# SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

## JUNE 30, 2017 AND 2016

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and its subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, of changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3), the financial statements of certain non-significant subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and six-month periods ended June 30, 2017 and 2016. Total assets of these subsidiaries amounted to $2,579,912 thousand and $2,838,038 thousand, representing 20% and 23% of the related consolidated totals, and total liabilities amounted to $74,078 thousand and $84,788 thousand, both representing 3% of the related consolidated totals, as of June 30, 2017 and 2016, respectively. Total comprehensive loss of these subsidiaries amounted to ($54,515) thousand, ($108,858) thousand, ($151,467) thousand and ($142,610) thousand, constituting (56%), (74%), (67%) and (45%) of the consolidated totals for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
August 2, 2017

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

| | Assets | Notes | June 30, 2017 AMOUNT | % | December 31, 2016 AMOUNT | % | June 30, 2016 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 3,720,965 | 29 | $ 3,707,151 | 29 | $ 2,964,318 | 24 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | - | - | - | - | 1,988 | - |
| 1170 | Accounts receivable, net | 6(3) | 726,413 | 6 | 638,405 | 5 | 677,566 | 5 |
| 1200 | Other receivables | | 200,346 | 1 | 197,897 | 2 | 205,291 | 2 |
| 130X | Inventory | 5(2) and 6(4) | 1,801,882 | 14 | 1,829,710 | 14 | 2,061,827 | 16 |
| 1410 | Prepayments | | 153,309 | 1 | 212,212 | 2 | 166,353 | 1 |
| 1476 | Other financial assets-current | | - | - | - | - | 121,125 | 1 |
| 11XX | **Total current assets** | | 6,602,915 | 51 | 6,585,375 | 52 | 6,198,468 | 49 |
| | **Non-current assets** | | | | | | | |
| 1543 | Financial assets measured at cost - non-current | 6(5) | 391,097 | 3 | 364,089 | 3 | 364,089 | 3 |
| 1600 | Property, plant and equipment | 6(6)(8)(26) | 5,136,091 | 40 | 5,208,898 | 41 | 5,354,715 | 43 |
| 1780 | Intangible assets | | 22,606 | - | 24,078 | - | 20,557 | - |
| 1840 | Deferred income tax assets | 5(2) and 6(24) | 467,966 | 4 | 414,414 | 3 | 423,787 | 3 |
| 1915 | Prepayments for equipment | 6(6)(26) | 143,014 | 1 | 65,466 | - | 58,316 | 1 |
| 1920 | Guarantee deposits paid | | 9,747 | - | 9,739 | - | 9,910 | - |
| 1980 | Other financial assets-non-current | 8 | 28,831 | - | 28,831 | - | 28,831 | - |
| 1985 | Long-term prepaid rent | 6(7) | 78,411 | 1 | 82,110 | 1 | 86,658 | 1 |
| 15XX | **Total non-current assets** | | 6,277,763 | 49 | 6,197,625 | 48 | 6,346,863 | 51 |
| 1XXX | **Total assets** | | $ 12,880,678 | 100 | $ 12,783,000 | 100 | $ 12,545,331 | 100 |

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

| | | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(9) | $ 469,785 | 4 | $ 982,705 | 8 | $ 1,460,977 | 12 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | 2,457 | - | 2,822 | - | - | - |
| 2150 | Notes payable | | 26,154 | - | 1,001 | - | 24,387 | - |
| 2170 | Accounts payable | | 90,229 | 1 | 69,730 | 1 | 140,247 | 1 |
| 2200 | Other payables | 6(10)(26) | 523,833 | 4 | 430,020 | 3 | 488,029 | 4 |
| 2230 | Current income tax liabilities | 6(24) | 78,913 | 1 | 110,911 | 1 | 101,242 | 1 |
| 2310 | Advance receipts | | 66,446 | - | 62,384 | - | 28,227 | - |
| 2320 | Long-term liabilities, current portion | 6(11) and 9 | 107,667 | 1 | 32,120 | - | 5,105 | - |
| 21XX | **Total current liabilities** | | 1,365,484 | 11 | 1,691,693 | 13 | 2,248,214 | 18 |
| | **Non-current liabilities** | | | | | | | |
| 2540 | Long-term borrowings | 6(11) and 9 | 1,211,255 | 9 | 770,873 | 6 | 250,147 | 2 |
| 2570 | Deferred income tax liabilities | 6(24) | 970 | - | 877 | - | 338 | - |
| 2640 | Net defined benefit liabilities-non-current | 6(12) | 69,816 | 1 | 70,053 | 1 | 62,728 | 1 |
| 2645 | Guarantee deposits received | | 1,708 | - | 21,711 | - | 26,125 | - |
| 25XX | **Total non-current liabilities** | | 1,283,749 | 10 | 863,514 | 7 | 339,338 | 3 |
| 2XXX | **Total liabilities** | | 2,649,233 | 21 | 2,555,207 | 20 | 2,587,552 | 21 |
| | **Equity attributable to owners of the parent** | | | | | | | |
| | **Share capital** | 6(13)(16) | | | | | | |
| 3110 | Share capital - common stock | | 7,603,262 | 59 | 7,603,262 | 59 | 7,310,829 | 58 |
| 3150 | Stock dividends to be distributed | | 304,130 | 2 | - | - | 292,433 | 2 |
| 3200 | **Capital surplus** | 6(14)(15) | 1,282,651 | 10 | 1,275,660 | 10 | 1,270,839 | 10 |
| | **Retained earnings** | 6(13)(16)(24) | | | | | | |
| 3310 | Legal reserve | | 526,065 | 4 | 460,196 | 4 | 460,196 | 4 |
| 3320 | Special reserve | | 22,829 | - | 22,829 | - | 22,829 | - |
| 3350 | Undistributed earnings | | 525,747 | 4 | 869,300 | 7 | 563,066 | 5 |
| 3400 | **Other equity interest** | 6(17) | ( 33,239) | - | ( 3,454) | - | 37,587 | - |
| 3XXX | **Total equity** | | 10,231,445 | 79 | 10,227,793 | 80 | 9,957,779 | 79 |
| | **Significant contingent liabilities and unrecognized contract commitments** | 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 12,880,678 | 100 | $ 12,783,000 | 100 | $ 12,545,331 | 100 |

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

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

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2017 | | 2016 | | 2017 | | 2016 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 | **Operating revenue** | 6(18) | $ 853,155 | 100 | $ 1,015,050 | 100 | $ 1,772,642 | 100 | $ 2,036,806 | 100 |
| 5000 | **Operating costs** | 6(4)(12)(22)(23) and 9 | ( 527,454) | ( 62) | ( 550,309) | ( 54) | ( 976,551) | ( 55) | ( 1,140,805) | ( 56) |
| 5900 | **Net operating margin** | | 325,701 | 38 | 464,741 | 46 | 796,091 | 45 | 896,001 | 44 |
| | **Operating expenses** | 6(7)(12)(22)(23), 7 and 9 | | | | | | | | |
| 6100 | Selling expenses | | ( 32,162) | ( 4) | ( 43,193) | ( 4) | ( 64,565) | ( 4) | ( 76,651) | ( 4) |
| 6200 | General and administrative expenses | | ( 124,994) | ( 15) | ( 117,045) | ( 12) | ( 277,524) | ( 16) | ( 251,664) | ( 12) |
| 6300 | Research and development expenses | | ( 82,160) | ( 9) | ( 75,308) | ( 7) | ( 146,333) | ( 8) | ( 143,111) | ( 7) |
| 6000 | **Total operating expenses** | | ( 239,316) | ( 28) | ( 235,546) | ( 23) | ( 488,422) | ( 28) | ( 471,426) | ( 23) |
| 6900 | **Operating profit** | | 86,385 | 10 | 229,195 | 23 | 307,669 | 17 | 424,575 | 21 |
| | **Non-operating income and expenses** | | | | | | | | | |
| 7010 | Other income | 6(3)(19) | 11,487 | 1 | 12,592 | 1 | 21,356 | 1 | 21,477 | 1 |
| 7020 | Other gains and losses | 6(2)(6)(8)(20) and 12 | ( 528) | - | ( 38,481) | ( 4) | ( 27,343) | ( 1) | ( 43,844) | ( 2) |
| 7050 | Finance costs | 6(6)(21)(26) | ( 18,039) | ( 2) | ( 3,361) | - | ( 30,138) | ( 2) | ( 11,205) | ( 1) |
| 7000 | **Total non-operating income and expenses** | | ( 7,080) | ( 1) | ( 29,250) | ( 3) | ( 36,125) | ( 2) | ( 33,572) | ( 2) |
| 7900 | **Profit before income tax** | | 79,305 | 9 | 199,945 | 20 | 271,544 | 15 | 391,003 | 19 |
| 7950 | Income tax expense (benefit) | 6(24) | 5,110 | 1 | ( 25,543) | ( 3) | ( 17,000) | ( 1) | ( 44,679) | ( 2) |
| 8200 | **Profit for the period** | | $ 84,415 | 10 | $ 174,402 | 17 | $ 254,544 | 14 | $ 346,324 | 17 |
| | **Other comprehensive income** | | | | | | | | | |
| | **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(17) | $ 13,373 | 1 | ($ 27,051) | ( 2) | ($ 29,785) | ( 1) | ($ 31,508) | ( 2) |
| 8300 | **Other comprehensive income (loss) for the period** | | $ 13,373 | 1 | ($ 27,051) | ( 2) | ($ 29,785) | ( 1) | ($ 31,508) | ( 2) |
| 8500 | **Total comprehensive income for the period** | | $ 97,788 | 11 | $ 147,351 | 15 | $ 224,759 | 13 | $ 314,816 | 15 |
| | **Profit attributable to:** | | | | | | | | | |
| 8610 | Owners of the parent | | $ 84,415 | 10 | $ 174,402 | 17 | $ 254,544 | 14 | $ 346,324 | 17 |
| | **Comprehensive income attributable to:** | | | | | | | | | |
| 8710 | Owners of the parent | | $ 97,788 | 11 | $ 147,351 | 15 | $ 224,759 | 13 | $ 314,816 | 15 |
| | **Earnings per share (in dollars)** | 6(25) | | | | | | | | |
| 9750 | **Basic** | | $ 0.11 | | $ 0.23 | | $ 0.33 | | $ 0.46 | |
| 9850 | **Diluted** | | $ 0.11 | | $ 0.23 | | $ 0.33 | | $ 0.45 | |

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

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

| | | Capital | | | Retained Earnings | | | Other Equity | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Stock dividends to be distributed | Capital reserves | Legal reserve | Special reserve | Unappropriated earnings | Currency translation differences | Total equity |
| For the six-month period ended June 30, 2016 | | | | | | | | | |
| Balance at January 1, 2016 | | $ 7,310,829 | $ - | $ 1,265,544 | $ 396,699 | $ 22,829 | $ 791,997 | $ 69,095 | $ 9,856,993 |
| Distribution of 2015 net income: | | | | | | | | | |
| Legal reserve | | - | - | - | 63,497 | - | ( 63,497 ) | - | - |
| Cash dividends | 6(10)(16) | - | - | - | - | - | ( 219,325 ) | - | ( 219,325 ) |
| Stock dividends | 6(13)(16) | - | 292,433 | - | - | - | ( 292,433 ) | - | - |
| Employee stock option compensation cost | 6(14)(15) | - | - | 5,295 | - | - | - | - | 5,295 |
| Net income for the six-month period ended June 30, 2016 | | - | - | - | - | - | 346,324 | - | 346,324 |
| Other comprehensive loss for the six-month period ended June 30, 2016 | 6(17) | - | - | - | - | - | - | ( 31,508 ) | ( 31,508 ) |
| Balance at June 30, 2016 | | $ 7,310,829 | $ 292,433 | $ 1,270,839 | $ 460,196 | $ 22,829 | $ 563,066 | $ 37,587 | $ 9,957,779 |
| For the six-month period ended June 30, 2017 | | | | | | | | | |
| Balance at January 1, 2017 | | $ 7,603,262 | $ - | $ 1,275,660 | $ 460,196 | $ 22,829 | $ 869,300 | ($ 3,454 ) | $ 10,227,793 |
| Distribution of 2016 net income: | | | | | | | | | |
| Legal reserve | | - | - | - | 65,869 | - | ( 65,869 ) | - | - |
| Cash dividends | 6(10)(16) | - | - | - | - | - | ( 228,098 ) | - | ( 228,098 ) |
| Stock dividends | 6(13)(16) | - | 304,130 | - | - | - | ( 304,130 ) | - | - |
| Employee stock option compensation cost | 6(14)(15) | - | - | 6,991 | - | - | - | - | 6,991 |
| Net income for the six-month period ended June 30, 2017 | | - | - | - | - | - | 254,544 | - | 254,544 |
| Other comprehensive loss for the six month period ended June 30, 2017 | 6(17) | - | - | - | - | - | - | ( 29,785 ) | ( 29,785 ) |
| Balance at June 30, 2017 | | $ 7,603,262 | $ 304,130 | $ 1,282,651 | $ 526,065 | $ 22,829 | $ 525,747 | ($ 33,239 ) | $ 10,231,445 |

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

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

| | Notes | For the six-month periods ended June 30, 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 271,544 | $ 391,003 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Gain on valuation of financial assets and liabilities | | ( 365 ) | ( 2,133 ) |
| Reversal of allowance/ (provision) for doubtful accounts | 6(3)(19) | ( 563 ) | 123 |
| Loss on inventory market price decline | 6(4) | 38,392 | 15,484 |
| Provision for obsolescence of supplies | | 5,261 | 5,851 |
| Depreciation | 6(6)(22) | 215,673 | 221,814 |
| Loss on disposal of property, plant and equipment | 6(20) | 13 | 133 |
| Reversal of impairment loss | 6(6)(8)(20) | - | ( 721 ) |
| Amortizaion | 6(22) | 4,370 | 5,873 |
| Amortization of long-term prepaid rent | 6(7) | 909 | 987 |
| Employee stock option compensation cost | 6(14)(15) | 6,991 | 5,295 |
| Interest income | 6(19) | ( 11,954 ) | ( 15,667 ) |
| Interest expense | 6(21) | 30,138 | 11,205 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Accounts receivable | | ( 87,444 ) | 189,542 |
| Other receivables | | ( 2,133 ) | 1,543 |
| Inventories | | ( 7,436 ) | 91,897 |
| Prepayments | | 51,790 | ( 3,743 ) |
| Changes in operating liabilities | | | |
| Notes payable | | 25,153 | 23,392 |
| Accounts payable | | 20,499 | 49,187 |
| Other payables | | ( 83,898 ) | ( 51,982 ) |
| Advance receipts | | 4,062 | ( 15,309 ) |
| Net defined benefit liabilities | | ( 237 ) | ( 126 ) |
| Cash inflow generated from operations | | 480,765 | 923,648 |
| Interest received | | 11,638 | 16,788 |
| Interest paid | | ( 31,958 ) | ( 11,205 ) |
| Income tax paid | | ( 107,815 ) | ( 102,884 ) |
| Net cash flows from operating activities | | 352,630 | 826,347 |

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

| | Notes | For the six-month periods ended June 30, 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease in other financial assets - current | | $ - | $ 163,091 |
| Increase in financial assets measured at cost - non-current | | ( 27,008 ) | ( 25,182 ) |
| Cash paid for acquisition of property, plant and equipment | 6(26) | ( 214,948 ) | ( 349,968 ) |
| Interest paid for acquisition of property, plant and equipment | 6(6)(21)(26) | ( 10,859 ) | ( 6,599 ) |
| Proceeds from disposal of property, plant and equipment | | 50 | 484 |
| Acquisition of intangible assets | | ( 3,297 ) | ( 2,770 ) |
| Increase in prepayment for equipment | | ( 94,758 ) | ( 14,408 ) |
| (Increase) decrease in guarantee deposits paid | | ( 8 ) | 538 |
| Increase in other financial assets - non-current | | - | ( 4,097 ) |
| Net cash flows used in investing activities | | ( 350,828 ) | ( 238,911 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in short-term borrowings | | ( 476,656 ) | ( 241,329 ) |
| Increase in long-term borrowings | | 566,595 | 255,252 |
| Decrease in long-term borrowings | | ( 26,752 ) | - |
| (Decrease) increase in guarantee deposits received | | ( 20,003 ) | 2,728 |
| Net cash flows from financing activities | | 43,184 | 16,651 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | ( 31,172 ) | 24,534 |
| Net increase in cash and cash equivalents | | 13,814 | 628,621 |
| Cash and cash equivalents at beginning of period | 6(1) | 3,707,151 | 2,335,697 |
| Cash and cash equivalents at end of period | 6(1) | $ 3,720,965 | $ 2,964,318 |

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

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

These consolidated financial statements were reported to the Board of Directors on August 2, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|---|---|
| Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| Accounting for acquisition of interests in joint operations (amendments to IFRS 11) | January 1, 2016 |
| IFRS 14,'Regulatory deferral accounts' | January 1, 2016 |
| Disclosure initiative (amendments to IAS 1) | January 1, 2016 |
| Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38) | January 1, 2016 |
| Agriculture: bearer plants (amendments to IAS 16 and IAS 41) | January 1, 2016 |

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Defined benefit plans: employee contributions (amendments to IAS 19R) | July 1, 2014 |
| Equity method in separate financial statements (amendments to IAS 27) | January 1, 2016 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, 'Levies' | January 1, 2014 |
| Improvements to IFRSs 2010-2012 | July 1, 2014 |
| Improvements to IFRSs 2011-2013 | July 1, 2014 |
| Improvements to IFRSs 2012-2014 | January 1, 2016 |

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

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment assets is provided to chief operating decision maker regularly.

C. Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

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

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

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Classification and measurement of share-based payment transactions (amendments to IFRS 2) | January 1, 2018 |
| Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4) | January 1, 2018 |
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2018 |
| Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15) | January 1, 2018 |
| Disclosure initiative (amendments to IAS 7) | January 1, 2017 |
| Recognition of deferred tax assets for unrealised losses (amendments to IAS 12) | January 1, 2017 |
| Transfers of investment property (amendments to IAS 40) | January 1, 2018 |
| IFRIC 22, 'Foreign currency transactions and advance consideration' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities' | January 1, 2017 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS28, 'Investments in associates and joint ventures' | January 1, 2018 |

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

A. IFRS 9, 'Financial instruments'

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

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

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

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | To be determined by IASB |
| IFRS 16, 'Leases' | January 1, 2019 |
| IFRS 17, 'Insurance contracts' | January 1, 2021 |
| IFRIC 23, 'Uncertainty over income tax treatments' | January 1, 2019 |

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

IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

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

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

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

B. The preparation of financial statements in conformity with International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

| Name of Investors | Name of Subsidiaries | Business activities | Percentage owned by the Company June 30, 2017 | Percentage owned by the Company December 31, 2016 | Note |
|---|---|---|---|---|---|
| ScinoPharm Taiwan, Ltd. | SPT International, Ltd. | Professional investment | 100.00 | 100.00 | (Note) |
| ScinoPharm Taiwan, Ltd. | ScinoPharm Singapore Pte Ltd. | Professional investment | 100.00 | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda (Kunshan) Biochemical Technology, Ltd. | Research, development and manufacture of API and new drug, etc. | 100.00 | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | Research, development and manufacture of API and new drug, sale produced products, etc. | 100.00 | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda Shanghai Biochemical Technology, Ltd. | Import, export and sales of API and intermediates, etc. | 100.00 | 100.00 | (Note) |

| Name of Investor | Name of Subsidiaies | Business activities | Percentage owned by the Company June 30, 2016 | Note |
|---|---|---|---|---|
| ScinoPharm Taiwan, Ltd. | SPT International, Ltd. | Professional investment | 100.00 | (Note) |
| ScinoPharm Taiwan, Ltd. | ScinoPharm Singapore Pte Ltd. | Professional investment | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda (Kunshan) Biochemical Technology, Ltd. | Research, development and manufacture of API and new drug, etc. | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | Research, development and manufacture of API and new drug, sale produced products, etc. | 100.00 | (Note) |
| SPT International, Ltd. | SciAnda Shanghai Biochemical Technology, Ltd. | Import, export and sales of API and intermediates, etc. | 100.00 | (Note) |

Note: The financial statements of the entity as of and for the six-month periods ended June 30, 2017 and 2016 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

The financial statements of certain non-significant subsidiaries were consolidated based on their unreviewed financial statements as of and for the six-month periods ended June 30, 2017 and 2016. Total assets of these subsidiaries amounted to $2,579,912 and $2,838,038, representing 20% and 23% of the related consolidated totals, and total liabilities amounted to $74,078 and $84,788, both representing 3% of the related consolidated totals, as of June 30, 2017 and 2016, respectively. Total comprehensive loss of these subsidiaries amounted to ($54,515), ($108,858), ($151,467) and ($142,610), constituting (56%), (74%), (67%) and (45%) of the related consolidated totals for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

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

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

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

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

(b) When a foreign operation as an associate or joint arrangement is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

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

(8) Receivables

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

(9) Available-for-sale financial assets

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

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

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

(10) Impairment of financial assets

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

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

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

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

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

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

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

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

(a) Financial assets measured at cost

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

(b) Financial assets measured at amortized cost

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

(11) Derecognition of financial assets

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

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. The standard cost method is applied, and cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

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

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

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

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

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

(14) Intangible assets

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

(15) Leased assets/ lessee

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
   (a) Hybrid (combined) contracts; or
   (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
   (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Employees' compensation and directors' remuneration

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

(23) Employee share-based payment

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

(24) Income tax

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

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

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

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

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

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

G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

(28) Operating segments

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

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

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

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

Financial assets－impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

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

(b) As of June 30, 2017, the carrying amount of inventories was $1,801,882.

B. Realizability of deferred income tax assets

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

(b) As of June 30, 2017, the Group recognized deferred income tax assets amounting to $467,966.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) CASH AND CASH EQUIVALENTS

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Cash: | | | |
| Cash on hand | $ 109 | $ 75 | $ 51 |
| Checking accounts and demand deposits | 321,356 | 516,801 | 394,905 |
| | 321,465 | 516,876 | 394,956 |
| Cash equivalents: | | | |
| Time deposits | 3,147,793 | 2,904,500 | 2,269,670 |
| Bill under repurchase agreements | 251,707 | 285,775 | 299,692 |
| | 3,399,500 | 3,190,275 | 2,569,362 |
| | $ 3,720,965 | $ 3,707,151 | $ 2,964,318 |

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

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets-non-current") as of June 30, 2017, December 31, 2016 and June 30, 2016 are provided in Note 8.

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

| Items | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Current items: | | | |
| Financial assets held for trading | | | |
| Non-hedging derivatives | $ - | $ - | $ 1,988 |
| Financial liabilities held for trading | | | |
| Non-hedging derivatives | $ 2,457 | $ 2,822 | $ - |

A. The Group recognized net (loss) gain of ($2,859), $10, $9,238 and $4,252 on financial assets and liabilities held for trading (listed as 'Other gains and losses') for the three-month and the six-month periods ended June 30, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

| | June 30, 2017 | |
|---|---|---|
| Items | Contract Amount | Contract Period |
| Forward foreign exchange contracts | USD 10,510,000 | 5.2017～8.2017 |

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

| | June 30, 2016 | |
|---|---|---|
| Items | Contract Amount | Contract Period |
| Forward foreign exchange contracts | USD 9,130,000 | 5.2016～9.2016 |

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

C. The Group has no financial assets at fair value through profit or loss pledged to others as of June 30, 2017 December 31, 2016 and June 30, 2016.

(3) ACCOUNTS RECEIVABLE, NET

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Accounts receivable | $ 726,496 | $ 639,052 | $ 677,742 |
| Less: Allowance for doubtful accounts | ( 83) | ( 647) | ( 176) |
| | $ 726,413 | $ 638,405 | $ 677,566 |

A. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had no accounts receivable classified as “past due but not impaired”.

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

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| | Group provision | Group provision |
| At January 1 | $ 647 | $ 53 |
| (Reversal) provision for impairment (Note) | ( 563) | 123 |
| Effect of exchange rate | ( 1) | - |
| At June 30 | $ 83 | $ 176 |

Note: Reversal for impairment listed as “ Other income”.

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

D. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group does not hold any collateral as security.

(4) INVENTORIES

| | June 30, 2017 | | |
|---|---|---|---|
| | Cost | Allowance for market price decline | Book value |
| Raw materials | $ 394,322 | ($ 102,771) | $ 291,551 |
| Supplies | 28,874 | ( 1,979) | 26,895 |
| Work in process | 811,824 | ( 129,499) | 682,325 |
| Finished goods | 1,103,263 | ( 302,152) | 801,111 |
| | $ 2,338,283 | ($ 536,401) | $ 1,801,882 |

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

| | June 30, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for market price decline | Book value |
| Raw materials | $ 460,391 | ($ 110,822) | $ 349,569 |
| Supplies | 13,050 | ( 507) | 12,543 |
| Work in process | 803,799 | ( 65,536) | 738,263 |
| Finished goods | 1,196,211 | ( 234,759) | 961,452 |
| | $ 2,473,451 | ($ 411,624) | $ 2,061,827 |

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

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Cost of goods sold | $ 408,209 | $ 427,293 |
| Loss on physical inventory | 3,255 | 1,963 |
| Loss on scrap inventory | 617 | - |
| Under applied manufacturing overhead | 56,491 | 79,828 |
| Provision for inventory market price decline | 28,707 | 33,735 |
| | $ 497,279 | $ 542,819 |

| | For the six-month periods ended June 30, | |
| --- | --- | --- |
| | 2017 | 2016 |
| Cost of goods sold | $ 769, 253 | $ 937, 933 |
| Loss on physical inventory | 4, 332 | 6, 244 |
| Loss on scrap inventory | 617 | - |
| Under applied manufacturing overhead | 120, 589 | 169, 132 |
| Provision for inventory market price decline | 38, 392 | 15, 484 |
| | $ 933, 183 | $ 1, 128, 793 |

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| --- | --- | --- | --- |
| Unlisted stocks | | | |
| Tanvex Biologics, Inc. | $ 167, 673 | $ 167, 673 | $ 167, 673 |
| SYNGEN, INC. | 4, 620 | 4, 620 | 4, 620 |
| Foresee Pharmaceuticals Co., Ltd. | 223, 424 | 196, 416 | 196, 416 |
| | 395, 717 | 368, 709 | 368, 709 |
| Less: Accumulated impairment | ( 4, 620) | ( 4, 620) | ( 4, 620) |
| | $ 391, 097 | $ 364, 089 | $ 364, 089 |

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

B. As of June 30, 2017, December 31, 2016 and June 30, 2016, no financial assets measured at cost held by the Group were pledged to others.

(6) PROPERTY, PLANT AND EQUIPMENT

| January 1, 2017 | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Other equipment | Construction in progress and equipment before acceptance inspection | Total |
|---|---|---|---|---|---|---|---|
| Cost | $ 2,948,766 | $ 4,853,501 | $ 28,601 | $ 213,075 | $ 154,986 | $ 1,610,548 | $ 9,809,477 |
| Accumulated depreciation | ( 820,361) | ( 3,491,593) | ( 22,848) | ( 152,407) | ( 98,730) | - | ( 4,585,939) |
| Accumulated impairment | - | ( 14,640) | - | - | - | - | ( 14,640) |
| | $ 2,128,405 | $ 1,347,268 | $ 5,753 | $ 60,668 | $ 56,256 | $ 1,610,548 | $ 5,208,898 |
| For the six-month period ended June 30, 2017 | | | | | | | |
| At January 1, 2017 | $ 2,128,405 | $ 1,347,268 | $ 5,753 | $ 60,668 | $ 56,256 | $ 1,610,548 | $ 5,208,898 |
| Additions | 179 | 624 | - | 79 | 11 | 176,347 | 177,240 |
| Reclassified from prepayments for equipment | - | - | - | - | - | 15,738 | 15,738 |
| Reclassified upon completion | 547,450 | 206,679 | - | 5,229 | 2,236 | ( 761,594) | - |
| Depreciation charge | ( 65,047) | ( 127,767) | ( 1,203) | ( 12,915) | ( 8,741) | - | ( 215,673) |
| Disposals－Cost | - | ( 2,269) | ( 380) | ( 186) | ( 522) | - | ( 3,357) |
| －Accumulated depreciation | - | 2,269 | 380 | 175 | 470 | - | 3,294 |
| Net currency exchange differences | ( 10,874) | ( 11,281) | ( 51) | ( 485) | ( 1,867) | ( 25,491) | ( 50,049) |
| At June 30, 2017 | $ 2,600,113 | $ 1,415,523 | $ 4,499 | $ 52,565 | $ 47,843 | $ 1,015,548 | $ 5,136,091 |
| June 30, 2017 | | | | | | | |
| Cost | $ 3,483,481 | $ 5,044,178 | $ 27,914 | $ 216,205 | $ 151,599 | $ 1,015,548 | $ 9,938,925 |
| Accumulated depreciation | ( 883,368) | ( 3,614,015) | ( 23,415) | ( 163,640) | ( 103,756) | - | ( 4,788,194) |
| Accumulated impairment | - | ( 14,640) | - | - | - | - | ( 14,640) |
| | $ 2,600,113 | $ 1,415,523 | $ 4,499 | $ 52,565 | $ 47,843 | $ 1,015,548 | $ 5,136,091 |

| January 1, 2016 | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Other equipment | Construction in progress and equipment before acceptance inspection | Total |
|---|---|---|---|---|---|---|---|
| Cost | $ 2,499,181 | $ 4,689,690 | $ 29,690 | $ 202,695 | $ 141,302 | $ 1,803,046 | $ 9,365,604 |
| Accumulated depreciation | ( 723,268) | ( 3,226,643) | ( 20,677) | ( 128,570) | ( 81,981) | - | ( 4,181,139) |
| Accumulated impairment | - | ( 13,751) | - | - | - | - | ( 13,751) |
| | $ 1,775,913 | $ 1,449,296 | $ 9,013 | $ 74,125 | $ 59,321 | $ 1,803,046 | $ 5,170,714 |
| For the six-month period ended June 30, 2016 | | | | | | | |
| At January 1 | $ 1,775,913 | $ 1,449,296 | $ 9,013 | $ 74,125 | $ 59,321 | $ 1,803,046 | $ 5,170,714 |
| Additions | - | - | - | - | - | 340,321 | 340,321 |
| Reclassified from prepayments for equipment | - | - | - | - | - | 114,053 | 114,053 |
| Reclassified upon completion | 2,586 | 142,400 | - | 9,071 | 24,941 | ( 178,998) | - |
| Depreciation charge | ( 49,576) | ( 143,412) | ( 1,748) | ( 14,205) | ( 12,873) | - | ( 221,814) |
| Disposals－Cost | - | ( 2,816) | - | ( 162) | ( 876) | - | ( 3,854) |
| －Accumulated depreciation | - | 2,215 | - | 146 | 876 | - | 3,237 |
| Reversal of impairment loss | - | 721 | - | - | - | - | 721 |
| Net currency exchange differences | ( 13,837) | ( 12,007) | ( 61) | ( 477) | ( 2,078) | ( 20,203) | ( 48,663) |
| At June 30, 2016 | $ 1,715,086 | $ 1,436,397 | $ 7,204 | $ 68,498 | $ 69,311 | $ 2,058,219 | $ 5,354,715 |
| June 30, 2016 | | | | | | | |
| Cost | $ 2,486,270 | $ 4,814,595 | $ 29,398 | $ 209,763 | $ 160,504 | $ 2,058,219 | $ 9,758,749 |
| Accumulated depreciation | ( 771,184) | ( 3,365,168) | ( 22,194) | ( 141,265) | ( 91,193) | - | ( 4,391,004) |
| Accumulated impairment | - | ( 13,030) | - | - | - | - | ( 13,030) |
| | $ 1,715,086 | $ 1,436,397 | $ 7,204 | $ 68,498 | $ 69,311 | $ 2,058,219 | $ 5,354,715 |

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

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Amount capitalized | $ 2,716 | $ 6,599 |
| Interest rate | 4.79%~5.00% | 1.72%~2.64% |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Amount capitalized | $ 10,859 | $ 6,599 |
| Interest rate | 4.35%~5.00% | 1.72%~2.64% |

B. Impairment and reclassification information about the property, plant and equipment is provided in Note 6(8), Impairment of non-financial assets.

C. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group has not pledged any property, plant and equipment as collateral.

(7) LONG-TERM PREPAID RENT

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Long-term prepaid rent | $ 78,411 | $ 82,110 | $ 86,658 |

In 2008, the Group's Mainland China subsidiary entered into a land use right contract with the local government relating to the acquisition of the right to use the land located in Changshu, Jiangsu province, with a lease term of 50 years. The subsidiary had prepaid all rental expenses on the contract date, and recognized rental expenses of $449, $473, $909 and $987 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively (listed as "General and administrative expenses").

(8) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. For the three-month and six-month periods ended June 30, 2016, the Group recognised impairment loss on idle machineries of $964 and $721, respectively (listed as "Other gains and losses"). For the three-month and six-month periods ended June 30, 2017, there was no impairment loss.

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

| | For the three-month period ended June 30, 2016 | | For the six-month period ended June 30, 2016 | |
|---|---|---|---|---|
| Segments | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in profit or loss | Recognized in other comprehensive income |
| ScinoPharm Taiwan | $ 964 | $ - | $ 721 | $ - |

(9) SHORT-TERM BORROWINGS

| Type of borrowings | June 30, 2017 | Interest rate range | Collateral |
| --- | --- | --- | --- |
| Bank loans | | | |
| Unsecured loans | $ 469, 785 | 4. 35%～5. 00% | None |

| Type of borrowings | December 31, 2016 | Interest rate range | Collateral |
| --- | --- | --- | --- |
| Bank loans | | | |
| Unsecured loans | $ 982, 705 | 4. 35%～4. 44% | None |

| Type of borrowings | June 30, 2016 | Interest rate range | Collateral |
| --- | --- | --- | --- |
| Bank loans | | | |
| Unsecured loans | $ 1, 460, 977 | 1. 44%~4. 44% | None |

(10) OTHER PAYABLES

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| --- | --- | --- | --- |
| Accrued salaries and bonuses | $ 99, 436 | $ 151, 650 | $ 83, 575 |
| Payables on equipment | 40, 442 | 89, 009 | 28, 571 |
| Cash dividends payable | 228, 098 | - | 219, 325 |
| Others | 155, 857 | 189, 361 | 156, 558 |
| | $ 523, 833 | $ 430, 020 | $ 488, 029 |

(11) LONG-TERM BORROWINGS

| Type of borrowings | Borrowing period | June 30, 2017 | Interest rate | Collateral |
| --- | --- | --- | --- | --- |
| Long-term bank loans | CNY 294,000,000 | | | |
| Secured bank loans | June 14, 2016～ June 14, 2019 | $ 1, 318, 922 | 4. 85% | Guaranteed by the Company |
| Less current portion | | ( 107, 667) | | |
| | | $ 1, 211, 255 | | |

| Type of borrowings | Borrowing period | December 31, 2016 | Interest rate | Collateral |
| --- | --- | --- | --- | --- |
| Long-term bank loans | CNY 172,924,000 | | | |
| Secured bank loans | June 14, 2016～ June 14, 2019 | $ 802, 993 | 4. 85% | Guaranteed by the Company |
| Less current portion | | ( 32, 120) | | |
| | | $ 770, 873 | | |

| Type of borrowings | Borrowing period | June 30, 2016 | | Interest rate | Collateral |
|---|---|---|---|---|---|
| Long-term bank loans | CNY 52,684,000 | | | | |
| Secured bank loans | June 14, 2016～ June 14, 2019 | $ | 255, 252 | 4. 85% | Guaranteed by the Company |
| Less current portion | | ( | 5, 105) | | |
| | | $ | 250, 147 | | |

(12) PENSIONS

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

(b) The pension costs under the aforementioned defined benifit pension plan of the Company for the three-month and six-month periods ended June 30, 2017 and 2016 were $659, $748, $1,318 and $1,497, respectively.

(c) As of June 30, 2017, the Company's expected contributions to the pension plan for the next annual reporting period amounted to $3,120.

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor

Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (SciAnda (Kunshan) Biochemical Technology, Ltd., SciAnda (Changshu) Pharmaceuticals, Ltd., and SciAnda Shanghai Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the three-month and six-month periods ended June 30, 2017 and 2016, the pension costs recognized under the aforementioned defined contribution pension plans were \$8,383, \$7,780, \$16,355 and \$15,961, respectively.

(13) SHARE CAPITAL AND STOCK DIVIDENDS TO BE DISTRIBUTED

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

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| At January 1 and June 30 | 760,326 | 731,083 |

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

C. On June 26, 2017, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$304,130 and obtained approval from the SFC. The effective date of capitalization was set on August 18, 2017. After the capitalization mentioned above, the Company's total authorized capital was \$10,000,000 and the paid-in capital was \$7,907,392 (790,739 thousand shares) with a par value of \$10 (in dollars) per share.

D. As of June 30, 2017, the Company's authorized capital was \$10,000,000 and the paid-in capital was \$7,603,262 (760,326 thousand shares) with a par value of \$10 dollars per share. All proceeds from shares issued have been collected.

(14) CAPITAL RESERVES

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

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

| | For the six-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Share premium | Stock options | Total |
| At January 1 | $ 1,233,286 | $ 42,374 | $ 1,275,660 |
| Employee stock options compensation cost | | | |
| - Company | - | 6,955 | 6,955 |
| - Subsidiaries | - | 36 | 36 |
| At June 30 | $ 1,233,286 | $ 49,365 | $ 1,282,651 |

| | For the six-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Share premium | Stock options | Total |
| At January 1 | $ 1,233,286 | $ 32,258 | $ 1,265,544 |
| Employee stock options compensation cost | | | |
| - Company | - | 5,195 | 5,195 |
| - Subsidiaries | - | 100 | 100 |
| At June 30 | $ 1,233,286 | $ 37,553 | $ 1,270,839 |

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the 'Grant Date'). The exercise price of the options was set at $91.70 (in dollars), $41.65 (in dollars) and $40.55 (in dollars), respectively, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of June 30, 2017, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to $80.20 (in dollars) per share, $40.00 (in dollars) per share and $40.55 (in dollars) per share, respectively.) Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Group recognized compensation costs relating to the employee stock option plan of $3,515, $2,662, $6,991 and $5,295 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

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

| | For the six-month period ended June 30, 2017 | |
|---|---|---|
| | Number of options (in thousand units) | Weighted-average exercise price (in dollars) |
| Options outstanding at beginning of the period | 3,457 | $ 48.03 |
| Options forfeited | ( 166) | 46.61 |
| Options outstanding at end of the period | 3,291 | 48.15 |
| Options exercisable at end of the period | 486 | 80.20 |

| | For the six-month period ended June 30, 2016 | |
|---|---|---|
| | Number of options (in thousand units) | Weighted-average exercise price (in dollars) |
| Options outstanding at beginning of the period | 2,348 | $ 56.92 |
| Options forfeited | ( 243) | 57.80 |
| Options outstanding at end of the period | 2,105 | 56.82 |
| Options exercisable at end of the period | 425 | 83.40 |

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

| | | June 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|
| Grant date | Expiry date | No. of stocks (unit in thousands) | Exercise price (in dollars) | No. of stocks (unit in thousands) | Exercise price (in dollars) |
| 12.3.2013 | 12.2.2023 | 648 | $ 80.20 | 670 | $ 80.20 |
| 11.6.2015 | 11.5.2025 | 1,241 | 40.00 | 1,299 | 40.00 |
| 10.14.2016 | 10.13.2026 | 1,402 | 40.55 | 1,488 | 40.55 |

| | | June 30, 2016 | |
|---|---|---|---|
| Grant date | Expiry date | No. of stocks (unit in thousands) | Exercise price (in dollars) |
| 12.3.2013 | 12.2.2023 | 765 | $ 83.40 |
| 11.6.2015 | 11.5.2025 | 1,340 | 41.65 |

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

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

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

(16) RETAINED EARNINGS

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

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

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

D. The Company recognized cash dividends and stock dividends distributed to owners amounting to $219,325 ($0.30 dollars per share) and $292,433 ($0.40 dollars per share) for the year ended December 31, 2016, respectively. During its meeting on June 27, 2017, the Board of Directors proposed for the distribution of dividends from 2016 earnings of $228,098 ($0.30 dollars per share) for cash dividends and $304,130 ($0.40 dollars per share) for stock dividends.

(17) OTHER EQUITY ITEMS

| | For the six-month periods ended June 30, 2017 | 2016 |
|---|---|---|
| At January 1 | ($ 3,454) | $ 69,095 |
| Currency translation differences－group | ( 29,785) | ( 31,508) |
| At June 30 | ($ 33,239) | $ 37,587 |

(18) OPERATING REVENUE

| | For the three-month periods ended June 30, 2017 | 2016 |
|---|---|---|
| Sales revenue | $ 892,121 | $ 1,013,284 |
| Less: Sales returns | ( 144,302) | ( 20,446) |
| Sales discounts | - | ( 6,628) |
| Net sales revenue | 747,819 | 986,210 |
| Technical service revenue | 33,383 | 28,840 |
| Royalty revenue | 71,953 | - |
| | $ 853,155 | $ 1,015,050 |

| | For the six-month periods ended June 30, 2017 | 2016 |
|---|---|---|
| Sales revenue | $ 1,757,265 | $ 2,014,180 |
| Less: Sales returns | ( 186,772) | ( 20,446) |
| Sales discounts | - | ( 6,628) |
| Net sales revenue | 1,570,493 | 1,987,106 |
| Technical service revenue | 71,961 | 49,700 |
| Royalty revenue | 130,188 | - |
| | $ 1,772,642 | $ 2,036,806 |

(19) OTHER INCOME

| | For the three-month periods ended June 30, 2017 | For the three-month periods ended June 30, 2016 |
|---|---|---|
| Interest income from bank deposits | $ 6,370 | $ 8,844 |
| Others | 5,117 | 3,748 |
| | $ 11,487 | $ 12,592 |

| | For the six-month periods ended June 30, 2017 | For the six-month periods ended June 30, 2016 |
|---|---|---|
| Interest income from bank deposits | $ 11,954 | $ 15,667 |
| Reversal for doubtful accounts | 563 | - |
| Others | 8,839 | 5,810 |
| | $ 21,356 | $ 21,477 |

(20) OTHER GAINS AND LOSSES

| | For the three-month periods ended June 30, 2017 | For the three-month periods ended June 30, 2016 |
|---|---|---|
| Net (loss) gain on financial assets/liabilities at fair value through profit or loss | ($ 2,859) | $ 10 |
| Gain (loss) on disposal of property, plant, and equipment | 46 | ( 75) |
| Reversal of impairment loss | - | 964 |
| Net currency exchange gain (loss) | 7,106 | ( 32,534) |
| Miscellaneous | ( 4,821) | ( 6,846) |
| | ($ 528) | ($ 38,481) |

| | For the six-month periods ended June 30, 2017 | For the six-month periods ended June 30, 2016 |
|---|---|---|
| Net gain on financial assets/liabilities at fair value through profit or loss | $ 9,238 | $ 4,252 |
| Loss on disposal of property, plant, and equipment | ( 13) | ( 133) |
| Reversal of impairment loss | - | 721 |
| Net currency exchange loss | ( 28,010) | ( 34,394) |
| Miscellaneous | ( 8,558) | ( 14,290) |
| | ($ 27,343) | ($ 43,844) |

## (21) FINANCE COSTS

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Interest expense: | | |
| Bank loans | $ 20,755 | $ 9,960 |
| Less: capitalization of qualifying assets | ( 2,716) | ( 6,599) |
| | $ 18,039 | $ 3,361 |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Interest expense: | | |
| Bank loans | $ 40,997 | $ 17,804 |
| Less: capitalization of qualifying assets | ( 10,859) | ( 6,599) |
| | $ 30,138 | $ 11,205 |

## (22) EXPENSES BY NATURE

| | For the three-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expenses | $ 112,747 | $ 95,257 | $ 208,004 |
| Depreciation | 75,497 | 33,192 | 108,689 |
| Amortization | 393 | 1,836 | 2,229 |
| | $ 188,637 | $ 130,285 | $ 318,922 |

| | For the three-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expenses | $ 91,827 | $ 88,269 | $ 180,096 |
| Depreciation | 82,730 | 26,363 | 109,093 |
| Amortization | 826 | 2,595 | 3,421 |
| | $ 175,383 | $ 117,227 | $ 292,610 |

| | For the six-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expenses | $ 226,849 | $ 198,315 | $ 425,164 |
| Depreciation | 148,719 | 66,954 | 215,673 |
| Amortization | 1,505 | 2,865 | 4,370 |
| | $ 377,073 | $ 268,134 | $ 645,207 |

| | For the six-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expenses | $ 203, 581 | $ 183, 140 | $ 386, 721 |
| Depreciation | 168, 575 | 53, 239 | 221, 814 |
| Amortization | 1, 614 | 4, 259 | 5, 873 |
| | $ 373, 770 | $ 240, 638 | $ 614, 408 |

(23) EMPLOYEE BENEFIT EXPENSES

| | For the three-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Salaries and wages | $ 94, 476 | $ 82, 273 | $ 176, 749 |
| Labor and health insurance expenses | 8, 390 | 5, 449 | 13, 839 |
| Pension costs | 5, 539 | 3, 503 | 9, 042 |
| Other personnel expenses | 4, 342 | 4, 032 | 8, 374 |
| | $ 112, 747 | $ 95, 257 | $ 208, 004 |

| | For the three-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Salaries and wages | $ 74, 688 | $ 73, 679 | $ 148, 367 |
| Labor and health insurance expenses | 8, 305 | 5, 541 | 13, 846 |
| Pension costs | 5, 307 | 3, 221 | 8, 528 |
| Other personnel expenses | 3, 527 | 5, 828 | 9, 355 |
| | $ 91, 827 | $ 88, 269 | $ 180, 096 |

| | For the six-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Salaries and wages | $ 191, 208 | $ 172, 292 | $ 363, 500 |
| Labor and health insurance expenses | 16, 073 | 10, 261 | 26, 334 |
| Pension costs | 10, 937 | 6, 736 | 17, 673 |
| Other personnel expenses | 8, 631 | 9, 026 | 17, 657 |
| | $ 226, 849 | $ 198, 315 | $ 425, 164 |

| | For the six-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Salaries and wages | $ 169, 185 | $ 157, 228 | $ 326, 413 |
| Labor and health insurance expenses | 16, 662 | 10, 423 | 27, 085 |
| Pension costs | 10, 870 | 6, 588 | 17, 458 |
| Other personnel expenses | 6, 864 | 8, 901 | 15, 765 |
| | $ 203, 581 | $ 183, 140 | $ 386, 721 |

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

B. For the three-month and six-month periods ended June 30, 2017 and 2016, the employees' compensation was accrued at $7,968, $22,426, $28,614 and $43,078, respectively, while the directors' remuneration was accrued at $1,520, $3,140, $4,582 and $6,234, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized for the period were accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2016 was $93,915, which was different from the estimated amount of $93,914 recognized in the 2016 financial statements by $1. Such difference mainly resulted from estimation, and was recognized in profit or loss for 2017.

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

(24) INCOME TAX

A. Components of income tax (benefit) expense:

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Current income tax: | | |
| Income tax in current period | $ 28,703 | $ 50,653 |
| 10% tax on unappropriated retained earnings | 5,446 | 6,537 |
| (Over) under provision of prior year's income tax | ( 3,624) | 1,011 |
| Total current tax | 30,525 | 58,201 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | ( 35,635) | ( 32,658) |
| Income tax (benefit) expense | ($ 5,110) | $ 25,543 |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Current income tax: | | |
| Income tax in current period | $ 68,637 | $ 89,844 |
| 10% tax on unappropriated retained earnings | 5,446 | 6,537 |
| (Over) under provision of prior year's income tax | ( 3,624) | 2,471 |
| Total current tax | 70,459 | 98,852 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | ( 53,459) | ( 54,173) |
| Income tax expense | $ 17,000 | $ 44,679 |

A. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of August 2, 2017.

B. The Company's unappropriated retained earnings listed on the balance sheet as of June 30, 2017, December 31, 2016 and June 30, 2016 were all generated after the year 1998.

C. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the Company's imputation tax credit account was $348,048, $240,971 and $282,532, respectively. The earnings distribution for 2015 was approved at the stockholders' meeting on June 27, 2016, and the date of dividend distribution was set by the Board of Directors on August 16, 2016. The creditable tax rate for 2015 was 23.04% and the creditable tax rate for 2016 is expected to be 23.81%. The Company's imputation tax credit distributed to the stockholders shall be calculated on the basis of the balance of each stockholder on the date of dividend distribution. As a result, the applicable creditable tax rate for the dividend distributed for the year 2016 shall be adjusted which accounts for the imputation tax credits under the Tax Law before the day of dividend distribution.

## (25) EARNINGS PER SHARE ("EPS")

| | For the three-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 84,415 | 760,326 | $ 0.11 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 84,415 | 760,326 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock option | - | 76 | |
| Employees' compensation | - | 714 | |
| Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 84,415 | 761,116 | $ 0.11 |

| | For the three-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 174,402 | 760,326 | $ 0.23 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 174,402 | 760,326 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock option | - | 179 | |
| Employees' compensation | - | 1,069 | |
| Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 174,402 | 761,574 | $ 0.23 |

| | For the six-month period ended June 30, 2017 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 254,544 | 760,326 | $ 0.33 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 254,544 | 760,326 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock option | - | 76 | |
| Employees' compensation | - | 1,646 | |
| Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 254,544 | 762,048 | $ 0.33 |

| | For the six-month period ended June 30, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 346,324 | 760,326 | $ 0.46 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary stockholders of the parent | $ 346,324 | 760,326 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock option | - | 179 | |
| Employees' compensation | - | 1,831 | |
| Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 346,324 | 762,336 | $ 0.45 |

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

B. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2015.

C. On June 27, 2017, the Company's shareholders adopted a proposal for the distribution of 2016 profit. The effective date of capitalization was set on August 18, 2017. The pro forma information for retroactively adjusted basic and diluted earnings per share is follows (in dollars):

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Basic earnings per share | | |
| Profit attributable to ordinary shareholders | $ 0.11 | $ 0.22 |
| Diluted earnings per share | | |
| Profit attributable to ordinary shareholders | $ 0.11 | $ 0.22 |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Basic earnings per share | | |
| Profit attributable to ordinary shareholders | $ 0.32 | $ 0.44 |
| Diluted earnings per share | | |
| Profit attributable to ordinary shareholders | $ 0.32 | $ 0.44 |

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Purchase of property, plant and equipment | $ 177,240 | $ 340,321 |
| Add: Beginning balance of payable on equipment | 89,009 | 44,817 |
| Less: Ending balance of payable on equipment | ( 40,442) | ( 28,571) |
| Capitalization of interest | ( 10,859) | ( 6,599) |
| Cash paid for acquisition of property, plant and equipment | $ 214,948 | $ 349,968 |

B. Investing activities with no cash flow effects

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| (a)Prepayments for equipment reclassified to property, plant and equipment | $ 15,738 | $ 114,053 |
| (b)Cash dividends distribution | $ 228,098 | $ 219,325 |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Name of related party and relationship

| Name of related party | Relationship with the Group |
|---|---|
| Uni-President Enterprises Corp. | Ultimate parent company |

(3) Significant transactions and balances with related parties

Other expenses

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Management consultancy fees: | | |
| —Ultimate parent company | | |
| Uni-President Enterprises Corp. | $ 1,999 | $ 1,985 |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Management consultancy fees: | | |
| —Ultimate parent company | | |
| Uni-President Enterprises Corp. | $ 3,281 | $ 3,045 |

(4) Key management compensation

| | For the three-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Salaries and other short-term employee benefits | $ 25,425 | $ 22,429 |

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Salaries and other short-term employee benefits | $ 38,444 | $ 32,576 |

8. PLEDGED ASSETS

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

| Assets | June 30, 2017 | December 31, 2016 | June 30, 2016 | Purpose of collateral |
|---|---|---|---|---|
| Time deposits (Note) | $ 28, 831 | $ 28, 831 | $ 28, 831 | Customs duty and performance guarantee |

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of June 30, 2017, December 31, 2016 and June 30, 2016, there were no unused letters of credit.

(2) As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group's remaining balance due for construction in progress and prepayments for equipment was $148,537, $312,008 and $315,138, respectively.

(3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of $5,569, $5,790, $11,138 and $11,580 (listed as "Operating costs" and "Operating expenses") was recognized in profit or loss for the three-month and six-month periods ended June 30, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Within one year | $ 14, 851 | $ 22, 276 | $ 23, 159 |
| Later than one year but not exceeding five years | - | 3, 713 | 15, 439 |
| | $ 14, 851 | $ 25, 989 | $ 38, 598 |

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

| | Nature | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| SciAnda (Changshu) Pharmaceuticals, Ltd. | Guarantee for financing amount | $ 1, 570, 145 | $ 1, 625, 270 | $ 1, 695, 750 |

As of June 30, 2017, December 31, 2016 and June 30, 2016, the actual amount drawn down for endorsements and guarantees to subsidiaries was $1,318,922, $802,993 and $255,252, respectively.

10. SIGNIFICANT DISASTER LOSS: None.

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

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

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

(ii)To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, hedge accounting is not applied as transactions did not meet all criteria of hedge accounting. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

| | June 30, 2017 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 27,151 | 30.42 | $ 825,933 |
| EUR:NTD | 283 | 34.72 | 9,826 |
| CNY:NTD | 60 | 4.486 | 269 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1,366 | 30.42 | 41,554 |
| EUR:NTD | 69 | 34.72 | 2,396 |
| CNY:NTD | 427 | 4.486 | 1,916 |

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

| | | June 30, 2016 | | |
|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD:NTD | $ | 24,167 | 32.28 | $ 780,111 |
| EUR:NTD | | 281 | 35.89 | 10,085 |
| CNY:NTD | | 1,141 | 4.845 | 5,528 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD:NTD | | 1,109 | 32.28 | 35,799 |
| EUR:NTD | | 159 | 35.89 | 5,707 |

(iv)As of June 30, 2017 and 2016, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the six-month periods ended June 30, 2017 and 2016 would increase/decrease by $32,552 and $30,889, respectively. If the NTD:EUR exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the six-month periods ended June 30, 2017 and 2016 would increase/decrease by $308 and $182, respectively. If the NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the six-month periods ended June 30, 2017 and 2016 would increase/decrease by $68 and $229, respectively.

(v)Total exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2017 and 2016 amounted to $7,106, ($32,534), ($28,010) and ($34,394), respectively.

II. Price risk

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

III. Interest rate risk

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

(ii)At June 30, 2017 and 2016, if interest rates had been 10% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2017 and 2016 would have been $1,076 and $542 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

II. No credit limits were exceeded during the six-month periods ended June 30, 2017 and 2016.

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

(c) Liquidity risk

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

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

| June 30, 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 485, 514 | $ – | $ – | $ – |
| Notes payable | 26, 154 | – | – | – |
| Accounts payable | 90, 229 | – | – | – |
| Other payables | 523, 833 | – | – | – |
| Long-term borrowings | 171, 565 | 1, 264, 851 | – | – |
| Guarantee deposits received | 1, 708 | – | – | – |
| Derivate financial liabilites: | | | | |
| Forward exchange contracts | 2, 457 | – | – | – |

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

| June 30, 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 1, 486, 193 | $ – | $ – | $ – |
| Notes payable | 24, 387 | – | – | – |
| Accounts payable | 140, 247 | – | – | – |
| Other payables | 488, 029 | – | – | – |
| Long-term borrowings | 17, 342 | 32, 373 | 239, 753 | – |
| Guarantee deposits received | 26, 125 | – | – | – |

(3) Fair value estimation

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

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public.

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

Level 3: Inputs for the asset or liability that are not based on observable market data.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2017, December 31, 2016, and June 30, 2016 is as follows:

| June 30, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss – forward foreign contracts | $ - | $ 2, 457 | $ - | $ 2, 457 |

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

| June 30, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Financial assets at fair value through profit or loss – forward foreign contracts | $ - | $ 1, 988 | $ - | $ 1, 988 |

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

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

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

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

E. For the six-month periods ended June 30, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. The Group did not have financial instruments that meet the definition of Level 3 instruments as of June 30, 2017, December 31, 2016 and June 30, 2016.

13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Group is only required to disclose the information for the six-month period ended June 30, 2017.)

(1) Significant transactions information

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

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

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

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

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

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

| | For the six-month period ended June 30, 2017 | | | |
|---|---|---|---|---|
| | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals Ltd. | Others | Total |
| Segment revenue | $ 1,739,863 | $ 141,257 | $ 4,272 | $ 1,885,392 |
| Revenue from internal customers | - | 108,491 | 4,259 | 112,750 |
| Revenue from external customers | 1,739,863 | 32,766 | 13 | 1,772,642 |
| Interest income | 9,142 | 111 | 2,701 | 11,954 |
| Depreciation and amortization | 179,403 | 40,525 | 115 | 220,043 |
| Interest expense | 22 | 30,116 | - | 30,138 |
| Income (loss) from segment before income tax | 407,820 | ( 129,242) | ( 2,775) | 275,803 |
| Segment assets | 10,354,452 | 2,365,611 | 435,255 | 13,155,318 |
| Other acquisition of non-current assets | 173,422 | 100,401 | - | 273,823 |
| Segment liabilities | 788,428 | 2,087,168 | 753 | 2,876,349 |

| | For the six-month period ended June 30, 2016 | | | |
|---|---|---|---|---|
| | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals Ltd. | Others | Total |
| Segment revenue | $ 2,005,630 | $ 104,029 | $ 9,486 | $ 2,119,145 |
| Revenue from internal customers | - | 73,238 | 9,101 | 82,339 |
| Revenue from external customers | 2,005,630 | 30,791 | 385 | 2,036,806 |
| Interest income | 5,764 | 2,785 | 7,118 | 15,667 |
| Depreciation and amortization | 178,428 | 47,632 | 1,627 | 227,687 |
| Interest expense | 11 | 11,194 | - | 11,205 |
| Income (loss) from segment before income tax | 541,879 | ( 169,660) | ( 2,543) | 369,676 |
| Segment assets | 9,741,254 | 2,458,043 | 479,782 | 12,679,079 |
| Other acquisition of non-current assets | 243,874 | 113,625 | - | 357,499 |
| Segment liabilities | 786,981 | 1,904,307 | 999 | 2,692,287 |

(3) Reconciliation for segment

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

| | For the six-month periods ended June 30, 2017 | For the six-month periods ended June 30, 2016 |
|---|---|---|
| Reportable segments profit before income tax | $ 278,578 | $ 372,219 |
| Other segments loss before income tax | ( 2,775) | ( 2,543) |
| Internal segments (loss) profit | ( 4,259) | 21,327 |
| Profit before income tax | $ 271,544 | $ 391,003 |

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

| | June 30, 2017 | June 30, 2016 |
|---|---|---|
| Assets of reportable segments | $ 12,720,063 | $ 12,199,297 |
| Assets of other operating segments | 435,255 | 479,782 |
| Internal segment transaction elimination | ( 274,640) | ( 133,748) |
| Total assets | $ 12,880,678 | $ 12,545,331 |

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

| | June 30, 2017 | June 30, 2016 |
|---|---|---|
| Liabilities of reportable segments | $ 2,875,596 | $ 2,691,288 |
| Liabilities of other operating segments | 753 | 999 |
| Internal segment transaction elimination | ( 227,116) | ( 104,735) |
| Total liabilities | $ 2,649,233 | $ 2,587,552 |

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the six-month period ended June 30, 2017

Table 1 Expressed in thousands of NTD

| Number | Name | Name of counterparty | Account | Related parties | Maximum balance | Ending balance | Actual amount drawn down | Interest rate | Nature of financial activity (Note 1) | Total transaction amount | Reason for financing | Allowance for doubtful accounts | Assets pledged | | Loan limit per entity (note 2) | Maximum amount available for loan (note 2) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | SciAnda (Kunshan) Biochemical Technology, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | Other receivables | Y | $ 358,890 | $ 358,890 | $ 179,445 | 2.00 | 2 | $ - | Additional operating capital and loan repayment | $ - | — | $ - | $ 415,000 | $ 415,000 | — |

Note 1: The code represents the nature of financing activities as follows:

1.Trading partner.

2.Short-term financing.

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

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.486).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2017

Table 2

Expressed in thousands of NTD

| Number | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 1) | Limit on endorsements/ guarantees provided for a single party (Note 2) | Maximum outstanding endorsement/ guarantee amount as of June 30, 2017 | Outstanding endorsement/ guarantee amount at June 30, 2017 | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note 2) | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | 1 | $ 10,231,445 | $ 1,625,270 | $ 1,570,145 | $ 1,318,922 | $ - | 15.35% | $ 10,231,445 | Y | N | Y | — |

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

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

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

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

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

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

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.486).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

June 30, 2017

Table 3

Expressed in thousands of NTD

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of June 30, 2017 Number of shares | Book value | Ownership (%) | Fair value | Footnote |
|---|---|---|---|---|---|---|---|---|
| ScinoPharm Taiwan, Ltd. | Stocks: | | | | | | | |
| | Tanvex Biologics, Inc. | The Company is a director of Tanvex Biologics, Inc. | Financial assets measured at cost-non-current | 28,800,000 | $ 167,673 | 17.00% | $ - | — |
| | SYNGEN, INC. | — | Financial assets measured at cost-non-current | 245,000 | - | 7.40% | - | — |
| | Foresee Pharmaceuticals Co., Ltd. | — | Financial assets measured at cost-non-current | 4,793,828 | 223,424 | 5.99% | - | — |

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the six-month period ended June 30, 2017

Table 4

Expressed in thousands of NTD

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| ScinoPharmTaiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | Subsidary (SPT International, Ltd.) | Purchases | $ 100,900 | 23% | Closes its accounts 90 days from the end of each month after acceptance | $ - | – | ($ 36,837) | (37%) | – |
| SciAnda (Changshu) Pharmaceuticals, Ltd. | ScinoPharm Taiwan, Ltd. | The Company | (Sales) | ( 100,900) | (75%) | Closes its accounts 90 days from the end of each month after acceptance | - | – | 36,837 | 60% | – |

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

June 30, 2017

Table 5

Expressed in thousands of NTD

| Purchaser/seller | Counterparty | Relationship with the counterparty | Balance as at June 30, 2017 | | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|---|
| | | | Items | Amount | | Amount | Action taken | | |
| SciAnda (Kunshan) Biochemical Technology, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | An investee company of SPT Interrnationl Ltd. accounted for under the equity method | Other receivables | $ 179,545 | — | $ - | — | $ - | $ - |

Note : Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at June 30, 2017 (CNY:NTD 1:4.486).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

For the six-month period ended June 30, 2017

Table 6 Expressed in thousands of NTD

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 2) | Company name | Counterparty | Relationship (Note 3) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 4) |
| 0 | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | 1 | Purchases | $ 100,900 | Closes its accounts 90 days from the end of each month after acceptance | 6% |
| 0 | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | 1 | Accounts payable | ( 36,837) | — | — |
| 0 | ScinoPharm Taiwan, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | 1 | Endorsements and guarantees | 1,570,145 | — | 12% |
| 1 | SciAnda (Kunshan) Biochemical Technology, Ltd. | SciAnda (Changshu) Pharmaceuticals, Ltd. | 3 | Other receivables | 179,545 | — | 1% |

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

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.486).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investees

For the six-month period ended June 30, 2017

Table 7

Expressed in thousands of NTD

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at June 30, 2017 | | | Net profit (loss) of the investee for the six-month period ended June 30, 2017 | Investment income (loss) recognized by the Company for the six-month period ended June 30, 2017 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at June 30, 2017 | Balance as at December 31, 2016 | Number of shares | Ownership (%) | Book value | | | |
| ScinoPharm Taiwan, Ltd. | SPT International, Ltd. | Tortola, British Virgin Islands | Professional investment | $ 1,833,304 | $ 1,833,304 | 60,524,644 | 100.00 | $ 665,348 | ($ 117,432) | ($ 121,691) | Subsidary |
| ScinoPharm Taiwan, Ltd. | ScinoPharm Singapore Pte Ltd. | Singapore | Professional investment | - | - | 2 | 100.00 | 74 | 9 | 9 | Subsidary |

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China

For the six-month period ended June 30, 2017

Table 8

Expressed in thousands of NTD

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2017 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017 | Net income of investee for the six-month period ended June 30, 2017 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the six-month period ended June 30, 2017 (Note 2) | Book value of investments in Mainland China as of June 30, 2017 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| SciAnda (Kunshan) Biochemical Technology, Ltd. | Research, development, and manufacture of API and new drugs, etc. | $ 121,680 | (Note 1) | $ 113,297 | $ - | $ - | $ 113,297 | ($ 1,816) | 100 | ($ 1,816) | $ 415,000 | $ - | Subsidary |
| SciAnda (Changshu) Pharmaceuticals, Ltd. | Research, development, and manufacture of API and new drugs, sale produced products, etc. | 1,657,890 | (Note 1) | 1,657,890 | - | - | 1,657,890 | ( 115,411) | 100 | ( 115,411) | 278,443 | - | Subsidary |
| SciAnda Shanghai Biochemical Technology, Ltd. | Import, export and sales of API and intermediates, etc. | 36,504 | (Note 1) | 36,504 | - | - | 36,504 | 45 | 100 | 45 | 19,428 | - | Subsidary |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3) |
|---|---|---|---|
| ScinoPharm Taiwan, Ltd. | $ 1,844,928 | $ 1,844,928 | $ 6,138,867 |

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

Note 2: The investment income (loss) recognized by the Company for the six-month period ended June 30, 2017 was based on audited financial statements of investee companies as of and for the six-month period ended June 30, 2017.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:30.42).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the six-month period ended June 30, 2017

Table 9

Expressed in thousands of NTD

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at June 30, 2017 | % | Balance at June 30, 2017 | Purpose | Maximum balance during the six-month period ended June 30, 2017 | Balance at June 30, 2017 | Interest rate | Interest during the six-month period ended June 30, 2017 | Others |
| SciAnda (Changshu) Pharmaceuticals, Ltd. | ($ 100,900) | (6%) | – | – | ($ 36,837) | (37%) | $ 1,570,145 | Secured financing amount | – | – | – | – | Management service revenue $ 6,440<br>Other receivables of $ 6,532 |
| SciAnda Shanghai Biochemical Technology, Ltd. | – | – | – | – | – | – | – | – | – | – | – | – | Management consultancy fee $ 3,890<br>Other payables of $ 1,886 |