversal of allowance for doubtful accounts	6(18) and 12	-	(488)
(Reversal of allowance for) loss on inventory market price decline	6(4)	(40,832)	24,970
Provision for obsolescence of supplies		7,183	9,677
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	306,232	316,481
Depreciation	6(7)(21)	284,363	329,007
Property, plant and equipment transferred to loss	6(7)	14,349	-
(Gain) loss on disposal of property, plant and equipment	6(19)	(78)	62
Gain on reversal of impairment loss	6(7)(8)(19)	(2,322)	(3,741)
Amortisation	6(21)	5,238	5,038
Employee stock option compensation cost	6(13)(14)	5,683	11,036
Interest income	6(18)	(20,677)	(18,612)
Interest expense	6(20)	4,456	22
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		16,477	20,695
Other receivables		(3,937)	(423)
Other receivables - related parties		(3,028)	4,183
Inventory		297,825	126,881
Prepayments		11,988	88,902
Changes in operating liabilities			
Contract liabilities - current		(825)	-
Notes payable		(13)	160
Accounts payable		(204)	17,017
Accounts payable - related parties		(14,621)	20,828
Other payables		12,918	(43,467)
Advance receipts		-	(39,018)
Net defined benefit liabilities - non-current		(777)	(425)
Cash inflow generated from operations		1,346,545	1,354,739
Interest received		21,398	18,612
Interest paid		(3,578)	(22)
Income tax paid		(123,172)	(205,523)
Net cash flows from operating activities		1,241,193	1,167,806

(Continued)

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value	6(5)		
through other comprehensive income		\$ 3,733	\$ -
Increase in financial assets measured at cost - non-current		-	(27,008)
Acquisition of investments accounted for under the equity method - subsidiary		(409,150)	(179,880)
Cash paid for acquisition of property, plant and equipment	6(25)	(50,033)	(217,006)
Proceeds from disposal of property, plant and equipment		78	50
Acquisition of intangible assets		(2,888)	(3,157)
Increase in prepayments for equipment		(65,325)	(78,313)
Decrease (increase) in guarantee deposits paid		326	(284)
Increase in other financial assets - non-current		(439)	-
Net cash flows used in investing activities		(523,698)	(505,598)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	61,694	-
Decrease in guarantee deposits received	6(26)	(2)	(19,998)
Payment of cash dividends	6(15)	(379,555)	(228,098)
Net cash flows used in financing activities		(317,863)	(248,096)
Net increase in cash and cash equivalents		399,632	414,112
Cash and cash equivalents at beginning of year	6(1)	3,675,824	3,261,712
Cash and cash equivalents at end of year	6(1)	\$ 4,075,456	\$ 3,675,824

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company is 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 PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 25, 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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment:

IFRS 9, 'Financial instruments'

- A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- C. The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4)B.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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 Company's financial condition and financial performance based on the Company's assessment:

IFRS 16, 'Leases'

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

The Company expects to recognise the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2019, it is expected that right-of-use asset and lease liability will both be increased by \$900,288 using the modified retrospective approach.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to 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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as other equity as of January 1, 2018 and the financial statements of 2017 were not restated. The financial statements of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

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

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 foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

(4) 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.

(5) 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.

(6) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Inventories

The standard cost method is applied, and cost is determined using the weighted-average 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 net 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 of sales during the period.

(12) Investments accounted for under the equity method - subsidiaries

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.
- B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. To meet the consistency of accounting policies of the Company, necessary adjustments are made to the accounting policies of the subsidiaries.
- C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.
- D. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) 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 Company 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. 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 balance sheet 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

(14) Intangible assets

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

(15) Operating leases (lessee)

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

(16) Impairment of non-financial assets

The Company 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 recognizing 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 exceed the depreciated or amortized historical cost if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise 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.

(18) 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.

(19) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Company measures financial guarantee contracts at fair value and subsequently at the higher of amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognised.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense 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 plan

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 Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations. .

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liability, 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 Company calculates the number of shares based on the closing market price at the previous day of the board meeting resolution.

(23) Employee share-based payment

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

(24) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 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 Company 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.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

- (a) The Company 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 Company 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 Company 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 Company 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 Company'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 Company 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.

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

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company'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 amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Company'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 Company must determine the net realisable value of inventories on balance sheet date using judgments and estimates. As the manufacturing process is long and complex, causing longer materials lead time, the waiting period for product registration is long, and the timing of customers' product launch may be deferred, the Company 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 realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

(b) As of December 31, 2018, the carrying amount of inventories was \$1,243,588.

B. Realisability of deferred 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 utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(b) As of December 31, 2018, the Company recognised deferred income tax assets amounting to \$470,322.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash:		
Cash on hand	\$ 30	\$ 69
Checking accounts and demand deposits	161,949	52,516
	<u>161,979</u>	<u>52,585</u>
Cash equivalents:		
Time deposits	3,633,833	3,385,448
Bill under repurchase agreements	279,644	237,791
	<u>3,913,477</u>	<u>3,623,239</u>
	<u>\$ 4,075,456</u>	<u>\$ 3,675,824</u>

A. The Company 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 Company's time deposits pledged to others as collateral (listed as 'Other financial assets - non-current') as of December 31, 2018 and 2017 are provided in Note 8.

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

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

A. The Company recognised net loss of \$18,000 on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the year ended December 31, 2018.

B. The Company 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):

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

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

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

(3) ACCOUNTS RECEIVABLE, NET

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 550,774	\$ 567,251
Less: Loss allowance	(34)	(129)
	<u>\$ 550,740</u>	<u>\$ 567,122</u>

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

	December 31, 2018	December 31, 2017
Not past due	\$ 516,006	\$ 441,149
Less than 30 days	34,197	118,472
Between 31 to 90 days	571	7,630
	<u>\$ 550,774</u>	<u>\$ 567,251</u>

The above ageing analysis is based on past due date.

- B. As of December 31, 2018 and 2017, the Company does not hold any collateral as security.
- C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$550,740 and \$567,122, respectively.
- D. Information relating to credit risk of accounts receivable is provided in Note 12(2).
- E. Information relating to credit risk of accounts receivable as of December 31, 2017 is provided in Note 12(4).

(4) INVENTORIES

	December 31, 2018		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 251,213	(\$ 51,813)	\$ 199,400
Supplies	35,767	(2,731)	33,036
Work in process	595,189	(101,051)	494,138
Finished goods	752,451	(235,437)	517,014
	<u>\$ 1,634,620</u>	<u>(\$ 391,032)</u>	<u>\$ 1,243,588</u>

	December 31, 2017		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 440,385	(\$ 110,654)	\$ 329,731
Supplies	29,386	(1,482)	27,904
Work in process	525,834	(103,557)	422,277
Finished goods	936,840	(216,171)	720,669
	<u>\$ 1,932,445</u>	<u>(\$ 431,864)</u>	<u>\$ 1,500,581</u>

The Company recognised expense and loss on inventories for the year:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	\$ 1,694,254	\$ 1,494,432
Loss on inventory scrap	2,337	40,894
Loss on physical inventory	3,902	6,209
Under applied manufacturing overhead	111,222	164,862
(Reversal of allowance for) loss on inventory market price decline (Note)	(40,832)	24,970
Total cost of goods sold	<u>\$ 1,770,883</u>	<u>\$ 1,731,367</u>

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

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

Items	December 31, 2018
Equity instruments	
Listed stocks	\$ 219,576
Unlisted stocks	167,673
	387,249
Valuation adjustment	80,868
	<u>\$ 468,117</u>

- A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$468,117 as at December 31, 2018..
- B. As the underlying share price of investment target is higher than the underwriting price of the over-allotment, the over-allotment shares were fully refunded. The Company sold \$3,733 of Foresee Pharmaceuticals Co., Ltd. investment at fair value which resulted in cumulative loss on disposal of \$115 and reclassified to retained earnings during the year ended December 31, 2018.

- C. 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 year ended December 31, 2018
Fair value change recognised in other comprehensive income	(\$ 67,722)
Cumulative losses reclassified to retained earnings due to derecognition	\$ 115

- D. The Company has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2018.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- F. Information on financial assets carried at cost as of December 31, 2017 is provided in Note 12(4).

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 31, 2018	December 31, 2017
SPT International, Ltd.	\$ 745,452	\$ 664,038
ScinoPharm Singapore Pte Ltd.	96	80
	<u>\$ 745,548</u>	<u>\$ 664,118</u>

- A. For information relating to the Company's subsidiaries, please refer to Note 4(3), "Basis of consolidation" of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2018.
- B. The share of loss of subsidiaries, associates and joint ventures accounted for under the equity method amounted to (\$306,232) and (\$316,481) for the years ended December 31, 2018 and 2017, respectively.
- C. As of December 31, 2018 and 2017, the Company does not hold any investment accounted for under the equity method as collateral for the years ended December 31, 2018 and 2017.

(7) PROPERTY, PLANT AND EQUIPMENT

						Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2018</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>		
Cost	\$ 2,502,973	\$ 4,449,039	\$ 19,177	\$ 155,359	\$ 3,956	\$ 1,059,214	\$ 8,189,718
Accumulated depreciation	(863,970)	(3,563,217)	(16,728)	(123,526)	(1,789)	-	(4,569,230)
Accumulated impairment	-	(10,899)	-	-	-	-	(10,899)
	<u>\$ 1,639,003</u>	<u>\$ 874,923</u>	<u>\$ 2,449</u>	<u>\$ 31,833</u>	<u>\$ 2,167</u>	<u>\$ 1,059,214</u>	<u>\$ 3,609,589</u>
<u>For the year ended December 31, 2018</u>							
At January 1	\$ 1,639,003	\$ 874,923	\$ 2,449	\$ 31,833	\$ 2,167	\$ 1,059,214	\$ 3,609,589
Additions	-	6,287	-	-	-	29,889	36,176
Reclassified from prepayments for equipment	-	-	-	-	-	38,585	38,585
Reclassified upon completion	6,778	43,357	733	6,292	-	(57,160)	-
Transferred to loss	-	-	-	-	-	(14,349)	(14,349)
Depreciation charge	(107,279)	(161,003)	(1,689)	(14,186)	(206)	-	(284,363)
Disposals — Cost	-	(2,551)	(1,059)	(273)	-	-	(3,883)
— Accumulated depreciation	-	2,551	1,059	273	-	-	3,883
Reversal of impairment loss	-	2,322	-	-	-	-	2,322
At December 31	<u>\$ 1,538,502</u>	<u>\$ 765,886</u>	<u>\$ 1,493</u>	<u>\$ 23,939</u>	<u>\$ 1,961</u>	<u>\$ 1,056,179</u>	<u>\$ 3,387,960</u>
<u>December 31, 2018</u>							
Cost	\$ 2,509,751	\$ 4,496,132	\$ 18,851	\$ 161,378	\$ 3,956	\$ 1,056,179	\$ 8,246,247
Accumulated depreciation	(971,249)	(3,721,669)	(17,358)	(137,439)	(1,995)	-	(4,849,710)
Accumulated impairment	-	(8,577)	-	-	-	-	(8,577)
	<u>\$ 1,538,502</u>	<u>\$ 765,886</u>	<u>\$ 1,493</u>	<u>\$ 23,939</u>	<u>\$ 1,961</u>	<u>\$ 1,056,179</u>	<u>\$ 3,387,960</u>

						Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2017</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>		
Cost	\$ 2,469,028	\$ 4,387,790	\$ 19,557	\$ 154,162	\$ 3,956	\$ 970,493	\$ 8,004,986
Accumulated depreciation	(757,971)	(3,385,636)	(15,268)	(107,512)	(1,584)	-	(4,267,971)
Accumulated impairment	-	(14,640)	-	-	-	-	(14,640)
	<u>\$ 1,711,057</u>	<u>\$ 987,514</u>	<u>\$ 4,289</u>	<u>\$ 46,650</u>	<u>\$ 2,372</u>	<u>\$ 970,493</u>	<u>\$ 3,722,375</u>
<u>For the year ended December 31, 2017</u>							
At January 1	\$ 1,711,057	\$ 987,514	\$ 4,289	\$ 46,650	\$ 2,372	\$ 970,493	\$ 3,722,375
Additions	340	2,875	-	-	-	176,475	179,690
Reclassified from prepayment for equipment	-	-	-	-	-	32,902	32,902
Reclassified upon completion	33,605	81,925	-	5,126	-	(120,656)	-
Depreciation charge	(105,999)	(201,020)	(1,840)	(19,943)	(205)	-	(329,007)
Disposals — Cost	-	(23,551)	(380)	(3,929)	-	-	(27,860)
— Accumulated depreciation	-	23,439	380	3,929	-	-	27,748
Impairment loss	-	3,741	-	-	-	-	3,741
At December 31	<u>\$ 1,639,003</u>	<u>\$ 874,923</u>	<u>\$ 2,449</u>	<u>\$ 31,833</u>	<u>\$ 2,167</u>	<u>\$ 1,059,214</u>	<u>\$ 3,609,589</u>
<u>December 31, 2017</u>							
Cost	\$ 2,502,973	\$ 4,449,039	\$ 19,177	\$ 155,359	\$ 3,956	\$ 1,059,214	\$ 8,189,718
Accumulated depreciation	(863,970)	(3,563,217)	(16,728)	(123,526)	(1,789)	-	(4,569,230)
Accumulated impairment	-	(10,899)	-	-	-	-	(10,899)
	<u>\$ 1,639,003</u>	<u>\$ 874,923</u>	<u>\$ 2,449</u>	<u>\$ 31,833</u>	<u>\$ 2,167</u>	<u>\$ 1,059,214</u>	<u>\$ 3,609,589</u>

- A. As of and for the years ended December 31, 2018 and 2017, the Company has not capitalised any interest.
- B. Information about reversal of impairment loss and impairment loss on property, plant and equipment is provided in Note 6(8).
- C. As of December 31, 2018 and 2017, no property, plant and equipment were pledged to others as collateral.

(8) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Company reversed impairment loss amounting to \$2,322 and \$3,741 for the years ended December 31, 2018 and 2017, 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 reported by operating segments are as follows:

Department	For the years ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
ScinoPharm Taiwan	\$ 2,322	\$ -	\$ 3,741	\$ -

(9) SHORT-TERM BORROWINGS

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank loans			
Unsecured loans	\$ 61,694	3.17% ~ 3.31%	None

A. December 31, 2017: None.

B. Please refer to Note 6(20) for interest expense recognised in profit or loss for the year ended December 31, 2018.

(10) OTHER PAYABLES

	December 31, 2018	December 31, 2017
Accrued salaries and bonuses	\$ 109,791	\$ 109,813
Payables on equipment	19,332	33,189
Others	164,823	151,005
	<u>\$ 293,946</u>	<u>\$ 294,007</u>

(11) 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 six 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 methods to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by the end of March next year.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 121,105	\$ 119,272
Fair value of plan assets	(44,242)	(49,960)
Net defined benefit liability	<u>\$ 76,863</u>	<u>\$ 69,312</u>

(b) Movements in net defined liabilities are as follows:

For the year ended <u>December 31, 2018</u>	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 119,272	(\$ 49,960)	\$ 69,312
Current service cost	1,425	-	1,425
Interest expense (income)	1,431	(600)	831
	<u>122,128</u>	<u>(50,560)</u>	<u>71,568</u>
Remeasurements:			
Return on plan assets	-	(1,417)	(1,417)
Change in financial assumptions	2,606	-	2,606
Experience adjustments	7,139	-	7,139
	<u>9,745</u>	<u>(1,417)</u>	<u>8,328</u>
Pension fund contribution	-	(3,033)	(3,033)
Paid pension	(10,768)	10,768	-
At December 31	<u>\$ 121,105</u>	<u>(\$ 44,242)</u>	<u>\$ 76,863</u>

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

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2018	2017
Discount rate	1.00%	1.20%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2018 and 2017.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 3,246)	\$ 3,367	\$ 2,991	(\$ 2,905)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 3,195)	\$ 3,319	\$ 2,955	(\$ 2,866)

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

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

(e) Expected contribution to the defined benefit pension plan of the Company for 2019 is \$3,066.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	4,085
2~5 years		19,302
Over 6 years		121,364
	\$	<u>144,751</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognised under the defined contribution plan were \$23,798 and \$23,827 for the years ended December 31, 2018 and 2017, respectively.

(12) SHARE CAPITAL

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

	For the years ended December 31,	
	2018	2017
At January 1	790,739	760,326
Capitalisation of retained earnings	-	30,413
At December 31	<u>790,739</u>	<u>790,739</u>

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

C. As of December 31, 2018, the Company’s authorised capital was \$10,000,000 and the paid-in capital was \$7,907,392 (790,739 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) CAPITAL RESERVE

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 stock 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 in the Company's capital reserve are as follows:

For the year ended December 31, 2018			
	Share premium	Stock options	Total
At January 1	\$ 1,235,148	\$ 51,724	\$ 1,286,872
Employee stock options compensation cost			
— Company	-	5,683	5,683
Employee stock options forfeited	2,639	(2,639)	-
At December 31	<u>\$ 1,237,787</u>	<u>\$ 54,768</u>	<u>\$ 1,292,555</u>
For the year ended December 31, 2017			
	Share premium	Stock options	Total
At January 1	\$ 1,233,286	\$ 42,374	\$ 1,275,660
Employee stock options compensation cost			
— Company	-	11,036	11,036
— Subsidiaries	-	176	176
Employee stock options forfeited	1,862	(1,862)	-
At December 31	<u>\$ 1,235,148</u>	<u>\$ 51,724</u>	<u>\$ 1,286,872</u>

(14) 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 prices of the options were set at \$91.70 (in dollars), \$41.65 dollars (in dollars) and \$40.55 (in dollars), respectively, which were based on the closing market price of the Company's common shares on the Grant Date. 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 share numbers of the Company's common stocks after the Grant Date. (As of December 31, 2018, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to \$75.9 (in dollars) per share, \$37.9 (in dollars) per share and \$38.4 (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 Company recognised compensation cost relating to the employee stock options plan of \$5,683 and \$11,036 for the years ended December 31, 2018 and 2017, respectively.

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

		<u>For the year ended December 31, 2018</u>	
		Number of options	Weighted-average
		(unit in thousands)	exercise price
			(in dollars)
Options outstanding at beginning of the year		3,075	\$ 46.53
Options forfeited	(	350)	44.56
Options outstanding at end of the year		2,725	46.08
Options exercisable at end of the year		1,908	54.00
		<u>For the year ended December 31, 2017</u>	
		Number of options	Weighted-average
		(unit in thousands)	exercise price
			(in dollars)
Options outstanding at beginning of the year		3,457	\$ 48.03
Options forfeited	(	382)	46.10
Options outstanding at end of the year		3,075	46.53
Options exercisable at end of the year		1,198	60.97

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

		<u>December 31, 2018</u>		<u>December 31, 2017</u>	
		No. of stocks	Exercise price	No. of stocks	Exercise price
<u>Grant date</u>	<u>Expiry date</u>	(unit in thousands)	(in dollars)	(unit in thousands)	(in dollars)
12.3.2013	12.2.2023	572	\$ 75.90	624	\$ 77.10
11.6.2015	11.5.2025	1,037	37.90	1,147	38.50
10.14.2016	10.13.2026	1,116	38.40	1,304	39.00

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

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

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.

(15) 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 excess of 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. The Company recognised cash dividends and stock dividends distributed to owners amounting to \$228,098 (\$0.30 (in dollars) per share) and \$304,130 (\$0.40 (in dollars) per share) for the year ended December 31, 2017, respectively. On March 25, 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.

(16) OTHER EQUITY ITEMS

For the year ended December 31, 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	-	(67,722)	(67,722)
Revaluation transferred to retained earnings	-	115	115
Currency translation differences - group	(21,487)	-	(21,487)
At December 31	<u>(\$ 41,252)</u>	<u>\$ 80,868</u>	<u>\$ 39,616</u>

For the year ended December 31, 2017			
	Unrealised gain (loss)		
	Currency translation	on valuation	Total
At January 1	(\$ 3,454)	\$ -	(\$ 3,454)
Currency translation differences - group	(16,311)	-	(16,311)
At December 31	<u>(\$ 19,765)</u>	<u>\$ -</u>	<u>(\$ 19,765)</u>

(17) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

The Company 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 year ended	API	Technical	Other	
December 31, 2018	Revenue	Servical	Operating	Total
		Revenue	Revenue	
Timing of revenue				
At a point in time	\$ 3,328,551	\$ -	\$ -	\$ 3,328,551
Over time	-	101,888	39,670	141,558
	<u>\$ 3,328,551</u>	<u>\$ 101,888</u>	<u>\$ 39,670</u>	<u>\$ 3,470,109</u>

B. The Company has recognised contract liabilities related to the contract revenue from advance customer payment of \$22,541 on December 31, 2018.

C. The revenue recognised that was included in the contract liability balance (listed as “Advance receipts”) at the beginning of the year amounted to \$7,900 for the year ended December 31, 2018.

D. Related disclosures on operating revenue for the year ended December 31, 2018 are provided in Note 12(5).

(18) OTHER INCOME

	For the years ended December 31,	
	2018	2017
Interest income from bank deposits	\$ 20,677	\$ 18,612
Management service revenue	9,773	8,662
Joint loan guarantee revenue	3,346	2,806
Compensation revenue	9,051	6,003
Gain on reversal of allowance	-	488
Others	5,699	6,410
	<u>\$ 48,546</u>	<u>\$ 42,981</u>

(19) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2018	2017
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 18,000)	\$ 10,917
Gain (loss) on disposal of property, plant, and equipment	78 (	62)
Gain on reversal of impairment loss	2,322	3,741
Net currency exchange gain (loss)	6,399 (	40,340)
Miscellaneous	(26,176)	(13,276)
	<u>(\$ 35,377)</u>	<u>(\$ 39,020)</u>

(20) FINANCE COSTS

	For the years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	<u>\$ 4,456</u>	<u>\$ 22</u>

(21) EXPENSES BY NATURE

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 358,801	\$ 316,459	\$ 675,260
Depreciation	185,726	98,637	284,363
Amortisation	2,175	3,063	5,238
	<u>\$ 546,702</u>	<u>\$ 418,159</u>	<u>\$ 964,861</u>

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 357,485	\$ 344,788	\$ 702,273
Depreciation	220,241	108,766	329,007
Amortisation	2,284	2,754	5,038
	<u>\$ 580,010</u>	<u>\$ 456,308</u>	<u>\$ 1,036,318</u>

(22) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 305,110	\$ 254,576	\$ 559,686
Labor and health insurance expenses	26,876	18,672	45,548
Pension costs	15,544	10,510	26,054
Director's compensation		18,902	18,902
Other personnel expenses	11,271	13,799	25,070
	<u>\$ 358,801</u>	<u>\$ 316,459</u>	<u>\$ 675,260</u>

	For the year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 302,357	\$ 283,230	\$ 585,587
Labor and health insurance expenses	27,782	19,143	46,925
Pension costs	15,920	10,542	26,462
Director's compensation	-	18,400	18,400
Other personnel expenses	11,426	13,473	24,899
	<u>\$ 357,485</u>	<u>\$ 344,788</u>	<u>\$ 702,273</u>

- A. As of December 31, 2018 and 2017, the Company had 627 and 635 employees, including 13 and 13 directors were non-employee directors, respectively.
- B. 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.
- C. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$46,765 and \$48,877, respectively; while the directors' remuneration was accrued at \$7,840 and \$7,608, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 25, 2019, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of \$46,765 and \$7,840, respectively, and the employees' compensation will be distributed in the form of cash.

The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2017 was the same as the estimated amount recognised in the 2017 financial statements. Information about the appropriation of employees' compensation and directors' remuneration of 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.

(23) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current income tax:		
Income tax in the current year	\$ 138,947	\$ 143,042
Tax on unappropriated retained earnings	84	5,446
Over provision of prior year's income tax	(1,256)	(3,624)
Total current tax	<u>137,775</u>	<u>144,864</u>
Deferred income tax:		
Origination and reversal of temporary differences	(50,485)	(78,455)
Impact of change in tax rate	(62,617)	-
Total deferred tax	<u>(113,102)</u>	<u>(78,455)</u>
Income tax expense	<u>\$ 24,673</u>	<u>\$ 66,409</u>

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

	For the years ended December 31,	
	2018	2017
Remeasurement of defined benefit obligations	(\$ 1,667)	\$ 54
Impact of change in tax rate	(96)	-
	<u>(\$ 1,763)</u>	<u>\$ 54</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Income tax at statutory tax rate	\$ 93,530	\$ 83,092
Effect of items disallowed by tax regulation	(1,856)	(18,072)
Impact of change in tax rate	(62,617)	-
Effect of investment tax credits	(3,212)	(433)
Tax on unappropriated retained earnings	84	5,446
Over provision of prior year's income tax	<u>(1,256)</u>	<u>(3,624)</u>
Income tax expense	<u>\$ 24,673</u>	<u>\$ 66,409</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2018				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Unrealised loss on inventory				
market value decline	\$ 73,417	\$ 4,789	\$ -	\$ 78,206
Investment loss	249,018	105,190	-	354,208
Technology know-how	14,174	(1,848)	-	12,326
Pensions	11,783	1,827	1,763	15,373
Employee benefits - unused				
compensated absences	3,996	816	-	4,812
Impairment of assets	1,853	(137)	-	1,716
Unrealised exchange loss	1,135	(324)	-	811
Unrealised equipment loss	-	2,870	-	2,870
	<u>\$ 355,376</u>	<u>\$ 113,183</u>	<u>\$ 1,763</u>	<u>\$ 470,322</u>
Deferred tax liabilities:				
Temporary differences:				
Unrealised loss on financial				
liabilities	\$ -	(\$ 81)	\$ -	(\$ 81)
	<u>\$ 355,376</u>	<u>\$ 113,102</u>	<u>\$ 1,763</u>	<u>\$ 470,241</u>

For the year ended December 31, 2017				
			Recognised in other comprehensive	
	<u>January 1</u>	<u>profit or loss</u>	<u>income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Unrealised loss on inventory				
market value decline	\$ -	\$ 73,417	\$ -	\$ 73,417
Investment loss	242,415	6,603	-	249,018
Technology know-how	17,872	(3,698)	-	14,174
Pensions	11,910	(73)	(54)	11,783
Employee benefits - unused				
compensated absences	2,686	1,310	-	3,996
Impairment of assets	2,489	(636)	-	1,853
Unrealised loss on				
financial liabilities	480	(480)	-	-
Unrealised exchange loss	-	1,135	-	1,135
	<u>\$ 277,852</u>	<u>\$ 77,578</u>	<u>(\$ 54)</u>	<u>\$ 355,376</u>
Deferred tax liabilities:				
Temporary differences:				
Unrealised exchange gain	(\$ 877)	\$ 877	\$ -	\$ -
	<u>\$ 276,975</u>	<u>\$ 78,455</u>	<u>(\$ 54)</u>	<u>\$ 355,376</u>

- D. 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 March 25, 2019.
- E. 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 Company 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.

(24) EARNINGS PER SHARE (“EPS”)

For the year ended December 31, 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	\$ 442,978	790,739	\$ 0.56
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 442,978	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	-	-	
Employees' compensation	-	2,343	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 442,978	793,082	\$ 0.56
For the year ended December 31, 2017			
	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	\$ 422,367	790,739	\$ 0.53
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 422,367	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	-	-	
Employees' compensation	-	1,839	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 422,367	792,578	\$ 0.53

For the years ended December 31, 2018 and 2017, some stock options are anti-dilutive, therefore they were not included in the EPS calculation.

(25) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	\$ 36,176	\$ 179,690
Add: Beginning balance of payable on equipment	33,189	70,505
Less: Ending balance of payable on equipment	(19,332)	(33,189)
Cash paid for acquisition of property, plant and equipment	<u>\$ 50,033</u>	<u>\$ 217,006</u>

B. Investing activities with no cash flow effects:

	For the years ended December 31,	
	2018	2017
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 38,585</u>	<u>\$ 32,902</u>

(26) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	\$ -	\$ 1,620	\$ 1,620
Changes in cash flow from financing activities	61,694	(2)	61,692
At December 31, 2018	<u>\$ 61,694</u>	<u>\$ 1,618</u>	<u>\$ 63,312</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
SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidiary
ScinoPharm Singapore Pte Ltd.	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Subsidiary
President Chain Store Tokyo Marketing Corp.	An entity controlled by key management individuals
President Securities Corp.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

A. Purchases

	For the years ended December 31,	
	2018	2017
SciAnda (Changshu) Pharmaceuticals, Ltd.	\$ 193,686	\$ 226,163
Subsidiaries	17,380	2,141
	<u>\$ 211,066</u>	<u>\$ 228,304</u>

The terms of purchases and payment of the Company from related parties were the same with third parties. Payments are made in 90 days after receipt of goods.

B. Other expenses

	For the years ended December 31,	
	2018	2017
Management service fees:		
— Subsidiaries	\$ 9,479	\$ 7,573
— Ultimate parent company	5,138	5,439
— Associates of ultimate parent company	2,115	2,051
	<u>\$ 16,732</u>	<u>\$ 15,063</u>

C. Other revenue

	For the years ended December 31,	
	2018	2017
Management consultancy revenue:		
— Subsidiaries	<u>\$ 9,773</u>	<u>\$ 8,662</u>
Joint loan guarantee revenue:		
— Subsidiaries	<u>\$ 3,346</u>	<u>\$ 2,806</u>

D. Other receivables

	December 31, 2018	December 31, 2017
Subsidiaries	<u>\$ 5,625</u>	<u>\$ 2,597</u>

E. Accounts payable

	December 31, 2018	December 31, 2017
SciAnda (Changshu) Pharmaceuticals, Ltd.	\$ 28,821	\$ 53,928
Subsidiaries	10,486	-
	<u>\$ 39,307</u>	<u>\$ 53,928</u>

F. Endorsements and guarantees provided to related parties

Details of endorsement and guarantees:

	<u>Nature of suretyship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Financial gurantee	<u>\$ 2,499,643</u>	<u>\$ 2,543,275</u>

As of December 31, 2018 and 2017, the actual drawn amounts, which are guaranteed by the Company to the subsidiaries, were \$1,178,504 and \$1,317,219, respectively.

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 47,693	\$ 52,679
Share-based payments	2,794	4,156
Post-employment benefits	581	621
Termination benetfits	1,746	1,450
	<u>\$ 52,814</u>	<u>\$ 58,906</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Purpose of collateral</u>
Time deposits (Note)	<u>\$ 29,270</u>	<u>\$ 28,831</u>	Customs duty and performance guarantee

Note: Listed as 'Other financial assets - non-current'

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of December 31, 2018 and 2017, the Company's unused letters of credit amounted to \$3,571 and \$4,952, respectively.
- (2) As of December 31, 2018 and 2017, the Company's remaining balance due for construction in progress and prepayments for equipment was \$73,655 and \$101,799, 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 the period from March 1, 2018 to February 28, 2038. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. In addition, the Company entered into operating lease agreement for the office equipment and personal computers in 1~4 years. The rent expense of \$35,385 and \$22,276 (listed as

‘operating cost’ and ‘operating expense’) was recognised in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within one year	\$ 26,834	\$ 23,577
Later than one year but not exceeding five years	95,025	94,308
Later than five years	<u>334,009</u>	<u>357,586</u>
	<u>\$ 455,868</u>	<u>\$ 475,471</u>

(4) Information about endorsement and guarantee to others is provided in Note 7(3) F.

10. SIGNIFICANT DISASTER LOSS: None.

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

12. OTHERS

(1) Capital management

The Company’s objectives on managing capital are to safeguard the Company’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 Company 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 Company’s financial instruments by category, please refer to Notes 6 and 12(4) .

B. Risk management policies

(a)The Company’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 Company’s treasury identifies, evaluates and hedges financial risks closely with the Company’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 Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company 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 Company are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, the Company 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 Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 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	\$ 26,499	30.715	\$ 813,917
EUR:NTD	50	35.20	1,760
CNY:NTD	102	4.465	455
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,760	30.715	115,488
CNY:NTD	505	4.465	2,255

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 21,967	29.76	\$ 653,738
EUR:NTD	65	35.57	2,312
CNY:NTD	60	4.574	274
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,392	29.76	71,186
CNY:NTD	506	4.574	2,314

(iv) As of December 31, 2018 and 2017, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Company's net profit after tax for the years ended December 31, 2018 and 2017 would increase/decrease by \$27,937 and \$24,176, respectively. If the NTD:EUR and NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Company's net profit after tax for the years ended December 31, 2018 and 2017 is immaterial.

(v) Total exchange gain (loss) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the year ended December 31, 2018 and 2017 amounted to \$6,399 and (\$40,340), respectively.

II. Price risk

The Company'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 Company diversifies its portfolio and set stop-loss amounts for these instruments. The Company expects no significant market risk.

III. Cash flow and fair value interest rate risk

(i) The Company's main interest rate risk arises from short-term borrowings with variable rates and exposes the Company to cash flow interest rate risk. During the year ended December 31, 2018, the Company's borrowings at variable rate were denominated in USD.

(ii) The Company'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, the effect on post-tax profit for the year ended December 31, 2018 is immaterial.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company 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 Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, in the Company 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 Company 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 Company 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 Company classifies customers' accounts receivable in accordance with credit rating of customer and credit risk on trade. The Company 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 Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the year ended December 31, 2018
At January 1	\$ 129
Gain on reversal of expected credit losses	(95)
At December 31	<u>\$ 34</u>

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

(c) Liquidity risk

- I. Cash flow forecasting is performed by the Company's treasury department which monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or

covenants (where applicable) on any of its borrowing facilities.

II. The Company has undrawn borrowing facilities amounting to \$3,581,206 and \$2,862,270 as of December 31, 2018 and 2017, respectively.

III. The following table comprises the Company'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.

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	\$ 61,696	\$ -	\$ -	\$ -
Notes payable	1,148	-	-	-
Accounts payable	73,739	-	-	-
Accounts payable — related party	39,307	-	-	-
Other payables	293,946	-	-	-
Guarantee deposits received	-	1,618	-	-
December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	1,161	-	-	-
Accounts payable	73,943	-	-	-
Accounts payable — related party	53,928	-	-	-
Other payables	294,007	-	-	-
Guarantee deposits received	-	1,620	-	-

(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 Company'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 Company'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 Company'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, accounts receivable, other receivables (including related party), guarantee deposits paid, other financial assets - non-current, short-term borrowings, notes payable, accounts payable (including related party), other payables, 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>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

December 31, 2017: None.

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

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

	<u>Listed shares</u>
Market quoted price	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 Company 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. Foresee Pharmaceuticals Co., Ltd. has been listed on the Taipei Exchange from June, 2018, therefore, the Company transferred the fair value from Level 2 to Level 1 at the end of the month when the event occurred. For the year ended December 31, 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
	Equity instrument	Equity instrument
At January 1	\$ -	\$ -
Effect on retrospective application and restatement	242,355	-
Balance after restatement on January 1	242,355	-
Gain recognised in other comprehensive income	(42,309)	-
At December 31	<u>\$ 200,046</u>	<u>\$ -</u>

G. The Company'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 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

I. The Company 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 year ended December 31, 2018 is immaterial.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Available for sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(c) Impairment of financial assets

- i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.
- ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

- (iv) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (i) Financial assets carried at cost

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

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
- (d) Financial liabilities at fair value through profit or loss
- i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also 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:
 - (i) Hybrid (combined) contracts; or
 - (ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

- (iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- ii Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are recognised in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.
- (e) Financial guarantee contracts
- A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.
- B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:
- Under IFRS 9, financial assets carried at cost amounting to \$391,097 were not held for the purpose of trading, and the Company has made an irrevocable election to reclassify as “Financial assets at fair value through other comprehensive income” amounting to \$539,572, and increased other equity interest in the amount of \$148,475.
- C. The significant accounts as of December 31, 2017 are as follows:
- (a) Financial assets carried at cost - non-current

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

- i. The Company classified some of its equity investments as available-for-sale financial assets, based on its intention. However, as these stocks are not traded in an active market, and there is no sufficient information of similar companies in the industry, fair value of the investments cannot be measured reliably. Accordingly, the Company classified those stocks as “financial assets carried at cost”.
- ii. As of December 31, 2017, no financial assets carried at cost held by the Company were pledged to others.

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

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

- i. The Company recognised net gain of \$10,917 on financial liabilities held for trading (listed as “Other gains and losses”) for the year ended December 31, 2017.
- ii. The Company entered into forward foreign contracts to hedge exchange rate risk of operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.
- iii. As of December 31, 2017, no financial assets at fair value through profit or loss held by the Company were pledged to others.
- D. Credit risk information as of December 31, 2017 and the year ended December 31, 2017 are as follows:
- (a) As of December 31, 2017, the Company had no accounts receivable classified as “past due but not impaired”.
- (b) Movements on the provision for impairment of accounts receivable are as follows:

	For the year ended December 31, 2017
	Group provision
At January 1	\$ 617
Reversal for impairment (Note)	(488)
At December 31	\$ 129

Note: Listed as "Other income".

- (c) The Company’s accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties’ industrial characteristics, business scale and profitability.
- (d) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company’s credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents outstanding receivables. The Company also transacts with many different banks and financial institutions to diversity risk.
- (e) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

(a) Sales of goods

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

(b) Sales of services

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

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Sales revenue	\$ 3,424,568
Less: Sales returns	(224,923)
Net sales revenue	3,199,645
Technical services	109,477
Other operating revenue	140,053
	<u>\$ 3,449,175</u>

C. If the Company continues adopting above accounting policies for the year ended December 31, 2018, the effect and description on current balance sheet are as follows. The effect on the statement of comprehensive income is immaterial.

Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of December 31,

2018, the balance amounted to \$22,541.

13. SUPPLEMENTARY DISCLOSURES

According to current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2018.

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: 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. General 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 5.

14. SEGMENT INFORMATION

Not applicable.

ScinoPharm Taiwan, Ltd.

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 327,272	\$ 178,615	\$ 178,615	2.2%~3.0%	2	\$ -	Additional operating capital and loan repayment	\$ -	—	\$ -	\$ 422,425	\$ 422,425	—

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 financial statements (CNY:NTD 1:4.465).

ScinoPharm Taiwan, Ltd.
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor (Note 1)	(Note 2)						(Note 2)				
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,539,032	\$ 2,593,428	\$ 2,499,643	\$ 1,178,504	\$ -	23.72%	\$ 10,539,032	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 100% 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 financial statements (CNY:NTD 1:4.465 ; USD:NTD 1:30.715).

ScinoPharm Taiwan, Ltd.

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

December 31, 2018

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				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	\$ 200,046	16.84%	\$ 200,046	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,711,269	268,071	5.34%	268,071	—
	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	-	178,615	-	-	—

ScinoPharm Taiwan, Ltd.

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 year ended December 31, 2018

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
ScinoPharm Taiwan, Ltd.	Stocks: SPT International, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	66,525	\$ 664,038	14,000	\$ 430,010	-	\$ -	\$ -	\$ -	- (\$ 348,596)	80,525	\$ 745,452	
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	-	260,930	-	430,010	-	-	-	-	- (327,472)	-	363,468	
SciAnda (Changshu) Pharmaceuticals, Ltd.	Structured Products: Industrial and Commercial Bank of China, E- Principal-Guaranteed Products	Financial assets at amortised cost - current	—	—	-	-	-	411,717	-	416,116 (	411,717)	4,399	-	-	-	-
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank(China) Co.,Ltd. Structured Products	Financial assets at amortised cost - current	—	—	—	—	—	578,845	-	403,974 (	400,230)	3,744	-	-	-	178,615

ScinoPharm Taiwan, Ltd.

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

For the year ended December 31, 2018

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 (SPT International, Ltd.)	Purchases	\$ 193,686	22%	Closes its accounts 90 days from the end of each month after acceptance	\$ -	—	(\$ 28,821)	(25%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(193,686)	(75%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	28,821	77%	—

ScinoPharm Taiwan, Ltd.

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

December 31, 2018

Table 6

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018		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	\$ 178,756	—	\$ —	—	\$ —	\$ —

Note : Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at December 31, 2018 (CNY:NTD 1:4.465).

ScinoPharm Taiwan, Ltd.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transactions		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount		
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 193,686	Closes its accounts 90 days from the end of each month after acceptance	5%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	28,821	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	2,499,643	—	20%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	178,756	—	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 financial statements (CNY:NTD 1:4.465 ; USD:NTD 1:30.715).

ScinoPharm Taiwan, Ltd.

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

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 2,473,314	\$ 2,043,304	80,524,644	100.00	\$ 745,452	(\$ 286,374)	(\$ 306,248)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	96	16	16	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 financial statements (USD: NTD 1:30.715).

ScinoPharm Taiwan, Ltd.

Information on investments in Mainland China—Basic information

For the year ended December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	\$ 122,860	(Note 1)	\$ 114,396	\$ -	\$ -	\$ 114,396	\$ 10,677	100%	\$ 10,677	\$ 422,425	\$ -	Subsidiary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	2,288,268	(Note 1)	1,858,258	430,010	-	2,288,268	(295,758)	100%	(295,758)	363,468	-	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	36,858	(Note 1)	36,858	-	-	36,858	(1,093)	100%	(1,093)	17,301	-	Subsidiary
<u>Company name</u>	<u>as of December 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)</u>										
ScinoPharm Taiwan, Ltd.	\$ 2,477,119	\$ 2,477,119	\$ 6,323,419										

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

Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2018 was based on audited financial statements of investee companies as of and for the year ended December 31, 2018.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:30.715).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash:		
Cash on hand — New Taiwan dollar		\$ 30
Checking accounts		1,718
Demand deposits — New Taiwan dolaar		48,832
— Foreign Currency	Including USD\$3,557 thousand @30.715	109,260
	Other foreign current deposits	2,139
		<u>161,979</u>
Cash Equivalents:		
Time deposits — New Taiwan dollar	Due date from January 1, 2019 to May 12, 2019, interest rates at 0.4%~1.065%.	3,452,000
— Foreign currency	Including USD\$5,920 thousand @30.715 Due date from January 13, 2019 to January 21, 2019, interest rates at 2.6%.	181,833
Bill under repurchase agreements	Expired by January 3, 2019, interest rate at 0.43%	279,644
		<u>3,913,477</u>
		<u>\$ 4,075,456</u>

SCINOPHARM TAIWAN, LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Client A	Accounts receivable	\$ 188,805	—
Client B	"	167,053	—
Client C	"	50,719	—
Others (individually less than 5%)	"	<u>144,197</u>	—
		550,774	
Less: Loss allowance		(<u>34</u>)	
		<u>\$ 550,740</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Items	Amount		Footnote
	Cost	Net realisable value	
Raw materials	\$ 251,213	\$ 254,040	(Note)
Supplies	35,767	35,344	"
Work in process	595,189	912,299	"
Finished goods	752,451	1,298,745	"
	1,634,620	<u>\$ 2,500,428</u>	
Less: Allowance for market price decline	(391,032)		
	<u>\$ 1,243,588</u>		

Note: The method of net realisable value is provided in Note 4(11).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Maintenance stocks	\$ 124,938	—
Prepaid expenses	23,460	—
Downpayment for materials	4,453	—
Others (individual less than 5%)	<u>2,467</u>	—
	155,318	
Less: Allowance for maintenance stocks	(<u>75,045</u>)	—
	<u>\$ 80,273</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance			Additions		Decreases		Ending balance				
	Number of shares	Fair value		Number of shares	Amount	Number of shares	Amount	Number of shares	Ownership	Amount	Collateral	Footnote
Tanvex Biologics, Inc.	28,800,000	\$ 242,355	(Note)	-	\$ -	-	(\$ 42,309)	28,800,000	16.84%	\$ 200,046	None	—
Foresee Pharmaceuticals Co., Ltd.	4,793,828	297,217	(Note)	-	-	(82,559)	(29,146)	4,711,269	5.34%	268,071	"	—
	33,593,828	\$ 539,572		-	\$ -	(82,559)	(\$ 71,455)	33,511,269		468,117		

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

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Investees	Beginning balance		Additions		Decreases		Ending balance			Market value or net assets value			
	Number of shares		Number of shares		Number of shares		Number of shares		Ownership	Unit Price	Total amount	Collateral	Footnote
	(in thousands)	Amount	(in thousands)	Amount	(in thousands)	Amount	(in thousands)	Amount		(in dollars)			
SPT International, Ltd.	66,525	\$ 664,038	14,000	\$ 430,010	-	(\$ 348,596)	80,525	100.00%	\$ 745,452	\$ 10.02	\$ 806,963	None	—
ScinoPharm Singapore Pte Ltd.	-	80	-	16	-	-	-	100.00%	96	48,201	96	"	—
	<u>66,525</u>	<u>\$ 664,118</u>	<u>14,000</u>	<u>\$ 430,026</u>	<u>-</u>	<u>(\$ 348,596)</u>	<u>80,525</u>		<u>\$ 745,548</u>		<u>\$ 807,059</u>		

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(7).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED
DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(7), the depreciation methods and useful lives are provided in Note 4(13).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN DEFERRED INCOME TAX ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(23).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
TRANS CHIEF CHEMICAL INDUSTRY CO., LTD.	Accounts payable	\$ 15,721
JIANGSU CHENG YI PHARMACEUTICAL CO.	"	7,305
Vendor D	"	7,061
CHAMPION BENEFIT ENTERPRISES CO., LTD.	"	6,687
ECHO CHEMICAL CO., LTD.	"	5,230
CHIEN JINN CHEMICAL INDUSTRY CO., LTD.	"	4,643
LIANG CHI TRADING CO., LTD.	"	4,599
Others (individual less than 5%)	"	<u>22,493</u>
		<u>\$ 73,739</u>

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(10).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Footnote</u>
API	43,799 KG	\$ 3,343,357	—
Less: Sales returns and discounts		(14,806)	—
		3,328,551	
Technical services		101,888	—
Other operating revenue		39,670	—
Operating revenue		<u>\$ 3,470,109</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Raw materials, beginning of year	\$ 440,385
Add: Raw materials purchased	768,788
Less: Losses on scrap inventory	(79)
Losses on physical inventory	(1,126)
Transferred to expenses	(11,308)
Sale of Raw materials	(1,320)
Raw materials, end of year	(<u>251,213</u>)
Raw materials used in the year	<u>944,127</u>
Supplies, beginning of year	29,386
Add: Supplies purchased	22,472
Gains on physical inventory	5
Less: Transferred to expenses	(5,028)
Supplies, end of year	(<u>35,767</u>)
Supplies used in the year	<u>11,068</u>
Direct labor	164,558
Manufacturing expenses	598,370
Under applied manufacturing overhead	(<u>111,222</u>)
Manufacturing cost	1,606,901
Work in process, beginning of year	525,834
Add: Work in process purchased	16,354
Less: Losses on inventory scrap	(2,258)
Losses on physical inventory	(1,591)
Transferred to expenses	(26,979)
Sale of work in process	(316,969)
Work in process, end of year	(<u>595,189</u>)
Cost of finished goods	<u>1,206,103</u>

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING COSTS(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Finished goods, beginning of year	\$ 936,840
Add: Finished goods purchased	75,257
Less: Losses on physical inventory	(1,190)
Transferred to expenses	(88,594)
Finished goods, end of year	(<u>752,451</u>)
Cost of goods manufactured and sold	1,375,965
Sale of raw materials and Supplies	1,320
Sale of work in process	<u>316,969</u>
Cost of goods sold	1,694,254
Losses on scrap inventory	2,337
Losses on physical inventory	3,902
Under applied manufacturing overhead	111,222
Reversal of allowance for inventory market price decline	(<u>40,832</u>)
Cost of sales	1,770,883
Technical service cost	<u>37,587</u>
Operating cost	<u>\$ 1,808,470</u>

SCINOPHARM TAIWAN, LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 151,819	—
Repair and maintenance expense	46,784	—
Utilities expense	51,056	—
Depreciation	184,123	—
Waste disposal fee	33,357	—
Fuel expense	32,183	—
Others (individual less than 5%)	<u>99,048</u>	—
	<u>\$ 598,370</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF TECHNICAL SERVICE COST
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 4,277	—
Preparation research expense	4,061	—
Others (individual less than 5%)	<u>29,249</u>	—
	<u>\$ 37,587</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 42,318	—
Freight	14,143	—
Advertising expense	13,240	—
Commission	17,029	—
Royalty	20,610	—
Outsourcing service fee	16,833	—
Others (individual less than 5%)	<u>27,751</u>	—
	<u>\$ 151,924</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 141,308	—
Rent expense	31,883	—
Repair and maintenance expense	24,156	—
Utilities expense	23,526	—
Depreciation	65,146	—
Professional service fee	35,136	—
Others (individual less than 5%)	<u>128,421</u>	—
	<u>\$ 449,576</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 89,300	—
Depreciation	33,491	—
Research expense	129,038	—
Others (individual less than 5%)	<u>43,235</u>	—
	<u>\$ 295,064</u>	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(21) and 6(22).