

ScinoPharm Taiwan, Ltd.
2014 Annual General Shareholders' Meeting
Minutes
(Translation)

Time and Date: 9:30AM, 18 June 2014

Place: ScinoPharm Taiwan, Ltd. Administration Building

1F, No. 1, Nan-Ke 8th Road, Southern Taiwan Science Park, Shan-Hua, Tainan.

Total shares represented by shareholders present in person or by proxy: 569,105,130 shares (including 55,006,496 shares voted electronically and 5,419,813 shares by proxy), or 84.20% of the total 675,927,200 outstanding shares.

Attended Directors: Kao-Huei Cheng 、 Chih-Hsien Lo 、 Jo Shen 、 Shiow-Ling Kao 、 Tsung-Ming Su 、
Chien-Li Yin 、 Tian-Shung Wu 、 Po-Wu Gean 、 Chiou-Ru Shih 、
Wei-Te Ho (independent director)

Attendees: Accountant (LIU Tzu-Meng), Attorney (Albert Fang)

Chairperson: Mr. Kao-Huei Cheng, Chairman of the Board of Directors

Recorder: Jane Liu

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The chairman called the meeting to order.

A. Chairperson's address (omitted)

B. Report Items :

(1) Business report on 2013 (See Appendix 1).

(2) Audit Committee's review opinions on 2013 Financial Results (See Appendix 2).

C. Matters for ratification:

(1) Business Report and Financial Statements for 2013 (as adopted by the meeting of the Board of Directors)

Explanation:

- a. The parent and consolidated financial statements of 2013 of the Company as adopted by the 21 March 2014 meeting of the Board of Directors and duly certified by LIU Tzu-Meng, Certified Public Accountant and LIN Tzu-Yu, Certified Public Accountant from PricewaterhouseCoopers Taiwan were duly submitted in conjunction with the business report to the Auditing Board for inspection. This inspection was completed with the auditor's reports duly issued.
- b. Please see Appendix 1 and Appendices 3-4 for the Business Report, Auditor's Reports, parent and consolidated financial statements.
- c. It is proposed that resolution be adopted to ratify the above reports, books, records and financial statements.

Resolution:

Voting Result- The number of shares with voting rights represented by the shareholders present at the time of voting was 569,105,130 votes.

The number of votes for approval was 553,835,017(including 41,894,309 exercised via electronic transmission), accounted for 97.32% of total shares with voting rights present.

The number of votes for disapproval was 5,277 (including 5,277 exercised via electronic transmission), accounted for 0% of total shares with voting rights present.

The number of votes for abstaining was 13,106,910 (including 13,106,910 exercised via electronic transmission), accounted for 2.30% of total shares with voting rights present.

The number of Invalid votes was 72,000, accounted for 0.01% of total shares with voting rights present.

The resolution is adopted by a majority vote of the shareholders who represent a majority of the total number of its outstanding shares.

Approved and acknowledged as proposed by the Board of Directors by voting.

(2) Proposed earnings distribution plan for fiscal year 2013 (as adopted by the meeting of the Board of Directors)

Explanation:

- a. The Company's earnings distribution for fiscal year 2013 is proposed, in accordance with the Company Act and its Articles of Incorporation, by the Board of Directors as follows:
- b. With TWD 1,220,717,231 of cumulative distributable earnings for the period of 2013, the Company proposes to pay a cash dividend of TWD1.2 and a stock dividend of TWD0.4 for each share held.
- c. In the event that, before the distribution record date, the proposed profit distribution is affected by any change in equity, it is proposed that the Board of Directors be authorized to adjust the cash and stock to be distributed to each share based on the number of actual shares outstanding on the record date for distribution. It is proposed that the Board of Directors be authorized to determine the necessary action.
- d. Subject to approval of the proposed earnings distribution plan by the shareholders' meeting, it is proposed that the Board of Directors be authorized to determine the ex-dividend date, dividend distribution date and other relevant matters.

ScinoPharm Taiwan, Ltd.
Earnings Distribution Plan for Fiscal Year Ended 31 December 2013

Item	Amount (TWD)
After-tax net profit earned in 2013	1,273,404,321
Less: Legal reserve	(127,340,433)
Plus: Actuarial gain presented in retained earnings	413,201
Distributable profit from this period	<u>1,146,477,089</u>
Plus: Accumulated undistributed earnings from previous period	67,310,855
Adjustments in first-time adoption of T-IFRS	29,758,967
Minus: Special reserve provided for first-time adoption of T-IFRS	(22,829,680)
Total distributable earnings as of this period	<u>1,220,717,231</u>
Dividends to shareholders	
(Cash dividend TWD1,200 on each 1,000 shares held)	(811,112,640)
(Stock dividend 40 shares on each 1,000 shares held)	<u>(270,370,880)</u>
Undistributed earnings as of the end of the period	<u>139,233,711</u>

Notes:

1. Remuneration payable to directors and supervisors for 2013 calculated based on the total distributable earnings of the year is TWD22,929,542 with TWD22,929,664 thereof accounted as the estimated amount payable and the difference of TWD122 will be accounted as the income in year 2014.
 2. Bonus to employees payable for 2013 calculated based on the total distributable earnings of the year is TWD2,292,955 with TWD2,292,966 accounted as the estimated amount payable and the difference of TWD11 will be accounted as the income in year 2014.
 3. In terms of earnings distribution for fiscal year 2013, priority is given to distributing the earnings posted in the given fiscal year while retained earnings from the previous fiscal year is drawn on to make up for any deficiency.
 4. The actual amount of cash dividend paid to the shareholder shall be paid up to the rounded number with the fraction (if any) to be accounted as Other Income of the Company.
- e. It is proposed that resolution be adopted for the authorization proposed above.

Resolution:

Voting Result - The number of shares with voting rights represented by the shareholders present at the time of voting was 569,105,130 votes.

The number of votes for approval was 553,831,144 (including 41,890,436 exercised via electronic transmission), accounted for 97.32% of total shares with voting rights present.

The number of votes for disapproval was 9,190 (including 9,190 exercised via electronic transmission), accounted for 0% of total shares with voting rights present.

The number of votes for abstaining was 13,106,870 (including 13,106,870 exercised via electronic transmission), accounted for 2.30% of total shares with voting rights present.

The resolution is adopted by a majority vote of the shareholders who represent a majority of the total number of its outstanding shares.

Approved and acknowledged as proposed by the Board of Directors by voting.

D. Matters for discussion and resolution

(1) Capital increase by issuing new shares on retained earnings (as adopted by the meeting of the Board of Directors)

Explanation:

- a. In consideration of the capital call for the business expansion of the Company, it is proposed that TWD270,370,880 of the undistributed earnings accumulated from the previous period be capitalized to issue 27,037,088 new shares for distributable stock dividend with 40 shares distributed on each 1,000 shares held.
- b. Subject to the Authority's approval of the above capital increase by issuing new shares, the ex-dividend date and the relevant matters will be determined by the Board of Directors, who are authorized to do so and the new shares will be distributed to the shareholders as proposed according to the shareholding indicated in the shareholder registry as of the ex-dividend date with a relevant notice issued to each shareholder.
- c. The shareholder may by himself/herself seek to pool within five days from the ex-dividend date the fractional dividend share (if any) received. The stock dividend will be distributed in cash *pro rata* on each fraction of a share held (if any) up to the full TWD dollar. The remaining fractional shares (if any) may be purchased by such particular person according to the par value as contacted by the Chairman of the Board of Directors authorized to do so.
- d. Subject to approval of the proposed earnings distribution plan by the shareholders' meeting, if the proposed profit distribution is affected by any change in equity, it is proposed that the Board of Directors be authorized to adjust the cash and stock to be distributed to each share based on the number of actual shares outstanding on the record date for distribution. It is also proposed that the Board of Directors be authorized to determine the necessary action. The shareholder will have in the new shares the same rights and obligations as those in the original shares held.
- e. The Company will have TWD7,029,642,880 in paid-in capital after the above capital increase.
- f. It is proposed that resolution be adopted for the proposed issuance of new shares for capital increase.

Resolution:

Voting Result - The number of shares with voting rights represented by the shareholders present at the time of voting was 569,105,130 votes.

The number of votes for approval was 553,795,662 (including 41,890,954 exercised via electronic transmission), accounted for 97.31% of total shares with voting rights present.

The number of votes for disapproval was 8,561 (including 8,561 exercised via electronic transmission), accounted for 0% of total shares with voting rights present.

The number of votes for abstaining was 13,106,981 (including 13,106,981 exercised via electronic transmission), accounted for 2.30% of total shares with voting rights present.

The resolution is adopted by a majority vote of the shareholders who represent two-thirds of the total number of its outstanding shares.

Approved and acknowledged as proposed by the Board of Directors by voting.

(2) Proposed revisions to the Company's Articles of Incorporation (as adopted by the meeting of the Board of Directors)

Explanation:

- a. In consideration of the change of the administrative territory of the Southern Taiwan Science Park Administration as a result of its restructuring in line with the relevant government policy, amendment to Article 3 of the Articles of Incorporation of the Company is proposed pursuant to the official

request of 20 February 2014, ref. Nan-Shang-Zi No.1030004180 issued by the Southern Taiwan Science Park Administration.

- b. In view of performance indicator No.35 adopted by the first corporate governance performance evaluation, for the purpose of preventing possible diminution of their impartiality from taking long service term in office at the cost of objective exercise of their powers and duties by the independent directors contrary to the spirit of corporate governance, amendment of Article 24 of the Articles of Incorporation of the Company is proposed to provide that the independent director shall serve in office for a term of not more than nine (9) years.
- c. In consideration of full compliance with the current laws and regulations, amendment to Article 29 of the Articles of Incorporation of the Company is proposed pursuant to Article 3 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- d. What follows is a juxtaposition of the proposed revisions to the Articles of Incorporation and the current provisions.

Current Provision	Revision Proposed	Remark
Article 3 The Company having its head office established at the <u>Tainan Science-based Industrial Park</u> may, where necessary, set up branch offices and representative offices at home or abroad in accordance with the relevant resolution adopted by the meeting of the Board of Directors subject to the approval of the competent authority.	Article 3 The Company having its head office established at the <u>Southern Taiwan Science Park</u> may, where necessary, set up branch offices and representative offices at home or abroad in accordance with the relevant resolution adopted by the meeting of the Board of Directors subject to the approval of the competent authority.	The revision is proposed on the request of Southern Taiwan Science Parks Administration (STSP Administration) in line with the restructuring of the central competent authority and the change of the area under its control.
Article 24 The Directors each of the Company will serve an office term of three years and may be re-elected. Subject to the relevant resolution adopted by the meeting of the Board of Directors, liabilities insurance will be procured for the Director elect. Subject to the public offering of the Company, the total shareholding of the Directors and the Supervisors of the Company as a whole shall be in accordance with the Company Act and the regulations prescribed by the competent securities authority. The Company has an Audit Committee formed by all of the independent directors under the Securities And Exchange Act. The establishment, functions, powers and authorities, rules for the meetings and other legal compliance	Article 24 The Directors each of the Company will serve an office term of three years and may be re-elected; <u>but the independent director shall serve in office for a term of not more than nine (9) years.</u> Subject to the relevant resolution adopted by the meeting of the Board of Directors, liabilities insurance will be procured for the Director elect. Subject to the public offering of the Company, the total shareholding of the Directors and the Supervisors of the Company as a whole shall be in accordance with the Company Act and the regulations prescribed by the competent securities authority. The Company has an Audit Committee formed by all of the independent directors under the	The revision is proposed in view of performance indicator No. 35 adopted by the first corporate governance performance evaluation, for the purpose of preventing possible diminution of their impartiality from taking long service term in office at the cost of objective exercise of their powers and duties by the independent directors contrary to the spirit of corporate governance.

Current Provision	Revision Proposed	Remark
matters of the Audit Committee shall be in accordance with the relevant regulations issued by the competent securities authority.	Securities And Exchange Act. The establishment, functions, powers and authorities, rules for the meetings and other legal compliance matters of the Audit Committee shall be in accordance with the relevant regulations issued by the competent securities authority.	
Article 29 The Directors shall vote to approve or disapprove and exercise their powers and duties with respect to the matters proposed on the agenda at the relevant meeting of the Board of Directors which shall be convened at least once <u>every three months</u> . Except as otherwise provided by the Company Act, the resolution with respect to the revision of these Articles of Incorporation as provided in subparagraph (1) below must be adopted by three fourths (3/4) or more of all of the Directors of the Company and with respect to other matters by two thirds (2/3) or more of all of the Directors of the Company: (1)~(20).....(Omitted.)	Article 29 The Directors shall vote to approve or disapprove and exercise their powers and duties with respect to the matters proposed on the agenda at the relevant meeting of the Board of Directors which shall be convened at least once <u>every quarter</u> . Except as otherwise provided by the Company Act, the resolution with respect to the revision of these Articles of Incorporation as provided in subparagraph (1) below must be adopted by three fourths (3/4) or more of all of the Directors of the Company and with respect to other matters by two thirds (2/3) or more of all of the Directors of the Company: (1)~(20).....(Omitted.)	The revision is proposed in accordance with Article 3 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
Article 42 These Articles of Incorporation established on 16 October 1997 have been revised as follows:1st revision of 17 March 1998,...(omitted),19th revision of 21 June 2013.	Article 42 These Articles of Incorporation established on 16 October 1997 have been revised as follows:1st revision of 17 March 1998,...(omitted), 19th revision of 21 June 2013, <u>and 20th revision of 18 June 2014.</u>	The revision is proposed to bring up to date the history of revision of these Articles.

e. It is proposed that resolution be adopted for the proposed revision.

Resolution:

Voting Result - The number of shares with voting rights represented by the shareholders present at the time of voting was 569,105,130 votes.

The number of votes for approval was 553,797,426(including 41,892,718 exercised via electronic transmission), accounted for 97.31% of total shares with voting rights present.

The number of votes for disapproval was 5,277 (including 5,277 exercised via electronic

transmission), accounted for 0% of total shares with voting rights present.

The number of votes for abstaining was 13,108,501 (including 13,108,501 exercised via electronic transmission), accounted for 2.30% of total shares with voting rights present.

The resolution is adopted by a majority vote of the shareholders who represent two-thirds of the total number of its outstanding shares.

Approved and acknowledged as proposed by the Board of Directors by voting.

- (3) Proposed revisions to the Rules Governing the Procedure for Handling Acquisition and Disposal of Assets (as adopted by the meeting of the Board of Directors).

Explanation:

- a. The Securities and Futures Bureau, Financial Supervisory Commission announced its order of December 30, 2013 (ref. Jin-Guan-Zheng-Fa-Zi No.1020053073 to revise partial articles of Regulations Governing the Acquisition and Disposal of Assets by Public Companies in line with Taiwan's adoption of the IFRSs, enhancement of internal control of Acquisition and Disposal of Assets by Public Companies and corporate governance. The Company proposes the following revision to its Rules Governing the Procedure for Handling Acquisition and Disposal of Assets according to the revised regulation.
- b. Please see the proposed revisions to the Rules Governing the Procedure for Handling Acquisition and Disposal of Assets juxtaposed with the current provision as show in Appendix 5.
- c. It is proposed that resolution be adopted for the proposed revision.

Resolution:

Voting Result - The number of shares with voting rights represented by the shareholders present at the time of voting was 569,105,130 votes.

The number of votes for approval was 553,797,355(including 41,892,647 exercised via electronic transmission), accounted for 97.31% of total shares with voting rights present.

The number of votes for disapproval was 5,277(including 5,277 exercised via electronic transmission), accounted for 0% of total shares with voting rights present.

The number of votes for abstaining was 13,108,572(including 13,108,572 exercised via electronic transmission), accounted for 2.30% of total shares with voting rights present.

The resolution is adopted by a majority vote of the shareholders who represent a majority of the total number of its outstanding shares.

Approved and acknowledged as proposed by the Board of Directors by voting.

E. Extempore motions

Shareholder #13126, Mr. Wang's questions:

First I would like to send my regards to Chairman, CEO and all attendees. It's my first time to attend Shareholders' Meeting held by ScinoPharm. Thanks for the management team's diligence and efforts. They worked really hard to push the annual revenue from NTD3.9 billion in 2011 (IPO year) to NTD5 billion last year. I have some questions for the management team:

- (1) ScinoPharm announced its co-developed drug Livepro with Genovate Biotechnology Co., Ltd last December. How does ScinoPharm benefit from this collaboration?
- (2) What's the future prospect for the anti-obesity drug supplied by ScinoPharm?
- (3) We often said ScinoPharm is the icon to Biotech industry just like TSMC to semiconductor industry ; TSMC announces its revenue forecast in the Investor Conference on quarterly bases. Will ScinoPharm be able to do the same forecast as TSMC? Is it difficult for this industry to estimate the

revenue?

CEO's response:

- (1) According to my understanding, Genovate's Oral Hepatitis B drug has been approved by Taiwan FDA and is currently in the process of applying Livepro as a National Health Insurance Program approved drug. Hopefully they can get the approval in June. Livepro is an excellent drug and hopefully Genovate will generate big chunk of revenue from this product. ScinoPharm's contract with Genovate covers not only Taiwan area but also Mainland China. Genovate will also send application to China FDA for drug approval in the near future. As we all know, there are a lot of hepatitis B carriers in China and we also hope this drug will bring good earnings in China market. We will report to all investors after reviewing the sales report for the first half year.
- (2) Anti-obesity drug (Qsymia) is manufactured by VIVUS (a public company). The information we provided is also from VIVUS's public information. The sales revenue for this drug is not so good as the revenue forecast before product launching. However, the sales did grow last quarter and we're hoping it will generate more sales continuously. This anti-obesity drug was actually the first drug approved by U.S. FDA after over a decade and it was also the drug with least side effect. Currently VIVUS's goal is to do co-marketing with big pharma companies. We hope they will be more successful after utilizing the new strategy.
- (3) TSMC is a big and well-established company. Though ScinoPharm is in biotechnology business for the past 16 years, it's still a freshman in this business. We are still looking for the right path for our company. The reason that ScinoPharm is called as the TSMC in Biotech industry is probably because its capital is larger than most biotech companies. ScinoPharm is in a very different industry comparing with electronic industry and we don't really have patterned shipping schedule for our products. The electronic industry can forecast the sales of each quarter. They can make the comparison for each quarter on an annual basis. Not like electronic industry, we don't really have schedules for products shipping. Some big products might be shipped out every month; some products might be shipped twice a year; some products even be made every three years. Due to the complexity of products schedule and product margin, it's very difficult for us to do the revenue forecast. We have reached the common acknowledgment with our investors when we first entered this business that we won't be able to forecast our revenues. Please excuse us for not able to provide such information.

F. End of Meeting

Appendix 1

Business Report

The year 2013 was a very successful year for ScinoPharm Taiwan. Aided by an aging global population and increased spending by many governments for health care (especially generics), the biopharmaceutical industry in Taiwan has seen an increase in demand for its products. The local industry, in recent years, has gradually undergone a beneficial integration of government, industry and academia resources in addition to receiving increased capital funding. ScinoPharm has played a significant part in this growth story. It has continued to flourish in its generic drug sales, while at the same time its contract research and manufacturing services (CRAM) activities also achieved stable growth, thus leading to significantly increased overall revenues. In addition, strengthened internal operational efficiencies and diligent cost controls produced an outstanding net profit performance for the year. Annual revenues for the first time surpassed the NT\$5 billion level resulting in record sales and the company's best financial results since it was founded.

Financial Performance

The parent company revenues for 2013 reached NT\$5.084 billion, a growth rate of 11% compared to NT\$4.572 billion in the previous year. Its net income after tax amounted to NT\$1.273 billion, a growth rate of 9% compared to NT\$1.171 billion in the previous year. The consolidated revenues for 2013 reached NT\$5.088 billion, a growth rate of 11% compared to NT\$4.573 billion in the previous year. The consolidated net income after tax amounted to NT\$1.273 billion, a growth rate of 9% compared to NT\$1.171 billion in the previous year.

As of the close of last year, the company's paid-in capital was NT\$6.759 billion, and earnings per share were NT\$1.88. Shareholder equity was NT\$9.643 billion, representing 84% of the consolidated total assets of the company of NT\$11.48 billion. The long-term capital ratio was 2.3 times the value of the company's consolidated fixed assets with the current ratio of current assets to current liabilities being 3.5 times. The financial structure of the company remained strong as ScinoPharm specialized in high potency products with high technical entry barriers allowing for higher margins. The average gross margin for injectable Active Pharmaceutical Ingredients (APIs) used in cancer treatment sustained about 50%, which ensured excellent profitability for ScinoPharm.

Operating Performance

Continuing the previous year's sales growth momentum, generic drug sales remained robust and growth in the CRAM business remained strong. APIs for oncological and central nervous system (CNS) treatments achieved steady sales growth. Among them, *Irinotecan*, used for the treatment of colorectal cancer, nearly tripled in sales compared to the previous year, thus making it the highest revenue product for the company last year. Furthermore, *Exemestane*, used for the treatment of breast cancer, benefited from a large dedicated production line completed at the end of 2012 and used exclusively for manufacturing steroids. These products significantly contributed to the company's sales.

In terms of market development, ScinoPharm continued to grow its sales of European and U.S. generics and managed to sustain its current global leadership position as a supplier of generic oncological and CNS APIs. In recent years, the company has increased its marketing efforts in Japan and India as well as continued its significant marketing and manufacturing activities in China. These focused efforts contributed to the company's increasing success in capturing new business opportunities in these emerging markets, especially in Japan's generics market. As a result of *Irinotecan's* steady growth in the

Japanese market as well as initiating large-scale production of *Gemcitabine* (used for the treatment of non-small-cell lung cancer), ScinoPharm was able to double its sales performance in this market. In order to more effectively capture a larger share of Japan's emerging generics market, the company opened an office in Tokyo in July of last year.

In order to meet rapidly growing demand for ScinoPharm's products, the company has expanded its global production capacity by completing construction of its new and large API manufacturing facility at Changshu located in Jiangsu, China. Currently, four products have been granted permits to engage in production. The company is in the process of filing applications for launch of one of these items in Mainland China as well as for three of the items for the United States. Because many major European and U.S. pharmaceutical companies are searching for qualified API partners that are in full compliance with international GMPs, as well as with worker safety and environmental protection standards in China, the Changshu site has a clear competitive advantage, hopefully leading to the capture of a significant share of these business opportunities.

ScinoPharm Taiwan attaches great importance to "research and development" and "innovation capability". Since its inception, the company has considered R&D as its most important strategic investment. Through its strong process R&D successes, the company has achieved steady growth in terms of both revenues and profits. Last year, six APIs were successfully developed and offered for sale into the global market. Further, in order to expand its long-term competitive advantages, the company has successfully developed significant intellectual property patents. Last year, applications for 11 product process or polymorph patents were filed. As of the end of 2013, ScinoPharm Taiwan has obtained 180 patents worldwide for its 34 inventions. Additionally, 55 invention patents have been filed and are currently under review. In line with the impressive product R&D technical accomplishments, ScinoPharm's drug registration group has filed 663 Drug Master Files (DMFs) as of the end of last year, of which 47 meet the requirements of the United States. These technical accomplishments will continue to provide a competitive advantage for ScinoPharm in capturing new marketing opportunities.

In order to accelerate the momentum of revenue growth, the company has expanded into several high value-added areas through a number of strategic alliances. These include a joint venture with *U.S. Foresee*, providing for the development of novel oncological peptide drugs, the development of a series of generic oncological drugs for Mainland China with *Coland Holdings Ltd.* and the collaboration with *Sundia MediTech* on CRAMs in mainland China, providing an opportunity to tap into this large and growing business potential. In addition, the company has co-developed with *Genovate* a new generation of highly potent, orally active generic drugs for treating Hepatitis B, which will result, for the first time, in a major strategic move for ScinoPharm into the sterile formulation development field. These strategic collaborations will significantly assist in ScinoPharm's long-term business development and ensure that the company's growth momentum will continue into the future.

ScinoPharm's long-term efforts have been recognized widely by the communities. Last year, it received the "Best Contribution Award" from the Taiwan government's Intellectual Property Office in the category of the National Invention Award selections. In addition, the company was selected by CommonWealth magazine as the number one company in the "Most Admired Biopharmaceutical Industry" category. The company placed first in seven indicators: foresight, customer orientation, personnel training, use of technology, long-term investment success, social responsibility, and multinational operations. Moreover, the company has ranked in the top 50 manufacturing companies (among 2000 enterprises) for six consecutive years. At the end of the year, it obtained AEO (Authorized Economic Operator) certification by Taiwan's Ministry of Finance for the second time. These recognitions symbolize the company's robust business performance.

Future Prospects

After many years of hard work, ScinoPharm, with its strong R&D and manufacturing skills and its ability to supply an increasing share of global generic APIs and supporting services, has established a strong foothold in the international biopharmaceutical market. It will continue to develop the Chinese and Japanese markets in order to enhance its long-term competitive advantages and provide the mechanism for continued growth. In addition to continuously expanding its portfolio of oncological products and optimizing its production processes, the company will soon expand into the high-value-sterile formulation segment of the industrial API chain. This high potency oncological injection formulation plant under development will soon vertically integrate this downstream production process. In addition, the completion of the new API manufacturing and R&D center in Changshu, China will significantly increase the company's production capacity thus enabling ScinoPharm to expand its product offerings and diversify its product development selections. The product portfolio may very well be extended to mass-produced products as well. Using existing global marketing connections, these additional product opportunities will accelerate ScinoPharm's business growth, thus allowing continuing revenue growth in the global biopharmaceutical market.

The biopharmaceutical industry in Taiwan has been well recognized as a rising commercial success. With the active investment and promotion of the government and private enterprises, industrial growth and development of this sector will offer promising future prospects. ScinoPharm's team strives to lead its staff towards the capture of an increasing share of these future growth prospects. The goal for ScinoPharm is to execute the necessary strategies to succeed in this effort. The result is expected to maximize value for the company, shareholders, and employees.

We wish to express our appreciation to our dedicated employees for their contribution to the company's past successes, as well as to our customers, suppliers, shareholders, and the community for their support and recognition.

I wish you all good health and best wishes.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2013 Business Report, parent and consolidated Financial Statements, and proposal for allocation of profits. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ScinoPharm Taiwan, Ltd. According to Article 14-4 of the 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 21, 2014

Audit Committee's Review Report

The Board of Directors revised the Company's 2013 Business Report. The revised Business Report has been reviewed and determined to be correct and accurate by the Audit Committee members of ScinoPharm Taiwan, Ltd. According to Article 14-4 of the 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

May 8, 2014

Appendix 3

Auditors' Report and parent financial statements on 2013

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying non-consolidated balance sheets of ScinoPharm Taiwan, Ltd. as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers".

PricewaterhouseCoopers, Taiwan

Republic of China

March 21, 2014

The accompanying non-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 non-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.
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$ 1,864,352	18	\$ 2,584,773	26	\$ 3,080,455	33
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	473	-	2,066	-
1150	Notes receivable, net		230	-	-	-	-	-
1170	Accounts receivable, net	6(3)	969,117	9	841,334	9	843,817	9
1180	Accounts receivable - related	7						
	parties		1,118	-	-	-	-	-
1200	Other receivables		18,692	-	3,470	-	14,524	-
1210	Other receivables - related	7						
	parties		26,120	-	9,040	-	4,752	-
130X	Inventories	5(2) and						
		6(4)	2,291,613	21	1,733,533	17	1,449,852	15
1410	Prepayments		191,095	2	204,762	2	168,631	2
1476	Other current financial assets -	8						
	current		15,552	-	-	-	15,552	-
11XX	Current Assets		5,377,889	50	5,377,385	54	5,579,649	59
	Non-current assets							
1543	Financial assets carried at cost -	6(5)						
	non-current		167,673	2	167,673	2	-	-
1550	Investments accounted for under	6(5)(6)						
	equity method		1,682,715	16	1,242,315	13	1,131,951	12
1600	Property, plant and equipment	6(7)(8) and						
		7	3,153,292	30	2,869,977	29	2,534,793	27
1780	Intangible assets		7,906	-	1,538	-	2,026	-
1840	Deferred income tax assets	5(2) and						
		6(22)	149,386	1	110,446	1	84,394	1
1915	Prepayments for equipment		140,414	1	145,097	1	66,842	1
1920	Guarantee deposits paid		2,228	-	2,719	-	2,525	-
1980	Other financial assets -	8						
	non-current		24,667	-	39,369	-	23,817	-
15XX	Non-current assets		5,328,281	50	4,579,134	46	3,846,348	41
1XXX	Total assets		\$ 10,706,170	100	\$ 9,956,519	100	\$ 9,425,997	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		\$	1,138	-	\$	-	-
2150	Notes payable			1,080	-		1,045	-
2170	Accounts payable			160,379	1		125,220	1
2180	Accounts payable - related parties	7		53,868	1		18,017	-
2200	Other payables	6(9) and 7		557,967	5		505,462	5
2230	Current income tax liabilities			147,735	1		169,991	2
2310	Advance receipts			74,562	1		2,183	-
2355	Finance lease liabilities - current			-	-		-	-
2399	Other current liabilities			-	-		-	-
21XX	Current Liabilities			996,729	9		821,918	8
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)		639	-		-	-
2640	Accrued pension liabilities	5(2) and 6(10)		65,548	1		65,462	1
2645	Refundable deposits received			-	-		-	-
25XX	Non-current liabilities			66,187	1		65,462	1
2XXX	Total Liabilities			1,062,916	10		887,380	9
Equity								
Share capital		6(12)(14)						
3110	Share capital - common stock			6,759,272	63		6,499,300	65
Capital reserve		6(11)(13)						
3200	Capital surplus			1,247,796	12		1,246,977	13
Retained earnings		6(14)(22)						
3310	Legal reserve			220,944	2		103,897	1
3320	Special reserve			22,829	-		22,829	-
3350	Undistributed earnings			1,348,058	13		1,231,176	12
Other equity interest		6(15)						
3400	Other equity interest			44,355	-	(	35,040)	-
3XXX	Total equity			9,643,254	90		9,069,139	91
Contingent liabilities and Commitments		9						
Total liabilities and equity			\$	10,706,170	100	\$	9,956,519	100

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

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

Items	Notes	For the years ended December 31,			
		2013		2012	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16) and 7	\$ 5,083,603	100	\$ 4,572,198	100
5000 Operating costs	6(4)(10)(20)(21) and 7	(2,513,605)	(49)	(2,347,075)	(51)
5900 Net operating margin		<u>2,569,998</u>	<u>51</u>	<u>2,225,123</u>	<u>49</u>
Operating expenses	6(10)(20)(21) and 7				
6100 Selling expenses		(185,894)	(4)	(173,012)	(4)
6200 General and administrative expenses		(434,038)	(8)	(366,189)	(8)
6300 Research and development expenses		(340,824)	(7)	(262,709)	(6)
6000 Total operating expenses		<u>(960,756)</u>	<u>(19)</u>	<u>(801,910)</u>	<u>(18)</u>
6900 Operating profit		<u>1,609,242</u>	<u>32</u>	<u>1,423,213</u>	<u>31</u>
Non-operating income and expenses					
7010 Other income	6(17)	64,849	1	93,144	2
7020 Other gains and losses	6(2)(8)(18)	(16,092)	-	(22,277)	-
7050 Finance costs	6(19)	(1)	-	(29)	-
7070 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(143,252)	(3)	(93,167)	(2)
7000 Total non-operating income and expenses		<u>(94,496)</u>	<u>(2)</u>	<u>(22,329)</u>	<u>-</u>
7900 Profit before income tax		1,514,746	30	1,400,884	31
7950 Income tax expense	6(22)	(241,342)	(5)	(230,008)	(5)
8200 Profit for the year		<u>\$ 1,273,404</u>	<u>25</u>	<u>\$ 1,170,876</u>	<u>26</u>
Other comprehensive income					
8310 Financial statements translation differences of foreign operations		\$ 79,395	2	(\$ 35,040)	(1)
8360 Actuarial gain (loss) on defined benefit plan	6(10)	498	-	(1,286)	-
8399 Income tax relating to the components of other comprehensive income	6(22)	(85)	-	219	-
8300 Other comprehensive income (loss) for the year		<u>\$ 79,808</u>	<u>2</u>	<u>(\$ 36,107)</u>	<u>(1)</u>
8500 Total comprehensive income for the year		<u>\$ 1,353,212</u>	<u>27</u>	<u>\$ 1,134,769</u>	<u>25</u>
Basic earnings per share (in dollars)					
9750 Net income	6(23)	<u>\$ 1,273,404</u>	<u>1.88</u>	<u>\$ 1,170,876</u>	<u>1.73</u>
Diluted earnings per share (in dollars)					
9850 Net income	6(23)	<u>\$ 1,273,404</u>	<u>1.88</u>	<u>\$ 1,170,876</u>	<u>1.73</u>

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

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

		Retained earnings					Financial statements translation differences of foreign operations	
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings		Total
<u>For the year ended December 31, 2012</u>								
Balance at January 1, 2012		\$ 6,310,000	\$ 1,246,977	\$ 7,962	\$ 30,419	\$ 970,012	\$ -	\$ 8,565,370
Appropriations of 2011 net income(Note):								
Legal reserve		-	-	95,935	-	(95,935)	-	-
Cash dividends	6(14)	-	-	-	-	(631,000)	-	(631,000)
Stock dividends	6(14)	189,300	-	-	-	(189,300)	-	-
Net income for the year ended December 31, 2012		-	-	-	-	1,170,876	-	1,170,876
Other comprehensive loss for the year ended December 31, 2012	6(15)	-	-	-	-	(1,067)	(35,040)	(36,107)
Reversal of special reserve		-	-	-	(7,590)	7,590	-	-
Balance at December 31, 2012		<u>\$ 6,499,300</u>	<u>\$ 1,246,977</u>	<u>\$ 103,897</u>	<u>\$ 22,829</u>	<u>\$ 1,231,176</u>	<u>(\$ 35,040)</u>	<u>\$ 9,069,139</u>
<u>For the year ended December 31, 2013</u>								
Balance at January 1, 2013		\$ 6,499,300	\$ 1,246,977	\$ 103,897	\$ 22,829	\$ 1,231,176	(\$ 35,040)	\$ 9,069,139
Appropriations of 2012 net income(Note):								
Legal reserve		-	-	117,047	-	(117,047)	-	-
Cash dividends	6(14)	-	-	-	-	(779,916)	-	(779,916)
Stock dividends	6(14)	259,972	-	-	-	(259,972)	-	-
Employee stock option compensation cost		-	819	-	-	-	-	819
Net income for the year ended December 31, 2013		-	-	-	-	1,273,404	-	1,273,404
Other comprehensive income for the year ended December 31, 2013	6(15)	-	-	-	-	413	79,395	79,808
Difference between the acquisition or disposal price and carrying amount of subsidiaries:								
Acquisition of subsidiaries	6(13)	-	188	-	-	-	-	188
Disposal of subsidiaries	6(13)	-	(188)	-	-	-	-	(188)
Balance at December 31, 2013		<u>\$ 6,759,272</u>	<u>\$ 1,247,796</u>	<u>\$ 220,944</u>	<u>\$ 22,829</u>	<u>\$ 1,348,058</u>	<u>\$ 44,355</u>	<u>\$ 9,643,254</u>

Note: The employees' bonuses were \$1,727 and \$2,107 and the directors' remuneration were \$17,268 and \$21,068 in 2011 and 2012, respectively, which had been deducted from net income for the year.

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

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

		For The Years Ended December 31,	
	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		\$ 1,514,746	\$ 1,400,884
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Loss on valuation of financial assets and liabilities		1,611	1,593
Provision for doubtful accounts	6(3)	5	-
Doubtful accounts as other income	6(3)	-	(4,115)
Loss on inventory market price decline	6(4)	8,167	41,191
Provision (reversal) of allowance for obsolescence of supplies		5,899	(11,009)
Share of (profit)/loss of associates and joint ventures accounted for under equity method	6(6)	143,252	93,167
Gain on disposal of long-term investments		(2,331)	-
Depreciation	6(7)(20)	374,874	325,839
Loss on disposal of property, plant and equipment	6(18)	3,156	933
Gain on reversal of impairment loss	6(8)(18)	(3,185)	(5,857)
Amortization	6(20)	1,832	858
Employee stock option compensation costs	6(13)	768	-
Interest income	6(17)	(21,140)	(24,111)
Interest expense	6(19)	1	29
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(230)	-
Accounts receivable		(127,788)	6,598
Accounts receivable-related parties		(1,118)	-
Other receivables		(15,222)	11,054
Other receivables-related parties		(17,080)	(4,288)
Inventories		(566,247)	(324,872)
Prepayment		7,768	(25,122)
Net changes in liabilities relating to operating activities			
Notes payable		35	962
Accounts payable		35,159	(58,301)
Accounts payable-related parties		35,851	(59,855)
Other payables		78,175	35,725
Advance receipts		72,379	(14,763)
Other current liabilities		-	(19,804)
Accrued pension liabilities		584	1,437
Cash generated from operations		1,529,921	1,368,173
Interest received		21,140	24,111
Interest paid		(1)	(29)
Income tax paid		(301,984)	(198,748)
Net cash provided by operating activities		1,249,076	1,193,507

(Continued)

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

		<u>For The Years Ended December 31,</u>	
	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in pledged time deposits		(\$ 850)	\$ -
Acquisition of investments accounted for under the equity method - subsidiaries		(399,205)	(406,244)
Acquisition of investments accounted for under the equity method - non-subsidiaries		(107,388)	-
Proceeds from liquidation of investments accounted for under equity method - subsidiaries		2,377	-
Acquisition of property, plant and equipment	6(24)	(448,070)	(288,141)
Proceeds from disposal of property, plant and equipment		308	-
Acquisition of intangible assets		(8,200)	(370)
Increase in prepayment for equipment		(229,044)	(362,026)
Increase (decrease) in guarantee deposits paid		<u>491</u>	<u>(194)</u>
Net cash used in investing activities		<u>(1,189,581)</u>	<u>(1,056,975)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in finance lease liabilities - current		-	(964)
Decrease in refundable deposits received		-	(250)
Payment of cash dividends	6(14)	<u>(779,916)</u>	<u>(631,000)</u>
Net cash used in financing activities		<u>(779,916)</u>	<u>(632,214)</u>
Decrease in cash and cash equivalents		(720,421)	(495,682)
Cash and cash equivalents at beginning of year	6(1)	<u>2,584,773</u>	<u>3,080,455</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,864,352</u>	<u>\$ 2,584,773</u>

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

Appendix 4

Auditors' Report and consolidated financial statements on 2013

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of ScinoPharm Taiwan, Ltd. as of and for the years ended December 31, 2013 and 2012, and have expressed an unqualified opinion on those financial statements.

PricewaterhouseCoopers, Taiwan

Republic of China

March 21, 2014

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.
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,289,428	20	\$ 3,035,012	30	\$ 3,293,681	35
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	473	-	2,066	-
1150	Notes receivable, net		230	-	-	-	-	-
1170	Accounts receivable, net	6(3)	969,523	8	841,334	8	843,902	9
1180	Accounts receivable - related parties	7						
			1,118	-	-	-	-	-
1200	Other receivables		161,496	1	96,300	1	47,983	1
130X	Inventories	5(2) and						
		6(4)	2,512,318	22	1,870,275	18	1,465,462	15
1410	Prepayments		193,763	2	214,261	2	179,883	2
1476	Other financial assets-current	8	15,552	-	-	-	15,552	-
11XX	Current Assets		6,143,428	53	6,057,655	59	5,848,529	62
Non-current assets								
1543	Financial assets carried at cost - non-current	6(5)						
			167,673	1	167,673	2	-	-
1550	Investments accounted for under equity method	6(5)(6)						
			90,455	1	-	-	172,107	2
1600	Property, plant and equipment	6(7)(9) and						
		7	4,213,982	37	3,559,228	34	2,890,760	30
1780	Intangible assets		28,709	-	17,521	-	13,330	-
1840	Deferred income tax assets	5(2) and						
		6(24)	305,089	3	153,940	2	84,394	1
1915	Prepayments for equipment		399,306	4	237,535	2	346,322	4
1980	Other financial assets - non-current	8						
			24,667	-	39,369	-	23,817	-
1985	Long-term prepaid rent	6(8)	92,994	1	90,018	1	100,158	1
1990	Other non-current assets		17,925	-	16,937	-	8,453	-
15XX	Non-current assets		5,340,800	47	4,282,221	41	3,639,341	38
1XXX	Total assets		\$ 11,484,228	100	\$ 10,339,876	100	\$ 9,487,870	100

(Continued)

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

			December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Liabilities and Equity								
Notes								
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 689,785	6	\$ 263,676	3	\$ -	-
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		1,138	-	-	-	-	-
2150	Notes payable		1,080	-	1,045	-	83	-
2170	Accounts payable		264,437	2	223,074	2	299,250	3
2200	Other payables	6(11)	594,800	5	536,155	5	405,808	5
2230	Current income tax liabilities	6(24)	147,735	1	177,539	2	114,937	1
2310	Advance receipts		75,812	1	2,183	-	16,946	-
2355	Finance lease liabilities -							
	current		-	-	-	-	964	-
2399	Other current liabilities		-	-	-	-	19,804	-
21XX	Current Liabilities		1,774,787	15	1,203,672	12	857,792	9
Non-current liabilities								
2570	Deferred income tax liabilities	6(24)	639	-	-	-	-	-
2640	Accrued pension liabilities	5(2) and						
		6(12)	65,548	1	65,462	-	62,739	1
2645	Refundable deposits received		-	-	-	-	250	-
25XX	Non-current liabilities		66,187	1	65,462	-	62,989	1
2XXX	Total Liabilities		1,840,974	16	1,269,134	12	920,781	10
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(14)(16)	6,759,272	59	6,499,300	63	6,310,000	67
Capital surplus								
3200	Capital surplus	6(13)(15)(
		26)	1,247,796	11	1,246,977	12	1,246,977	13
Retained earnings								
		6(16)(24)						
3310	Legal reserve		220,944	2	103,897	1	7,962	-
3320	Special reserve		22,829	-	22,829	-	30,419	-
3350	Undistributed earnings		1,348,058	12	1,231,176	12	970,012	10
Other equity interest								
3400	Other equity interest	6(17)(26)	44,355	-	(35,040)	-	-	-
31XX	Equity attributable to							
	owners of the parent		9,643,254	84	9,069,139	88	8,565,370	90
36XX	Non-controlling interest		-	-	1,603	-	1,719	-
3XXX	Total equity		9,643,254	84	9,070,742	88	8,567,089	90
Contingent liabilities and								
Commitments								
Total liabilities and equity			\$ 11,484,228	100	\$ 10,339,876	100	\$ 9,487,870	100

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

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		For the years ended December 31					
		2013		2012			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000 Sales revenue	6(18) and 7	\$ 5,088,245	100	\$ 4,572,509	100		
5000 Operating costs	6(4)(12)(22)(23)	(2,545,712)	(50)	(2,259,081)	(49)		
5900 Net operating margin		<u>2,542,533</u>	<u>50</u>	<u>2,313,428</u>	<u>51</u>		
Operating expenses	6(12)(22)(23) and 7						
6100 Selling expenses		(188,443)	(4)	(185,346)	(4)		
6200 General and administrative expenses		(538,715)	(10)	(565,321)	(12)		
6300 Research and development expenses		(417,875)	(8)	(303,023)	(7)		
6000 Total operating expenses		<u>(1,145,033)</u>	<u>(22)</u>	<u>(1,053,690)</u>	<u>(23)</u>		
6900 Operating profit		<u>1,397,500</u>	<u>28</u>	<u>1,259,738</u>	<u>28</u>		
Non-operating income and expenses							
7010 Other income	6(19)	51,909	1	98,830	2		
7020 Other gains and losses	6(2)(9)(20)	(16,189)	-	18,052	-		
7050 Finance costs	6(21)	(7,916)	-	(29)	-		
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(16,791)	(1)	(4,434)	-		
7000 Total non-operating income and expenses		<u>11,013</u>	<u>-</u>	<u>112,419</u>	<u>2</u>		
7900 Profit before income tax		<u>1,408,513</u>	<u>28</u>	<u>1,372,157</u>	<u>30</u>		
7950 Income tax expense (benefit)	6(24)	(135,109)	(3)	(201,328)	(4)		
8200 Profit for the year		<u>\$ 1,273,404</u>	<u>25</u>	<u>\$ 1,170,829</u>	<u>26</u>		
Other comprehensive income							
8310 Financial statements translation differences of foreign operations		\$ 79,395	2	(\$ 35,040)	(1)		
8360 Actuarial gain (loss) on defined benefit plans	6(12)	498	-	(1,286)	-		
8399 Income tax relating to the components of other comprehensive income	6(24)	(85)	-	219	-		
8300 Total other comprehensive income for the year		<u>\$ 79,808</u>	<u>2</u>	<u>(\$ 36,107)</u>	<u>(1)</u>		
8500 Total comprehensive income for the year		<u>\$ 1,353,212</u>	<u>27</u>	<u>\$ 1,134,722</u>	<u>25</u>		
Profit (loss) attributable to:							
8610 Owners of the parent		\$ 1,273,404	25	\$ 1,170,876	26		
8620 Non-controlling interest		-	-	(47)	-		
Profit for the year		<u>\$ 1,273,404</u>	<u>25</u>	<u>\$ 1,170,829</u>	<u>26</u>		
Comprehensive income attributable to:							
8710 Owners of the parent		\$ 1,353,212	27	\$ 1,134,769	25		
8720 Non-controlling interest		-	-	(47)	-		
Total comprehensive income for the year		<u>\$ 1,353,212</u>	<u>27</u>	<u>\$ 1,134,722</u>	<u>25</u>		
Basic earnings per share (in dollars)	6(25)						
9750 Net income		<u>\$ 1,273,404</u>	<u>1.88</u>	<u>\$ 1,170,876</u>	<u>1.73</u>		
Diluted earnings per share (in dollars)	6(25)						
9850 Net income		<u>\$ 1,353,212</u>	<u>1.88</u>	<u>\$ 1,134,722</u>	<u>1.73</u>		

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

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

	Notes	Equity attributable to owners of the parent							Non-controlling interest	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings	Financial statements translation differences of foreign operations	Total		
<u>For the year ended December 31, 2012</u>										
Balance at January 1, 2012		\$ 6,310,000	\$ 1,246,977	\$ 7,962	\$ 30,419	\$ 970,012	\$ -	\$ 8,565,370	\$ 1,719	\$ 8,567,089
Appropriations of 2011 net income:										
Legal reserve		-	-	95,935	-	(95,935)	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(631,000)	-	(631,000)	-	(631,000)
Stock dividends	6(14)(16)	189,300	-	-	-	(189,300)	-	-	-	-
Consolidated net income for 2012		-	-	-	-	1,170,876	-	1,170,876	(47)	1,170,829
Other comprehensive income for 2012	6(17)	-	-	-	-	(1,067)	(35,040)	(36,107)	-	(36,107)
Reversal of special reserve	15	-	-	-	(7,590)	7,590	-	-	-	-
Change in non-controlling interest		-	-	-	-	-	-	-	(69)	(69)
Balance at December 31, 2012		<u>\$ 6,499,300</u>	<u>\$ 1,246,977</u>	<u>\$ 103,897</u>	<u>\$ 22,829</u>	<u>\$ 1,231,176</u>	<u>(\$ 35,040)</u>	<u>\$ 9,069,139</u>	<u>\$ 1,603</u>	<u>\$ 9,070,742</u>
<u>For the year ended December 31, 2013</u>										
Balance at January 1, 2013		\$ 6,499,300	\$ 1,246,977	\$ 103,897	\$ 22,829	\$ 1,231,176	(\$ 35,040)	\$ 9,069,139	\$ 1,603	\$ 9,070,742
Appropriations of 2012 net income:										
Legal reserve		-	-	117,047	-	(117,047)	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(779,916)	-	(779,916)	-	(779,916)
Stock dividends	6(14)(16)	259,972	-	-	-	(259,972)	-	-	-	-
Employee stock option compensation cost	6(15)	-	819	-	-	-	-	819	-	819
Consolidated net income for 2012		-	-	-	-	1,273,404	-	1,273,404	-	1,273,404
Other comprehensive income for 2013	6(17)	-	-	-	-	413	79,395	79,808	-	79,808
Difference between acquisition or disposal price and carrying amount of subsidiaries:	6(15)(26)									
Acquisition of subsidiaries		-	188	-	-	-	-	188	-	188
Disposal of subsidiaries		-	(188)	-	-	-	-	(188)	-	(188)
Change in non-controlling interest		-	-	-	-	-	-	-	(1,603)	(1,603)
Balance at December 31, 2013		<u>\$ 6,759,272</u>	<u>\$ 1,247,796</u>	<u>\$ 220,944</u>	<u>\$ 22,829</u>	<u>\$ 1,348,058</u>	<u>\$ 44,355</u>	<u>\$ 9,643,254</u>	<u>\$ -</u>	<u>\$ 9,643,254</u>

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

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

		For the years ended December 31,	
	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		\$ 1,408,513	\$ 1,372,157
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Loss on valuation of financial assets and liabilities		1,611	1,593
Provision for doubtful accounts	6(3)	5	-
Doubtful accounts as other income	6(3)	-	(4,115)
Loss on inventory market price decline	6(4)	4,678	37,209
Provision (Reversal of) allowance obsolescence of supplies		5,899	(11,009)
Share of loss of associates and joint ventures accounted for under the equity method	6(6)		
		16,791	4,434
Depreciation	6(7)(22)	437,569	357,884
(Gain) loss on disposal of property, plant and equipment		(3,338)	357
Gain on reversal of impairment loss	6(9)(20)	(3,185)	(5,857)
Amortization	6(22)	9,949	5,384
Employee stock option cost	6(13)	819	-
Interest income	6(19)	(37,646)	(29,797)
Interest expense	6(21)	7,916	29
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(230)	-
Accounts receivable		(128,194)	6,683
Accounts receivable - related parties		(1,118)	-
Other receivables		(65,196)	(48,317)
Inventories		(647,254)	(441,576)
Prepayments		14,599	(23,369)
Net changes in liabilities relating to operating activities			
Notes payable		35	962
Accounts payable		41,363	(76,176)
Other payables		81,974	45,206
Advance receipts		73,629	(14,763)
Accrued pension liabilities		86	2,723
Other current liabilities		-	(19,804)
Cash generated from operations		1,219,275	1,159,838
Interest received		37,646	29,797
Interest paid		(7,916)	(29)
Income tax paid		(309,532)	(208,053)
Net cash provided by operating activities		939,473	981,553

(Continued)

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

			For the years ended December 31,	
	Notes		2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Increase in pledged time deposits		(\$	850)	\$ -
Acquisition of investments accounted for under equity method		(	107,388)	-
Acquisition of property, plant and equipment	6(27)	(	738,918)	(493,806)
Proceeds from disposal of property, plant and equipment			6,984	24,741
Acquisition of intangible assets		(	18,215)	(7,905)
Proceeds from disposal of other intangible assets			-	5,046
Increase in prepayment for equipment		(	487,112)	(379,479)
Increase in other non-current assets - refundable deposits paid		(	988)	(8,503)
Net cash used in investing activities		(	1,346,487)	(859,906)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Increase in short-term borrowings			426,109	263,676
Decrease in finance lease liabilities		-	(964)	
Decrease in refundable deposits received		-	(250)	
Payment of cash dividends	6(16)	(	779,916)	(631,000)
Decrease in non-controlling interest		(	1,603)	(69)
Net cash used in financing activities		(	355,410)	(368,607)
Effect of foreign exchange rate changes on cash and cash equivalents			16,840	(11,709)
Decrease in cash and cash equivalents		(	745,584)	(258,669)
Cash and cash equivalents at beginning of year	6(1)		3,035,012	3,293,681
Cash and cash equivalents at end of year	6(1)	\$	2,289,428	\$ 3,035,012

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

Appendix 5

Proposed Revision of the Rules Governing the procedures for Handling Acquisition and Disposal of Assets

Current Provision	Revision Proposed	Remark
Article 1 Legal Authority These Rules are established pursuant to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory Commission, <u>Executive Yuan</u> (hereinafter "FSC") for the purpose of strengthened assets management and substantial information transparency of the Company. Except as otherwise provided by other laws or regulations, acquisition or disposal of assets by the Company shall be in accordance with these Rules.	Article 1 Legal Authority These Rules are established pursuant to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory Commission, (hereinafter "FSC") for the purpose of strengthened assets management and substantial information transparency of the Company. Except as otherwise provided by other laws or regulations, acquisition or disposal of assets by the Company shall be in accordance with these Rules.	The revision is proposed based on the FSC's name change of 1 July 2012 in line with the relevant organizational restructure.
Article 2 Scope of applicability These Rules are applicable to the following assets: 1. (Omitted.) 2. Real estate and <u>other fixed assets</u> . 3. ~ 8. (Omitted.)	Article 2 Scope of applicability These Rules are applicable to the following assets: 1. (Omitted.) 2. Real estate (<u>including land, houses and buildings, investment property, easement</u>) and <u>equipment</u> . 3. ~ 8. (Omitted.)	The revision of subparagraph 2 of the first paragraph is proposed under the relevant regulatory change made by the competent authority in line with Taiwan's adoption of the IFRSs where land, houses and building, investment property are included within the scope of real estate with easement also covered as by operation of the IFRSs, easement shall be governed by IAS17 (Leases).
Article 3 Definition The terms as used in these Rules are defined as follows: 1. (Omitted.) 2. Assets acquired or disposed of by way of legal merger, spin-off, acquisition or assignment of shares means those acquired or disposed of by way of corporate merger,	Article 3 Definition The terms as used in these Rules are defined as follows: 1. (Omitted.) 2. Assets acquired or disposed of by way of legal merger, spin-off, acquisition or assignment of shares means those acquired or disposed of by way of corporate merger,	1. The revision of subparagraph 2 of the first paragraph is proposed in line with the change of sequence of the paragraphs of Article 156 of the Company Act. 2. Local public companies will introduce the IFRSs

Current Provision	Revision Proposed	Remark
<p>spin-off or acquisition of shares in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other applicable law(s) or by way of assignment of shares of another company by issuing new shares in accordance with the <u>sixth</u> paragraph of Article 156 of the Company Act (hereinafter “shares assignment”).</p> <p>3. An interested party <u>means the person as defined in Financial Accounting Standards No. 6 issued by the Accounting Research & Development Foundation.</u></p> <p>4. A subsidiary <u>means a company as defined in Financial Accounting Standards No. 5 and 7 issued by the Accounting Research & Development Foundation.</u></p> <p>5. Special appraiser means a real estate appraiser or an appraiser who is legally authorized to be engaged in providing the service of appraising real estate and <u>other fixed assets.</u></p> <p>6. The date of occurrence of the event means the earliest among the date of execution of the transaction contract, the payment date, the date of execution of a trading order, the title transfer date, the date of the relevant board resolution and the date when the trading counterpart and the transaction value may be ascertained. Notwithstanding, where the competent authority’s approval of the investment is required, the date of occurrence of the event shall be the earlier of the earliest among the above dates and the competent authority’s approval date.</p> <p>7. Investment in China means investment made in China in accordance with the Regulations</p>	<p>spin-off or acquisition of shares in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other applicable law(s) or by way of assignment of shares of another company by issuing new shares in accordance with the <u>eighth</u> paragraph of Article 156 of the Company Act (hereinafter “shares assignment”).</p> <p>3. An interested party <u>and a subsidiary shall be identified in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>4. Special appraiser means a real estate appraiser or an appraiser who is legally authorized to be engaged in providing the service of appraising real estate and <u>equipment.</u></p> <p>5. The date of occurrence of the event means the earliest among the date of execution of the transaction contract, the payment date, the date of execution of a trading order, the title transfer date, the date of the relevant board resolution and the date when the trading counterpart and the transaction value may be ascertained. Notwithstanding, where the competent authority’s approval of the investment is required, the date of occurrence of the event shall be the earlier of the earliest among the above dates and the competent authority’s approval date.</p> <p>6. Investment in China means investment made in China in accordance with the Regulations Governing The Permission of Investment by Nationals in Mainland Area established by the Investment Commission, Ministry of</p>	<p>into their fiscal system at a phased manner. For securities issuers who adopt the IFRSs to prepare financial reports, interested parties and subsidiaries shall be identified in accordance with the FSC-designated IFRS(s) or the relevant IAS(s). Where financial reports are not prepared in accordance with the IFRSs, the relevant Financial Accounting Standards issued by the Accounting Research And Development Foundation shall govern with respect to identifying interested parties and subsidiaries. It is accordingly proposed that subparagraphs 3 and 4 be combined into subparagraph 3 to provide that an interested party, subsidiary shall be identified in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. Also, it is proposed that subparagraphs 5 ~ 7 of the first paragraph as currently be re-ordered as subparagraphs 4 ~ 6 with subparagraph 4 revised in line with the IFRSs.</p>

Current Provision	Revision Proposed	Remark
Governing The Permission of Investment by Nationals in Mainland Area established by the Investment Commission, Ministry of Economic Affairs.	Economic Affairs.	
<p>Article 4 Evaluation and Operation</p> <p>1.Long-, short-term securities:</p> <p>(a). (Omitted.)</p> <p>(b). For the purpose of acquiring or disposing of securities, the Company shall prior to the date of occurrence of the event obtain the most recent financial statements certified or audited by the certified public accountant (hereinafter “CPA”) to conduct evaluation of the transaction price proposed. Where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence of the event seek the CPA’s expressed opinion on the acceptability of the transaction price proposed, in which case, the CPA shall act in accordance with Auditing Standards No. 20 issued by the Accounting Research And Development Foundation except where the quoted price of the securities to be transacted can activate the market or the securities should be governed by other regulations (if any) issued by the FSC.</p> <p>(c). (Omitted)</p> <p>2. (Omitted)</p> <p>3. For the purpose of acquiring or disposing of real estate and <u>other fixed assets</u> by the Company, the work unit to use the proposed real estate and equipment and the relevant responsible unit shall propose in advance a relevant capital expenditure plan setting</p>	<p>Article 4 Evaluation and Operation</p> <p>1.Long-, short-term securities:</p> <p>(a). (Omitted.)</p> <p>(b). For the purpose of acquiring or disposing of securities, the Company shall prior to the date of occurrence of the event obtain the most recent financial statements certified or audited by the certified public accountant (hereinafter “CPA”) to conduct evaluation of the transaction price proposed. Where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence of the event seek the CPA’s expressed opinion on the acceptability of the transaction price proposed, in which case, the CPA shall act in accordance with Auditing Standards No. 20 issued by the Accounting Research And Development Foundation, <u>(hereinafter “ARDF”)</u> except where the quoted price of the securities to be transacted can activate the market or the securities should be governed by other regulations (if any) issued by the FSC.</p> <p>(c). (Omitted)</p> <p>2. (Omitted)</p> <p>3. For the purpose of acquiring or disposing of real estate and <u>equipment</u> by the Company, the work unit to use the proposed real estate and equipment and the relevant responsible unit shall propose in advance a relevant capital expenditure plan setting</p>	<p>1. Revision of subparagraph 2 of the first paragraph is proposed in line with the proposed removal of the entire subparagraph 3 of the first paragraph of Article 3.</p> <p>2. Revision of paragraph 3 and subparagraph (d) of paragraph 7 is proposed in line with the proposed revision of subparagraph 2 of the first paragraph of Article 2.</p> <p>3. The revision, i.e. the exception provided for transactions of intangible assets with government agencies where the requirement of a certified public account’s expressed opinion on the acceptability of the proposed transaction price shall not apply, is proposed in line with the relevant regulatory change made by the competent authority in consideration of balance and equity on account of, among others, these factors (A) a government agency seeking to sell its asset must do so by duly conducting bidding or through price competition, (B) the government agency conducting bidding must duly set a government assessment, namely price</p>

Current Provision	Revision Proposed	Remark
<p>forth the evaluation of the workability of the proposed transaction based on the purpose and the projected effects and efficacy of the acquisition or disposition proposed and proceed with the relevant matters and necessary control in accordance with Article 6 of these Rules. Where the real estate proposed is to be obtained from an interested party, the acceptability of the transaction terms and so forth shall be evaluated in accordance with Articles 6 and 7 of these Rules and the relevant matters must be duly processed and necessary control must be put in place.</p> <p>4. (Omitted.)</p> <p>5. For the purpose of acquiring or disposing of memberships or intangible assets, where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence seek the CPA's expressed opinion on the acceptability of the transaction price proposed, in which case, the CPA shall act in accordance with the Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.</p> <p>6. (Omitted.)</p> <p>7. The method and the relevant reference for pricing a proposed acquisition or disposition of asset by the Company must be in accordance with the following in addition to the expert opinion expressed by the special appraiser and the certified public accountant:</p> <p>(a) ~ (c) (Omitted.)</p> <p>(d) The transaction value of the proposed acquisition or disposition of real estate and <u>other fixed assets</u></p>	<p>forth the evaluation of the workability of the proposed transaction based on the purpose and the projected effects and efficacy of the acquisition or disposition proposed and proceed with the relevant matters and necessary control in accordance with Article 6 of these Rules. Where the real estate proposed is to be obtained from an interested party, the acceptability of the transaction terms and so forth shall be evaluated in accordance with Articles 6 and 7 of these Rules and the relevant matters must be duly processed and necessary control must be put in place.</p> <p>4. (Omitted.)</p> <p>5. <u>Except where the transaction being proposed is one with a government agency</u>, for the purpose of acquiring or disposing of memberships or intangible assets, where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence of the event seek the CPA's expressed opinion on the acceptability of the transaction price proposed, in which case, the CPA shall act in accordance with the Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.</p> <p>6. (Omitted.)</p> <p>7. The method and the relevant reference for pricing a proposed acquisition or disposition of asset by the Company must be in accordance with the following in addition to the expert opinion expressed by the special appraiser and the certified public accountant:</p> <p>(a) ~ (c) (Omitted.)</p>	<p>manipulation is relatively unlikely to occur, and (C) no opinion expressed by experts is required for real estate transaction with a government agency.</p>

Current Provision	Revision Proposed	Remark
<p>shall be determined by reference to the posted present value, present value as appraised, the actual purchasing price or book value of the real estate in the vicinity as well as the price quoted by the supplier. Where the transaction being proposed is the purchase of real estate from an interested party, the transaction value must be calculated in accordance with Article 7 of these Rules in the first place for evaluating the acceptability of the transaction price.</p> <p>(e) ~ (f) (Omitted.)</p> <p>8. (Omitted.)</p>	<p>(d) The transaction value of the proposed acquisition or disposition of real estate and <u>equipment</u> shall be determined by reference to the posted present value, present value as appraised, the actual purchasing price or book value of the real estate in the vicinity as well as the price quoted by the supplier. Where the transaction being proposed is the purchase of real estate from an interested party, the transaction value must be calculated in accordance with Article 7 of these Rules in the first place for evaluating the acceptability of the transaction price.</p> <p>(e) ~ (f) (Omitted.)</p> <p>8. (Omitted.)</p>	
<p>Article 6 Assets Evaluation</p> <p>For the purpose of acquiring or disposing of real estate or <u>other fixed assets</u>, where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence of the event obtain the valuation report issued by the special appraiser(s) in advance and act in accordance with the following except in cases where the trading counterpart is a government agency, or the proposed commissioning of construction work to be performed on the land owned or leased by the Company, or the object of the acquisition or disposal is the <u>machinery or</u> equipment for business use:</p> <p>..... (Omitted.)</p>	<p>Article 6 Assets Evaluation</p> <p>For the purpose of acquiring or disposing of real estate or <u>equipment</u>, where the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million, the Company shall prior to the date of occurrence of the event obtain the valuation report issued by the special appraiser(s) in advance and act in accordance with the following except in cases where the trading counterpart is a government agency, or the proposed commissioning of construction work to be performed on the land owned or leased by the Company, or the object of the acquisition or disposal is the equipment for business use:</p> <p>..... (Omitted.)</p>	<p>The revision of the first paragraph regarding other fixed assets and machines and equipment for business purposes is proposed in line with the adoption of the IFRSs.</p>
<p>Article 7 Acquisition of Real Property from Interested Parties</p> <p>1. (Omitted)</p> <p>2. Approval procure:</p> <p>For the purpose of acquiring from or disposing of real property to an</p>	<p>Article 7 Acquisition of Real Property from Interested Parties</p> <p>1. (Omitted)</p> <p>2. Approval procedure:</p> <p><u>Except in a case of sale and purchase of government bond,</u></p>	<p>1. The proposed exception of the requirement of making reports to the board of directors for approval and for ratification by the</p>

Current Provision	Revision Proposed	Remark
<p>interested party, or acquiring from or disposing to an interested party of any property other than real estate where the transaction value amounts to 20% or more of the total paid-in capital, 10% or more of the total assets of the Company or TWD300 million or more, the working group shall submit materials on the following matters to the meeting of the Board of Directors for resolution, which resolution must be ratified by the Supervisors, before executing the transaction contract and paying the price:</p> <p>(a) ~ (g) (Omitted)</p> <p>The value provided in the preceding paragraph shall be calculated in accordance with paragraph 2 of Article 10 and the one-year term means the year preceding the date of occurrence of the transaction. Where the transaction has been adopted by the meeting of the Board of Directors and ratified by the Supervisors in accordance with these Rules, the transaction may be disregarded for the purpose of the above calculation.</p> <p>Acquisition or disposal of <u>machinery and equipment</u> for business use by and between the Company and its parent company or subsidiary may be approved by the Chairman of the Board of Directors authorized to do so in accordance with the standards determined by the meeting of the Board of Directors, which approval must be ratified by the upcoming meeting of the Board of Directors. (Omitted.)</p> <p>3. Evaluation of acceptability of transaction terms</p> <p>(a) (Omitted.)</p> <p>(b) Acquisition of real estate from an interested party in any of the following shall be in accordance</p>	<p><u>bonds with buy-back/sell-back condition, subscription or redemption of local money market mutual funds</u>, for the purpose of acquiring from or disposing of real estate to an interested party, or acquiring from or disposing to an interested party of any property other than real estate, where the transaction value amounts to 20% or more of the total paid-in capital, 10% or more of the total assets of the Company or TWD300 million or more, the working group shall submit materials on the following matters to the meeting of the Board of Directors for resolution, which resolution must be ratified by the Supervisors, before executing the transaction contract and paying the price:</p> <p>(a) ~ (g) (Omitted)</p> <p>The value provided in the preceding paragraph shall be calculated in accordance with paragraph 2 of Article 10 and the one-year term means the year preceding the date of occurrence of the transaction. Where the transaction has been adopted by the meeting of the Board of Directors and ratified by the Supervisors in accordance with these Rules, the transaction may be disregarded for the purpose of the above calculation.</p> <p>Acquisition or disposal of equipment for business use by and between the Company and its parent company or subsidiary may be approved by the Chairman of the Board of Directors authorized to do so in accordance with the standards determined by the meeting of the Board of Directors, which approval must be ratified by the upcoming meeting of the Board of Directors. (Omitted.)</p> <p>3. Evaluation of acceptability of</p>	<p>supervisor thereafter as provided in the first subparagraph of paragraph 2 is proposed in line with the relevant regulatory change made by the competent authority in consideration that the public company buying/selling government bonds, bonds with a buy-back, sell-back condition or subscribing, redeeming local money market mutual funds from an interested party has relatively low risk in doing so. Where the above exception is invoked, the relevant procedure established by the Company with respect to the scope of the authorization shall govern.</p> <p>2. The revision of the third subparagraphs of paragraph 2 regarding machine and equipment for business purpose is proposed in line with the adoption of the IFRSs.</p> <p>3. The revision of paragraph 3(b) is proposed in consideration of a contract engaging an interested party as the contractor to construct building on self-owned land or leased land being similar in nature to a joint construction contract. Under the revision proposed, the requirement of evaluating the acceptability of the transaction cost of acquiring real estate from an interested party as</p>

Current Provision	Revision Proposed	Remark
<p>with paragraph 2 of this Article instead of the preceding subparagraph:</p> <p>(i) The interested party acquired the proposed real estate as inheritance or gift.</p> <p>(ii) The execution date of the contract by which the interested party acquired the proposed real estate is five years or more apart from the execution date of the contract by which the same real estate is to be acquired by the Company.</p> <p>(iii) The Company is to acquire the proposed real estate by virtue of a joint construction contract by and between the Company and the interested party.</p> <p>4. ~ 5. (Omitted.)</p>	<p>transaction terms</p> <p>(a) (Omitted.)</p> <p>(b) Acquisition of real estate from an interested party in any of the following shall be in accordance with paragraph 2 of this Article instead of the preceding subparagraph:</p> <p>(i) The interested party acquired the proposed real estate as inheritance or gift.</p> <p>(ii) The execution date of the contract by which the interested party acquired the proposed real estate is five years or more apart from the execution date of the contract by which the same real estate is to be acquired by the Company.</p> <p>(iii) The Company is to acquire the proposed real estate by virtue of a joint construction contract by and between the Company and the interested party, <u>or a construction contract where the interested party is to act as the contractor to construct building(s) on self-owned land or leased land.</u></p> <p>4. ~ 5. (Omitted.)</p>	<p>provided in paragraphs 3(a), 4 and 5 does not apply, provided that the transaction proposed must still be conducted in accordance with paragraphs 1 and 2.</p>
<p>Article 8 Control and management of derivatives transactions</p> <p>1. ~ 3. (Omitted.)</p> <p>4. Conducting Regular evaluation and addressing irregularities</p> <p>(a) ~ (d) (Omitted.)</p> <p>(e) Where the derivatives transaction of the Company is conducted by the relevant personnel authorized to do so in accordance with these Rules, a report on the transaction must be supplemented to the meeting of the board of directors.</p>	<p>Article 8 Control and management of derivatives transactions</p> <p>1. ~ 3. (Omitted.)</p> <p>4. Conducting Regular evaluation and addressing irregularities</p> <p>(a) ~ (d) (Omitted.)</p> <p>(e) Where the derivatives transaction of the Company is conducted by the relevant personnel authorized to do so in accordance with these Rules, a report on the transaction must be supplemented to the <u>upcoming</u> meeting of the board of directors.</p>	<p>The revision of subparagraph (5) of paragraph 4 is proposed to designate the time (i.e. upcoming board meeting) when a post-transaction report must be supplemented to the meeting of the board of directors in consideration of the absence of a defined time limit under the Guidelines for Derivatives Trading by Public Companies prescribed by the competent authority for the duly authorized personnel of a public</p>

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		company conducting derivatives trading for the company to follow with respect to making the relevant report to the meeting of board of directors.
<p>Article 10 Public disclosure and reporting</p> <p>1. Where the acquisition or disposal of assets by the Company proposed belongs to any of the following, the Company shall publicly disclose the relevant information within two days from the date of occurrence by posting them on the FSC-designated website according to the relevant form and substance required:</p> <p>(a) Acquisition from or disposing of real estate to an interested party, or acquiring from or disposing to an interested party of any property other than real estate where the transaction value amounts to 20% or more of the total paid-in capital, 10% or more of the total assets of the Company or TWD300 million or more except for the sale and purchase of government bond <u>or</u> any bond with a buy-back, sell-back condition.</p> <p>(b) A merger, spin-off, purchase or acquisition of stocks by assignment.</p> <p>(c) A derivatives transaction the loss incurred from which transaction amounts to the relevant general or individual cap amount provided in the contracts governed by these Rules.</p> <p>(d) An asset transaction other than those provided in the preceding three paragraphs or an investment project in China of which the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million except in cases where the transaction proposed is</p>	<p>Article 10 Public disclosure and reporting</p> <p>1. Where the acquisition or disposal of assets by the Company proposed belongs to any of the following, the Company shall publicly disclose the relevant information within two days from the date of occurrence by posting them on the FSC-designated website according to the relevant form and substance required:</p> <p>(a) Acquisition from or disposing of real estate to an interested party, or acquiring from or disposing to an interested party of any property other than real estate where the transaction value amounts to 20% or more of the total paid-in capital, 10% or more of the total assets of the Company or TWD300 million or more except for the sale and purchase of government bond, <u>any bond with a buy-back, sell-back condition, subscription or redemption of local money market mutual fund.</u></p> <p>(b) A merger, spin-off, purchase or acquisition of stocks by assignment.</p> <p>(c) A derivatives transaction the loss incurred from which transaction amounts to the relevant general or individual cap amount provided in the contracts governed by these Rules.</p> <p>(d) An asset transaction other than those provided in the preceding three paragraphs or an investment project in China of which the transaction value amounts to 20% or more of the total paid-in capital of the Company or TWD300 million</p>	<p>1. The exception proposed to be provided in paragraphs 1.(a) and 1.(d)(iii) is proposed by reference to the relevant regulations applicable to bonds with a buy-back, sell-back condition in line with the relevant regulatory change made by the competent authority in consideration of, among others, these factors: (A) local money market mutual funds as opposed to stock mutual funds, bonds mutual and other types of mutual funds are substantially applied to bank savings, transaction on condition to buy-back and short-term bond, (B) local money market mutual funds, from which regular interest income is sought for by investors, is similar to bonds with a buy-back, sell-back condition.</p> <p>2. The revision of paragraph 1. (d)(iv) regarding machines and equipment for business purpose is proposed in line with the adoption of the IFRSs.</p>

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<p>(i) The sale and purchase of government bonds.</p> <p>(ii) The sale and purchase of negotiable securities by special investment business on the stock exchange or securities houses at home or abroad.</p> <p>(iii) The sale and purchase of bonds with a buy-back or sell-back condition.</p> <p>(iv) The acquisition or disposal of <u>machinery</u> equipment for business use where the trading counterpart is not an interested party and the transaction value of which is less than TWD500 million.</p> <p>(v) The acquisition of real estate the transaction value of which acquisition payable by the Company amounts to less than TWD500 million and which acquisition will be conducted through the commissioning of construction work to be performed on the land owned or leased by the Company or a joint construction project with the Company to share and own certain units or percentage title ownership of the building, or a joint commissioned construction project with the building to be sold in different lots.</p> <p>2. ~5. (Omitted.)</p>	<p>except in cases where the transaction proposed is</p> <p>(i) The sale and purchase of government bonds.</p> <p>(ii) The sale and purchase of negotiable securities by special investment business on the stock exchange or securities houses at home or abroad.</p> <p>(iii) The sale and purchase of bonds with a buy-back or sell-back condition, <u>subscription or redemption of local money market mutual fund.</u></p> <p>(iv) The acquisition or disposal of equipment for business use where the trading counterpart is not an interested party and the transaction value of which is less than TWD500 million.</p> <p>(v) The acquisition of real estate the transaction value of which acquisition payable by the Company amounts to less than TWD500 million and which acquisition will be conducted through the commissioning of construction work to be performed on the land owned or leased by the Company, or a joint construction project with the Company to share and own certain units or percentage title ownership of the building, or a joint commissioned construction project with the building to be sold in different lots.</p> <p>2. ~5. (Omitted.)</p>	
<p>Article 13 Other important matters</p> <p>1. ~ 5. (Omitted.)</p>	<p>Article 13 Other important matters</p> <p>1. ~5. (Omitted.)</p> <p><u>6. The accounting for 10% of the total asset standard provided in these Rules shall be calculated according to the total asset value set forth in the most recent parent or individual financial report prepared in accordance with the Regulations Governing the</u></p>	<p>1. Under the IFRSs, consolidated financial statements shall be the principal item of disclosure and reporting. However, in view of the reality that the risk arising from the acquisition or disposition of assets will be borne by the acquiring or disposing company,</p>

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	<p><u>Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>7. Where the share of the company bears no par value or bears a par value in an amount other than TWD10, the accounting for 20% of the paid-in capital standard provided in these Rules shall be calculated as 10% of the owner's equity of the parent company.</u></p>	<p>whether or not a proposed transaction with an interested party accounts for one with substantial value must be determined in consideration of (among other things) the operation scale of the company. It is therefore proposed that a paragraph 6 be added to this Article to expressly provide that the accounting for 10% of total assets be calculated according to the total asset value indicated in the most recent financial report of the entity concerned or the most recent separate financial report.</p> <p>2. It is proposed that the provision of the original Article 13-1 be moved up to this Article as paragraph 7. Also, in line with the adoption of the IFRSs and the removal of the TWD10 par value provided in Article 14 of the Regulations Governing the Administration of Shareholder Services of Public Companies, it is proposed that the word foreign be removed and the term shareholders' equity be revised to equity which is further expressly defined (as proposed) as the owners' equity of the parent company.</p>
<p>Article 13-1 <u>Foreign Company Stocks</u> <u>For the purpose of acquisition or</u></p>	<p>Article 13-1 <u>(Deleted.)</u></p>	<p>Removal of this Article is proposed in light of the relevant regulatory</p>

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<u>disposal of non-par value stocks or stocks with a par value other than TWD10 per share of a foreign company, the threshold amount of 20% of the paid-in capital provided in Article 6, paragraphs 1.(b) and 5 of Article 4, paragraph 2 of Article 7, Article 10 and paragraph 3 of Article 11 shall be calculated replaced with the amount of 10% of the shareholders' equity.</u>		change where foreign company stocks are no longer the sole object of regulation. Further revision is proposed that the original provision of this Article be combined with that of Article 13 with related revision reflected in paragraph 7 of Article 13.
Article 14 Adoption and Amendment These Rules were adopted by the shareholders meeting of 25 September 2009 with subsequent amendment adopted by the shareholders meetings of 13 June 2012 、 21 June 2013.	Article 14 Adoption and Amendment These Rules were adopted by the shareholders meeting of 25 September 2009 with subsequent amendment adopted by the shareholders meetings of 13 June 2012 、 21 June 2013 and <u>18 June2014.</u>	The revision is proposed to bring up to date the history of amendments to these Rules.