SCINOPHARM TAIWAN, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

SEPTEMBER 30, 2014 AND 2013

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 subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, and the consolidated statements of changes in equity and of cash flows for the nine-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 subsidiaries were consolidated based on their unreviewed financial statements as of and for the nine-month periods ended September 30, 2014 and 2013. Total assets of these subsidiaries amounted to $2,882,719 thousand and $2,301,249 thousand, representing 26% and 21% of the related consolidated totals, and total liabilities amounted to $177,813 thousand and $899,409 thousand, representing 9% and 51% of the related consolidated totals, as of September 30, 2014 and 2013, respectively. Total comprehensive income of these subsidiaries amounted to ($22,847) thousand, ($65,548) thousand, ($157,801) thousand and ($61,445) thousand, constituting (14%), (27%), (33%) and (6%) of the related consolidated totals for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively. In addition, as described in Note 6(6) to the consolidated financial statements, the financial statements of the Company's investment accounted for under the equity method were not reviewed by independent accountants. Investment in this company amounted to $83,265 thousand and $95,972 thousand as of September 30, 2014 and 2013, respectively, and their related share of loss of associates and joint ventures accounted for under the equity method amounted to ($5,226) thousand, ($9,041) thousand, ($9,048) thousand and ($11,416) thousand for the three-month and nine-month periods then ended, respectively. The amounts were based solely on its unreviewed financial statements. We were unable to satisfy ourselves as to the carrying value of the investment or the equities in its earnings by other auditing procedures.

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 subsidiaries and investee company accounted for under the equity method 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 for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting”.

PricewaterhouseCoopers, Taiwan
Republic of China
November 7, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

SCINOPHARM TAIWAN, LTD.AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2014 and 2013 are reviewed, not audited)

	Assets	Notes	September 30, 2014 AMOUNT	%	December 31, 2013 AMOUNT	%	September 30, 2013 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,303,052	12	$ 2,289,428	20	$ 2,734,079	25
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	-	-	1,584	-
1150	Notes receivable, net		-	-	230	-	2,646	-
1170	Accounts receivable, net	6(3) and 7	865,939	8	970,641	8	686,633	6
1200	Other receivables		275,180	2	161,496	1	154,874	1
130X	Inventory	5(2) and 6(4)	2,668,505	24	2,512,318	22	2,358,797	21
1410	Prepayments		159,205	1	193,763	2	160,754	2
1476	Other financial assets - current	8	-	-	15,552	-	15,552	-
11XX	**Total current assets**		5,271,881	47	6,143,428	53	6,114,919	55
	Non-current assets							
1543	Financial assets measured at cost - non-current	6(5)	167,673	2	167,673	1	167,673	2
1550	Investments accounted for under equity method	6(6)	83,265	1	90,455	1	95,972	1
1600	Property, plant and equipment	6(7)(9) and 7	4,884,454	43	4,213,982	37	4,019,624	36
1780	Intangible assets		22,419	-	28,709	-	23,612	-
1840	Deferred income tax assets	5(2) and 6(24)	399,005	4	305,089	3	270,488	2
1915	Prepayments for equipment		278,347	2	399,306	4	293,660	3
1980	Other financial assets - non-current	8	24,734	-	24,667	-	24,667	-
1985	Long-term prepaid rent	6(8)	91,769	1	92,994	1	91,860	1
1990	Other non-current assets		17,802	-	17,925	-	17,655	-
15XX	**Total non-current assets**		5,969,468	53	5,340,800	47	5,005,211	45
1XXX	**Total assets**		$ 11,241,349	100	$ 11,484,228	100	$ 11,120,130	100

(Continued)

SCINOPHARM TAIWAN, LTD.AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2014 and 2013 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2014 AMOUNT	%	December 31, 2013 AMOUNT	%	September 30, 2013 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)	$ 1,123,188	10	$ 689,785	6	$ 742,832	6
2120	Financial liabilities at fair value through profit or loss - current	6(2)	5,449	-	1,138	-	-	-
2150	Notes payable		1,476	-	1,080	-	766	-
2170	Accounts payable		195,013	2	264,437	2	298,529	3
2200	Other payables	6(11)	493,970	4	594,800	5	477,739	4
2230	Current income tax liabilities	6(24)	112	-	147,735	1	110,868	1
2310	Advance receipts		29,719	-	75,812	1	75,412	1
2399	Other current liabilities		109	-	-	-	121	-
21XX	**Total current liabilities**		1,849,036	16	1,774,787	15	1,706,267	15
	Non-current liabilities							
2570	Deferred income tax liabilities	6(24)	1,365	-	639	-	-	-
2640	Accrued pension liabilities	5(2) and 6(12)	65,704	1	65,548	1	65,911	1
25XX	**Total non-current liabilities**		67,069	1	66,187	1	65,911	1
2XXX	**Total liabilities**		1,916,105	17	1,840,974	16	1,772,178	16
	Equity attributable to owners of the parent							
	Share capital							
3110	Share capital - common stock	6(14)	7,029,643	63	6,759,272	59	6,759,272	61
	Capital reserve							
3200	Capital surplus	6(13)(15)(26)	1,255,507	11	1,247,796	11	1,246,977	11
	Retained earnings	6(14)(16)(24)						
3310	Legal reserve		348,285	3	220,944	2	220,944	2
3320	Special reserve		22,829	-	22,829	-	22,829	-
3350	Undistributed earnings		618,531	6	1,348,058	12	1,082,943	10
	Other equity interest							
3400	Other equity interest	6(17)	50,449	-	44,355	-	14,987	-
3XXX	**Total equity**		9,325,244	83	9,643,254	84	9,347,952	84
	Signficant contingent liabilities and unrecognized contract commitments	9						
	Total liabilities and equity		$ 11,241,349	100	$ 11,484,228	100	$ 11,120,130	100

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2014.

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

	Items	Notes	Three months ended September 30 2014 AMOUNT	%	Three months ended September 30 2013 AMOUNT	%	Nine months ended September 30 2014 AMOUNT	%	Nine months ended September 30 2013 AMOUNT	%
4000	**Sales revenue**	6(18) and 7	$ 1,002,479	100	$ 1,239,797	100	$ 3,247,529	100	$ 3,763,934	100
5000	**Operating costs**	6(4)(12)(22)(23)	(629,265)	(63)	(709,801)	(57)	(1,941,301)	(60)	(1,854,834)	(49)
5900	**Net operating margin**		373,214	37	529,996	43	1,306,228	40	1,909,100	51
	Operating expenses	6(8)(12)(22)(23) and 7								
6100	Selling expenses		(45,113)	(5)	(43,551)	(3)	(136,932)	(4)	(135,736)	(4)
6200	General and administrative expenses		(113,102)	(11)	(118,975)	(10)	(339,986)	(10)	(374,503)	(10)
6300	Research and development expenses		(101,526)	(10)	(97,470)	(8)	(320,702)	(10)	(283,687)	(7)
6000	**Total operating expenses**		(259,741)	(26)	(259,996)	(21)	(797,620)	(24)	(793,926)	(21)
6900	**Operating profit**		113,473	11	270,000	22	508,608	16	1,115,174	30
	Non-operating income and expenses									
7010	Other income	6(19)	18,908	2	10,069	1	40,981	1	38,576	1
7020	Other gains and losses	6(2)(7)(9)(20)	4,636	-	(8,852)	(1)	(9,725)	(1)	(1,723)	-
7050	Finance costs	6(7)(21)	(1,532)	-	(2,248)	-	(3,139)	-	(5,249)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(5,226)	-	(9,041)	(1)	(9,048)	-	(11,416)	(1)
7000	**Total non-operating income and expenses**		16,786	2	(10,072)	(1)	19,069	-	20,188	-
7900	**Profit before income tax**		130,259	13	259,928	21	527,677	16	1,135,362	30
7950	Income tax expense	6(24)	(8,862)	(1)	(7,468)	(1)	(48,379)	(1)	(126,660)	(3)
8200	**Profit for the period**		$ 121,397	12	$ 252,460	20	$ 479,298	15	$ 1,008,702	27
	Other comprehensive income									
8310	Financial statements translation differences of foreign operations	6(17)	$ 41,640	4	($ 13,836)	(1)	$ 6,094	-	$ 50,027	1
8500	**Total comprehensive income for the period**		$ 163,037	16	$ 238,624	19	$ 485,392	15	$ 1,058,729	28
	Profit attributable to:									
8610	Owners of the parent		$ 121,397	12	$ 252,504	20	$ 479,298	15	$ 1,008,702	27
8620	Non-controlling interest		-	-	(44)	-	-	-	-	-
	Net income		$ 121,397	12	$ 252,460	20	$ 479,298	15	$ 1,008,702	27
	Comprehensive income attributable to:									
8710	Owners of the parent		$ 163,037	16	$ 238,668	19	$ 485,392	15	$ 1,058,729	28
8720	Non-controlling interest		-	-	(44)	-	-	-	-	-
	Total comprehensive income		$ 163,037	16	$ 238,624	19	$ 485,392	15	$ 1,058,729	28
	Basic earnings per share	6(25)								
9750	**Net income**		$	0.17	$	0.36	$	0.68	$	1.43
	Diluted earnings per share	6(25)								
9850	**Net income**		$	0.17	$	0.36	$	0.68	$	1.43

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2014.

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

		Equity attributable to owners of the parent								
				Retained Earnings						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Undistributed	Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 2013										
Balance at January 1, 2013		$6,499,300	$1,246,977	$ 103,897	$ 22,829	$1,231,176	($ 35,040)	$9,069,139	$ 1,603	$9,070,742
Distribution of 2012 net income:										
Legal reserve		-	-	117,047	-	(117,047)	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(779,916)	-	(779,916)	-	(779,916)
Stock dividends	6(14)(16)	259,972	-	-	-	(259,972)	-	-	-	-
Net income for the nine-month period ended September 30, 2013		-	-	-	-	1,008,702	-	1,008,702	-	1,008,702
Other comprehensive income for the nine-month period ended September 30, 2013	6(17)	-	-	-	-	-	50,027	50,027	-	50,027
Difference between the acquisition or disposal price and carrying amount of subsidiaries	6(15)(26)									
Acquisition of subsidiaries		-	188	-	-	-	-	188	-	188
Disposal of subsidiaries		-	(188)	-	-	-	-	(188)	-	(188)
Non-controlling interest		-	-	-	-	-	-	-	(1,603)	(1,603)
Balance at September 30, 2013		$6,759,272	$1,246,977	$ 220,944	$ 22,829	$1,082,943	$ 14,987	$9,347,952	$ -	$9,347,952
For the nine-month period ended September 30, 2014										
Balance at January 1, 2014		$6,759,272	$1,247,796	$ 220,944	$ 22,829	$1,348,058	$ 44,355	$9,643,254	$ -	$9,643,254
Distribution of 2013 net income:										
Legal reserve		-	-	127,341	-	(127,341)	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(811,113)	-	(811,113)	-	(811,113)
Stock dividends	6(14)(16)	270,371	-	-	-	(270,371)	-	-	-	-
Net income for the nine-month period ended September 30, 2014		-	-	-	-	479,298	-	479,298	-	479,298
Other comprehensive income for the nine-month period ended September 30, 2014	6(17)	-	-	-	-	-	6,094	6,094	-	6,094
Employee stock option compensation cost	6(13)(15)	-	7,711	-	-	-	-	7,711	-	7,711
Balance at September 30, 2014		$7,029,643	$1,255,507	$ 348,285	$ 22,829	$ 618,531	$ 50,449	$9,325,244	$ -	$9,325,244

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2014.

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

	Notes	For the nine-month periods ended September 30 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the period		$ 527,677	$ 1,135,362
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Loss (gain) on valuation of financial assets and liabilities		4,311	(1,111)
Provision for (gain on reversal of) doubtful accounts	6(3)	211	(2)
Loss on inventory market price decline	6(4)	65,482	93,909
Provision for obsolescence of supplies		20,230	4,455
Share of loss of associates and joint ventures accounted for under the equity method	6(6)	9,048	11,416
Depreciation	6(7)(22)	341,935	323,334
Loss on disposal of property, plant and equipment	6(20)	2,997	1,008
Gain on reversal of impairment loss	6(9)(20)	(91)	(1,138)
Amortization	6(22)	9,750	7,087
Employee stock option cost	6(13)(15)	7,711	-
Interest income	6(19)	(21,676)	(26,462)
Interest expense	6(21)	3,139	5,249
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		230	(2,646)
Accounts receivable		106,171	154,703
Other receivables		(115,666)	(58,766)
Inventories		(221,232)	(582,835)
Prepayments		14,328	49,052
Net changes in liabilities relating to operating activities			
Notes payable		396	(279)
Accounts payable		(69,424)	75,455
Other payables		(93,496)	(3,124)
Advance receipts		(46,093)	73,229
Other current liabilities		109	121
Accrued pension liabilities		156	449
Cash generated from operations		546,203	1,258,466
Interest received		21,978	26,654
Interest paid		(3,139)	(5,249)
Income tax paid		(287,439)	(309,112)
Net cash provided by operating activities		277,603	970,759

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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 nine-month periods ended September 30 2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in pledged deposits		$ 15,485	($ 850)
Cash paid for acquisition of invesments accounted for under equity method		-	(107,388)
Cash paid for acquisition of property, plant and equipment	6(27)	(726,018)	(505,790)
Interest paid for acquisition of property, plant and equipment	6(7)(21)(27)	(10,026)	-
Proceeds from disposal of property, plant and equipment		930	308
Cash paid for acquisition of intangible assets		(1,949)	(11,109)
Increase in prepayment for equipment		(160,532)	(360,112)
Decrease (increase) in other non-current assets - guarantee deposits paid		124	(718)
Net cash used in investing activities		(881,986)	(985,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		433,403	479,156
Decrease in non-controlling interests		-	(1,603)
Payment of cash dividends	6(16)	(811,113)	(779,916)
Net cash used in financing activities		(377,710)	(302,363)
Effect of foreign exchange rate changes on cash and cash equivalents		(4,283)	16,330
Decrease in cash and cash equivalents		(986,376)	(300,933)
Cash and cash equivalents at beginning of period	6(1)	2,289,428	3,035,012
Cash and cash equivalents at end of period	6(1)	$ 1,303,052	$ 2,734,079

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2014.

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 API (Active Pharmaceutical Ingredients), albumin medicines, oligonucleotide medicines, peptide medicines, injections and small molecule drugs, as well as the provision of related consulting and technical services. The Company's investment plan for the manufacturing of medicine materials was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.

(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 authorized for issuance by the Board of Directors on November 7, 2014.

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")

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments' but including the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures－Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures－Offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’(as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009-2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except the following:

A.IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

B.IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will also disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

C.IFRS 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. And, the standard requires disclosures about fair value measurements. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

(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 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, ‘Financial instruments’	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 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
IFRS 15, ‘Revenue from contracts with customers	January 1, 2017
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
Services related contributions from employees or third parties (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

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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)Difined 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 special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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. 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:

			Percentage owned by the Company		
Name of Investor	Name of Subsidiary	Business activities	September 30, 2014	December 31, 2013	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	100.00	100.00	—

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company September 30, 2013	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	—
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	—
SPT International, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	100.00	—

The financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and nine-month periods ended September 30, 2014 and 2013. Total assets of these subsidiaries amounted to $2,882,719 and $2,301,249, representing 26% and 21% of the related consolidated totals, and total liabilities amounted to $177,813 and $899,409, representing 9% and 51% of the related consolidated totals, as of September 30, 2014 and 2013, respectively. Total comprehensive income of these subsidiaries amounted to ($22,847), ($65,548), ($157,801) and ($61,445), constituting (14%), (27%), (33%) and (6%) of the related consolidated totals for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: 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) Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within “interest income or finance costs”. 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 jointly controlled entities 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 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. However, when the Group loses significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

c) When a foreign operation as an associate or jointly controlled entity 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 jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

d) 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.

The group has classified all assets which do not meet the above conditions as non-current assets

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.

The group has classified all liabilities which do not meet the above conditions as non-current liabilities

(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 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 measured 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) 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'.

(9) Loans and receivables

Accounts receivable are loans and 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.

(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 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.

b) 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.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows from the financial asset have been transferred; however the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. 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) Investments accounted for under the equity method / associates

A.Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B.The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C.When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital reserve' in proportion to its ownership.

D.Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital reserve' and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital reserve in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) <u>Property, plant and equipment</u>

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	2 ～ 35 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	2 ～ 6 years
Office equipment	1 ～ 9 years
Other equipment	2 ～ 7 years

(15) Intangible assets

Professional skills and computer software, etc. are stated at cost and amortized on a straight-line basis over their estimated useful life of 3 ~ 10 years.

(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) 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.

(19) 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.

(20) Derecognition of financial liabilities

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

B. The Group derecognizes an original financial liability and recognizes a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences (10%) to the original terms. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

(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.The liability recognized 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, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise, and presented in retained earnings.

iii. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

iv. 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' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of exclude rights and exclude dividends.

(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 Company and its subsidiaries 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. The Group operates in jurisdictions where current tax assets and current tax liabilities are not legally enforceable to be offsetted against each other. As a result, the Group recognizes its deferred income tax assets and liabilities on the gross basis.

F. A 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, employees' training costs 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 utilised.

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) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

(26) 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. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

(27) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Manager that makes strategic decisions.

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. The above information is addressed below:

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

A.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 rapid technology innovation, 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 change to the evaluation.

b) As of September 30, 2014, the carrying amount of inventories was $2,668,505.

B.Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C.Realisability 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 utilised. 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 September 30, 2014, the Group recognized deferred income tax assets amounting to $399,005.

D.Calculation of accrued pension obligations

a) When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

b) As of September 30, 2014, the carrying amount of accrued pension obligations was $65,704.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	September 30, 2014	December 31, 2013	September 30, 2013
Cash:			
Cash on hand	$ 165	$ 304	$ 275
Checking accounts and demand deposits	613,395	456,017	504,356
	613,560	456,321	504,631
Cash Equivalents:			
Time deposits	619,536	1,700,203	2,147,614
Bill under repurchase agreements	69,956	132,904	81,834
	689,492	1,833,107	2,229,448
Cash and cash equivalents as per consolidated balance sheet and statement of cash flows	$ 1,303,052	$ 2,289,428	$ 2,734,079

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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B.Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets-current" and "Other financial assets-non-current") as of September 30, 2014, December 31, 2013 and September 30, 2013 are provided in Note 8.

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

Items	September 30, 2014	December 31, 2013	September 30, 2013
Current items:			
Financial assets held for trading			
Non-hedging derivatives	$ -	$ -	$ 1,584
Financial liabilities held for trading			
Non-hedging derivatives	$ 5,449	$ 1,138	$ -

A. The Group recognized net (loss) income on financial liabilities held for trading amounting to ($6,646), $3,995, ($12,741) and ($9,625) for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively (listed as "other gains and losses").

B. The contract information of non-hedging derivative instrument transactions is as follows:

Derivative Instruments	September 30, 2014		
	Contract amount		Contract period
Forward exchange contracts	USD	15,500,000	7.2014～11.2014

Derivative Instruments	December 31, 2013		
	Contract amount		Contract period
Forward exchange contracts	USD	14,915,000	11.2013～3.2014

Derivative Instruments	September 30, 2013		
	Contract amount		Contract period
Forward exchange contracts	USD	11,310,000	8.2013～11.2013

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

C. The counterparties of the Group's debt instrument investments have good credit quality. The maximum expose to credit risk at balance sheet date is the carrying amount of financial assets at fair value through profit or loss.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) ACCOUNTS RECEIVABLE, NET

	September 30, 2014	December 31, 2013	September 30, 2013
Accounts receivable	$ 866,180	$ 970,671	$ 686,656
Less: Allowance for doubtful accounts	(241)	(30)	(23)
	$ 865,939	$ 970,641	$ 686,633

A. As of September 30, 2014, December 31, 2013 and September 30, 2013, 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 nine-month periods ended September 30,	
	2014	2013
	Individual provision	Individual provision
At January 1	$ 30	$ 25
Provision for (reversal of) impairment	211	(2)
At September 30	$ 241	$ 23

C. 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. The maximum exposure to credit risk at September 30, 2014, December 31, 2013 and September 30, 2013 was the carrying amount of each class of accounts receivable.

E. The Group does not hold any collateral as security.

(4) INVENTORIES

	September 30, 2014		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 467,605	($ 43,169)	$ 424,436
Supplies	40,208	(1,349)	38,859
Work in process	1,101,277	(63,408)	1,037,869
Finished goods	1,379,726	(212,385)	1,167,341
	$ 2,988,816	($ 320,311)	$ 2,668,505

	December 31, 2013		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 635,989	($ 32,803)	$ 603,186
Supplies	46,766	(1,660)	45,106
Work in process	948,703	(44,474)	904,229
Finished goods	1,135,550	(175,753)	959,797
	$ 2,767,008	($ 254,690)	$ 2,512,318

	September 30, 2013		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 440,193	($ 52,159)	$ 388,034
Supplies	39,301	(1,042)	38,259
Work in process	1,153,363	(63,714)	1,089,649
Finished goods	1,069,732	(226,877)	842,855
	$ 2,702,589	($ 343,792)	$ 2,358,797

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

	For the three-month periods ended September 30,	
	2014	2013
Cost of goods sold	$ 548,859	$ 670,328
Provision for inventory market price decline	22,278	23,541
Loss on inventory scrap	2,908	59
Loss on production stoppages	45,602	12,733
Loss on physical inventory	6,008	2,151
Other operating costs	3,610	989
	$ 629,265	$ 709,801

	For the nine-month periods ended September 30,	
	2014	2013
Cost of goods sold	$ 1,753,542	$ 1,666,974
Provision for inventory market price decline	65,482	93,909
Loss on inventory scrap	2,908	9,249
Loss on production stoppages	100,169	72,155
Loss on physical inventory	9,941	6,460
Other operating costs	9,259	6,087
	$ 1,941,301	$ 1,854,834

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

	September 30, 2014	December 31, 2013	September 30, 2013
Unlisted stocks			
Tanvex Biologics, Inc.	$ 167,673	$ 167,673	$ 167,673
Syngen, Inc.	4,620	4,620	4,620
	172,293	172,293	172,293
Less: Accumulated impairment	(4,620)	(4,620)	(4,620)
	$ 167,673	$ 167,673	$ 167,673

A. Based on the Group’s intention, its investment in Tanvex Biologics, Inc. and Syngen, Inc. should be classified as available-for-sale financial assets. However, as Tanvex Biologics, Inc. and Syngen, Inc. are not traded in an active market and no sufficient industry information and financial information of similar companies can be obtained, the fair value of the investments in Tanvex Biologics, Inc. and Syngen, Inc. cannot be measured reliably. Accordingly, the Group classified those stocks as ‘financial assets measured at cost’.

B. As of September 30, 2014, December 31, 2013 and September 30, 2013, no financial assets measured at cost held by the Group were pledged to others.

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Investee Company	September 30, 2014	December 31, 2013	September 30, 2013
Foreseeacer Pharmaceuticals, Inc.	$ 83,265	$ 90,455	$ 95,972

A. The Group purchased the shares of Foreseeacer Pharmaceuticals, Inc. in May, 2013 and gained significant influence over the investee company. The investment was accounted for under the equity method from the acquisition date.

B. Group's principal associates

(a)The financial information of the Group's principal associates is summarized below:

	Assets	Liabilities	Revenues	Profit/ (Loss)	Ownership Percentage
September 30, 2014					
Foreseeacer Pharmaceuticals, Inc.	$ 575,012	$ 31,550	$ -	($ 76,390)	15.32%
December 31, 2013					
Foreseeacer Pharmaceuticals, Inc.	$ 638,939	$ 30,883	$ -	($ 92,000)	15.32%
September 30, 2013					
Foreseeacer Pharmaceuticals, Inc.	$ 650,485	$ 14,379	$ -	($ 59,120)	15.32%

(b)The related share of loss of associates and joint ventures accounted for under the equity method amounted to ($5,226), ($9,041), ($9,048) and ($11,416) for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively, which was recognized based on the unreviewed financial statements of the investee company for the corresponding period.

(7) PROPERTY, PLANT AND EQUIPMENT

January 1, 2014	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Cost	$ 2,182,097	$ 4,282,898	$ 28,090	$ 143,456	$ 132,499	$ 824,345	$ 7,593,385
Accumulated depreciation	(545,709)	(2,689,802)	(12,380)	(73,280)	(40,148)	-	(3,361,319)
Accumulated impairment	-	(18,084)	-	-	-	-	(18,084)
	$ 1,636,388	$ 1,575,012	$ 15,710	$ 70,176	$ 92,351	$ 824,345	$ 4,213,982
For the nine-month period ended September 30, 2014							
At January 1, 2014	$ 1,636,388	$ 1,575,012	$ 15,710	$ 70,176	$ 92,351	$ 824,345	$ 4,213,982
Additions	-	-	-	17	-	728,693	728,710
Disposals－Cost	-	(33,192)	-	(893)	(920)	-	(35,005)
－Accumulated depreciation	-	29,905	-	869	304	-	31,078
Reclassification (Note)	19,115	237,087	2,206	34,646	4,605	(15,389)	282,270
Depreciation charge	(64,467)	(235,917)	(3,473)	(20,986)	(17,092)	-	(341,935)
Reversal of impairment loss	-	91	-	-	-	-	91
Net exchange differences	666	598	20	40	155	3,784	5,263
At September 30, 2014	$ 1,591,702	$ 1,573,584	$ 14,463	$ 83,869	$ 79,403	$ 1,541,433	$ 4,884,454
September 30, 2014							
Cost	$ 2,202,010	$ 4,487,632	$ 30,341	$ 177,416	$ 136,607	$ 1,541,433	$ 8,575,439
Accumulated depreciation	(610,308)	(2,896,055)	(15,878)	(93,547)	(57,204)	-	(3,672,992)
Accumulated impairment	-	(17,993)	-	-	-	-	(17,993)
	$ 1,591,702	$ 1,573,584	$ 14,463	$ 83,869	$ 79,403	$ 1,541,433	$ 4,884,454

January 1, 2013	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Cost	$ 2,024,781	$ 3,749,060	$ 18,421	$ 78,758	$ 135,980	$ 613,004	$ 6,620,004
Accumulated depreciation	(487,046)	(2,474,962)	(8,814)	(45,283)	(23,402)	-	(3,039,507)
Accumulated impairment	-	(21,269)	-	-	-	-	(21,269)
	$ 1,537,735	$ 1,252,829	$ 9,607	$ 33,475	$ 112,578	$ 613,004	$ 3,559,228
For the nine-month period ended September 30, 2013							
At January 1, 2013	$ 1,537,735	$ 1,252,829	$ 9,607	$ 33,475	$ 112,578	$ 613,004	$ 3,559,228
Additions	-	15,604	-	419	-	434,475	450,498
Disposals－Cost	(6,526)	(74,685)	-	(268)	(25)	-	(81,504)
－Accumulated depreciation	6,526	73,509	-	147	6	-	80,188
Reclassification (Note)	107,109	532,219	9,269	37,673	(8,881)	(369,779)	307,610
Depreciation charge	(60,092)	(229,160)	(2,381)	(16,532)	(15,169)	-	(323,334)
Reversal of impairment loss	-	1,138	-	-	-	-	1,138
Net exchange differences	8,960	4,762	207	484	4,169	7,218	25,800
At September 30, 2013	$ 1,593,712	$ 1,576,216	$ 16,702	$ 55,398	$ 92,678	$ 684,918	$ 4,019,624
September 30, 2013							
Cost	$ 2,134,475	$ 4,227,410	$ 27,953	$ 122,297	$ 126,782	$ 684,918	$ 7,323,835
Accumulated depreciation	(540,763)	(2,631,063)	(11,251)	(66,899)	(34,104)	-	(3,284,080)
Accumulated impairment	-	(20,131)	-	-	-	-	(20,131)
	$ 1,593,712	$ 1,576,216	$ 16,702	$ 55,398	$ 92,678	$ 684,918	$ 4,019,624

(Note) Reclassified from “prepayment for equipment”.

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

	For the nine-month period ended September 30, 2014
Amount capitalized	$ 10,026
Interest rate	1.15%～2.66%

None for the nine-month period ended September 30, 2013.

B. Impairment information about the property, plant and equipment is provided in Note 6(9).

C. As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group has not pledge any asset.

(8) LONG-TERM PREPAID RENT

	September 30, 2014	December 31, 2013	September 30, 2013
Long-term prepaid rent	$ 91,769	$ 92,994	$ 91,860

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 $491, $492, $1,472 and $1,469 for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively (listed as "General and administrative expenses").

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Group reversed the impairment loss recognized in prior period amounting to $91, $32, $91 and $1,138 for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively(listed as "other gains and losses"), which was recognized in profit or loss for the corresponding periods, as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(7).

B.The gain on reversal of impairment reported by operating segments is as follows:

	For the three-month period ended September 30, 2014		For the three-month period ended September 30, 2013	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm Taiwan	$ 91	$ -	$ 32	$ -

	For the nine-month period ended September 30, 2014		For the nine-month period ended September 30, 2013	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm Taiwan	$ 91	$ -	$ 1,138	$ -

(10) SHORT-TERM BORROWINGS

Type of borrowings	September 30, 2014	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 1,123,188	1.15%～2.66%	None

Type of borrowings	December 31, 2013	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 689,785	1.16%～2.20%	None

Type of borrowings	September 30, 2013	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 742,832	1.20%～1.31%	None

(11) OTHER PAYABLES

	September 30, 2014	December 31, 2013	September 30, 2013
Accrued expenses	$ 245,464	$ 409,220	$ 334,358
Payables on equipment	92,033	99,367	67,404
Others	156,473	86,213	75,977
	$ 493,970	$ 594,800	$ 477,739

(12) PENSIONS

A.The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement).

The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee.

(a) The pension costs under the aforementioned defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2014 and 2013 were $849, $971, $2,549 and $2,914, respectively.

Details of cost and expenses recognized in statements of comprehensive income are as follows:

	For the three-month periods ended September 30,	
	2014	2013
Cost of sales	$ 424	$ 476
Selling expenses	53	53
General and administrative expenses	137	212
Research and development expenses	235	230
	$ 849	$ 971

	For the nine-month periods ended September 30,	
	2014	2013
Cost of sales	$ 1,286	$ 1,363
Selling expenses	163	141
General and administrative expenses	357	648
Research and development expenses	743	762
	$ 2,549	$ 2,914

(b) The Group’s expected contributions to the pension plans for the period from September 30, 2014 to September 30, 2015 amounted to $850.

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 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. For the three-month and nine-month periods ended September 30, 2014 and 2013, the pension cost recognized under the aforementioned defined contribution pension plan were $8,537, $10,042, $26,688 and $26,117, respectively.

(13) SHARE-BASED PAYMENT

A. A.The Company issued 1 million units of employee stock options on December 3, 2013 (the 'Grant Date'). The exercise price of the options was set at $91.7 dollars, which was based on the closing market price of the Company's common shares on the Grant Date. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. Contract period of the employee stock option plan is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognized compensation costs relating to the employee stock options plan of $2,598 and $7,711, respectively for the three-month and nine-month periods ended September 30, 2014 and none for the three-month and nine-month periods ended September 30, 2013.

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

	For the nine-month period ended September 30, 2014	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	1,000	$ 91.70
Options granted	−	−
Options outstanding at end of the period	1,000	−
Options exercisable at end of the period	−	−

C. As of September 30, 2014, the exercise price of stock options outstanding was $91.7 (in dollars); and the weighted-average remaining contractual period was 9.17 years.

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

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	$ 91.7	$ 91.7	28.50% (Note)	10 years	1.5%	1.7145%	$26.045

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.5%.

(14) SHARE CAPITAL

A. Movements in the number of the Company’s ordinary shares outstanding are as follows:

	For the nine-month periods ended September 30,	
	2014	2013
At January 1	675,927	649,930
Capitalization of retained earnings	27,037	25,997
At September 30	702,964	675,927

B. On June 21, 2013, the Company’s shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $259,972 and obtained approval from the SFC. The effective date of capitalization was set on August 15, 2013. After the event of capitalization mentioned above, the Company’s authorized total capital was $10,000,000 and the paid-in capital was $6,759,272 (675,927 thousand shares) with a par value of $10 (in dollars) per share.

C. On June 18, 2014, the Company’s shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $270,371 and obtained approval from the SFC. The effective date of capitalization was set on August 15, 2014. After the event of capitalization mentioned above, the Company’s authorized total capital was $10,000,000 and the paid-in capital was $7,029,643 (702,964 thousand shares) with a par value of $10 (in dollars) per share.

(15) CAPITAL RESERVE

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common 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 nine-month period ended September 30, 2014		
	Share premium	Stock options	Total
At January 1	$ 1,233,286	$ 14,510	$ 1,247,796
Employee stock options cost	-	7,711	7,711
At September 30	$ 1,233,286	$ 22,221	$ 1,255,507

	For the nine-month period ended September 30, 2013			
	Share premium	Stock options	Difference between the acquisition or disposal price and carrying amount of subsidiaries	Total
At January 1	$ 1,233,286	$ 13,691	$ -	$ 1,246,977
Difference between the acquisition and carrying amount of subsidiaries				
- Acquisition	-	-	188	188
- Disposal	-	-	(188)	(188)
At September 30	$ 1,233,286	$ 13,691	$ -	$ 1,246,977

Please refer to Note 6(26) for the information on transactions with non-controlling interest.

(16) RETAINED EARNINGS

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the 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. Directors' and supervisors' remuneration shall comprise 2% and at least 0.2% for employees' bonuses.

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 July 9, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. For the three-month and nine-month periods ended September 30, 2014 and 2013, employees' bonus and directors' and supervisors' remuneration were accrued at $2,404, $5,000, $9,490 and $19,980, respectively, which were estimated based on certain percentages (prescribed by the Company's Articles of Incorporation) of net profit in the corresponding periods after taking into account the legal reserve and other factors. The employees' bonus and directors' and supervisors' remuneration was resolved to be $25,222 in the 2013 stockholders' meeting, which was not significantly different from the estimated amount of $25,223 recognized in the 2013 financial statements. Such difference was recognized in the 2013 consolidated statement of comprehensive income. Information about the appropriation of employees' bonus and directors' and supervisors' 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.

E. The Company recognized cash dividends and stock dividends distributed to owners amounting to $779,916 ($1.20 (in dollars) per share) and $259,972 ($0.4 (in dollars) per share) for the year ended December 31, 2013, respectively. On June 18, 2014, the shareholders during their meeting proposed cash dividends and stock dividends of $811,113 ($1.20 (in dollars) per share) and $270,371 ($0.4 (in dollars) per share) for the year ended December 31, 2013, respectively.

(17) OTHER EQUITY ITEMS

	For the nine-month periods ended September 30,	
	2014	2013
At January 1	$ 44,355	($ 35,040)
Currency translation differences – group	6,094	50,027
At September 30	$ 50,449	$ 14,987

(18) OPERATING REVENUE

	For the three-month periods ended Septemeber 30, 2014	2013
Sales revenue	$ 991,156	$ 1,289,883
Less: Sales returns	(3,383)	(48,053)
Sales discounts	(72)	(5,292)
Technical service revenue	14,778	3,259
	$ 1,002,479	$ 1,239,797

	For the nine-month periods ended September 30, 2014	2013
Sales revenue	$ 3,256,109	$ 3,839,659
Less: Sales returns	(31,325)	(81,657)
Sales discounts	(9,802)	(14,366)
Technical service revenue	32,547	20,298
	$ 3,247,529	$ 3,763,934

(19) OTHER INCOME

	For the three-month periods ended September 30, 2014	2013
Interest income from bank deposits	$ 4,019	$ 6,803
Others	14,889	3,266
	$ 18,908	$ 10,069

	For the nine-month periods ended September 30, 2014	2013
Interest income from bank deposits	$ 21,676	$ 26,462
Others	19,305	12,114
	$ 40,981	$ 38,576

(20) OTHER GAINS AND LOSSES

	For the three-month periods ended September 30, 2014	For the three-month periods ended September 30, 2013
Net (loss) gain on financial assets/liabilities through profit or loss	($ 6,646)	$ 3,995
Net currency exchange gain (loss)	15,467	(11,619)
(Loss) gain on disposal of property, plant, and equipment	(2,951)	240
Gain on reversal of impairment	91	32
Miscellaneous	(1,325)	(1,500)
	$ 4,636	($ 8,852)

	For the nine-month periods ended September 30, 2014	For the nine-month periods ended September 30, 2013
Net loss on financial assets/liabilities through profit or loss	($ 12,741)	($ 9,625)
Net currency exchange gain	9,449	14,869
Loss on disposal of property, plant, and equipment	(2,997)	(1,008)
Gain on reversal of impairment	91	1,138
Miscellaneous	(3,527)	(7,097)
	($ 9,725)	($ 1,723)

(21) FINANCE COSTS

	For the three-month periods ended September 30, 2014	For the three-month periods ended September 30, 2013
Interest expense:		
Bank loans	$ 5,026	$ 2,248
Less: capitalization of qualifying assets	(3,494)	-
	$ 1,532	$ 2,248

	For the nine-month periods ended September 30, 2014	For the nine-month periods ended September 30, 2013
Interest expense:		
Bank loans	$ 13,165	$ 5,249
Less: capitalization of qualifying assets	(10,026)	-
	$ 3,139	$ 5,249

(22) EXPENSES BY NATURE

	For the three-month period ended September 30, 2014		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 128,977	$ 85,046	$ 214,023
Depreciation	87,522	25,237	112,759
Amortization	328	2,886	3,214
	$ 216,827	$ 113,169	$ 329,996

	For the three-month period ended September 30, 2013		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 140,453	$ 121,381	$ 261,834
Depreciation	90,430	21,741	112,171
Amortization	174	2,424	2,598
	$ 231,057	$ 145,546	$ 376,603

	For the nine-month period ended September 30, 2014		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 393,777	$ 263,850	$ 657,627
Depreciation	266,141	75,794	341,935
Amortization	1,004	8,746	9,750
	$ 660,922	$ 348,390	$ 1,009,312

	For the nine-month period ended September 30, 2013		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 419,571	$ 323,399	$ 742,970
Depreciation	259,021	64,313	323,334
Amortization	519	6,568	7,087
	$ 679,111	$ 394,280	$ 1,073,391

(23) EMPLOYEE BENEFIT EXPENSE

	For the three-month periods ended September 30,	
	2014	2013
Salaries and wages	$ 183,708	$ 223,305
Labor and health insurance expenses	14,272	15,761
Pension costs	9,386	11,013
Other personnel expenses	6,657	11,755
	$ 214,023	$ 261,834

	For the nine-month periods ended September 30,	
	2014	2013
Salaries and wages	$ 559,405	$ 638,387
Labor and health insurance expenses	47,244	45,452
Pension costs	29,237	29,031
Other personnel expenses	21,741	30,100
	$ 657,627	$ 742,970

(24) INCOME TAX

A. Components of income tax expense:

	For the three-month periods ended September 30,	
	2014	2013
Current income tax:		
Income tax incurred in current period	$ 41,378	$ 59,587
Deferred income tax:		
Origination and reversal of temporary differences	(32,516)	(52,119)
Income tax expense	$ 8,862	$ 7,468

	For the nine-month periods ended September 30,	
	2014	2013
Current income tax:		
Income tax incurred in current period	$ 142,068	$ 238,440
(Over) under provision of prior year's income tax	(499)	4,768
Total current income tax	141,569	243,208
Deferred income tax:		
Origination and reversal of temporary differences	(93,190)	(116,548)
Income tax expense	$ 48,379	$ 126,660

B. The Company’s income tax returns through 2011 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of November 7, 2014.

C. The Company’s unappropriated retained earnings listed on the balance sheet as of September 30, 2014, December 31, 2013 and September 30, 2013 were all generated after the year 1998.

D. As of September 30, 2014, December 31, 2013 and September 30, 2013, the balance of the Company’s imputation tax credit account was $46,921, $155,351 and $28,128, respectively. The earnings distribution for 2013 and 2012 were approved at the stockholders’ meeting on June 18, 2014 and June 21, 2013, respectively, and the dates of dividend distribution were set by the Board of Directors on August 15, 2014 and August 15, 2013, respectively. The creditable tax rate for 2013 and 2012 were 21.15% and 21.06%, respectively.

(25) EARNINGS PER SHARE (“EPS”)

	For the three-month period ended September 30, 2014		
	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	$ 121,397	702,964	$ 0.17
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 121,397	702,964	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	4	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 121,397	702,968	$ 0.17

	For the three-month period ended September 30, 2013		
	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	$ 252,504	702,964	$ 0.36
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 252,504	702,964	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	6	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 252,504	702,970	$ 0.36

	For the nine-month period ended September 30, 2014		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 479,298	702,964	$ 0.68
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 479,298	702,964	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	14	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 479,298	702,978	$ 0.68

	For the nine-month period ended September 30, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,008,702	702,964	$ 1.43
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	1,008,702	702,964	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	23	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,008,702	702,987	$ 1.43

A. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2013.

B. As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retrospectively.

(26) Transactions with non-controlling interest

A. In April, 2013, the Group acquired additional 40% shares of its subsidiary, President ScinoPharm (Cayman), Ltd., at a total cash consideration of $1,647. The carrying amount of non-controlling interest in President ScinoPharm (Cayman), Ltd. was $4,588 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest and an increase in the equity attributable to owners of the parent by $1,835. The difference between the proceeds for acquisition of the interests and carrying amount of the interest was included in capital reserve.

	Three-month period ended September 30, 2013	Nine-month period ended September 30, 2013
Carrying amount of non-controlling interest acquired	$ 1,835	$ 1,835
Consideration paid to non-controlling interest	(1,647)	(1,647)
Capital reserve		
Difference between the acquisition or disposal price and carrying amount of subsidiaries	$ 188	$ 188

B. The liquidation of President ScinoPharm (Cayman) was completed in September, 2014. The capital reserve which gain from the difference between the proceeds for acquisition of the interests and carrying amount of the interest were reclassified to current period profit and loss from disposal of subsidiary.

(27) Non-cash transactions

A. Investing activities with partial cash payments

	For the nine-month periods ended September 30,	
	2014	2013
Purchase of property, plant and equipment	$ 728,710	$ 450,498
Add：Begining balance of payable on equipment	99,367	122,696
Less：Ending balance of payable on equipment	(92,033)	(67,404)
Capitalzation of interest	(10,026)	-
Cash paid for purchase of property, plant and equipment	$ 726,018	$ 505,790

B. Investing activities with no cash flow effects

	For the nine-month periods ended September 30,	
	2014	2013
Prepayments for equipment reclassified to property, plant and equipment	$ 282,270	$ 307,610

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Significant transactions and balances with related parties

A. Technical service revenues

	For the three-month periods ended September 30,	
	2014	2013
Sales of services:		
－Associates	$ －	$ －

	For the nine-month periods ended September 30,	
	2014	2013
Sales of services:		
－Associates	$ 1,515	$ －

The terms of providing technical services to related parties were the same with regular customers. The collection period for related parties was 60 days after sales, which is the same with regular customers.

B. Other expenses:

	For the three-month periods ended September 30,	
	2014	2013
Repairs and maintenance expense:		
－An entity controlled by key management individuals	$ －	$ －
Management consultancy fees:		
－Ultimate parent company	$ 1,050	$ 1,050
－Associates of ultimate parent company	1,399	1,110
	$ 2,449	$ 2,160

	For the nine-month periods ended September 30,	
	2014	2013
Repairs and maintenance expense:		
－An entity controlled by key management individuals	$ 3,114	$ 3,009
Management consultancy fees:		
－Ultimate parent company	$ 4,430	$ 4,230
－Associates of ultimate parent company	1,399	1,110
	$ 5,829	$ 5,340

C. Accounts receivable:

	September 30, 2014	December 31, 2013	September 30, 2013
Receivables from related parties:			
-Associates	$ －	$ 1,118	$ －

D. Property transactions:

	For the three-month periods ended September 30,	
	2014	2013
Purchase of property, plant and equipment:		
－An entity controlled by key management individuals	$ －	$ －

	For the nine-month periods ended September 30,	
	2014	2013
Purchase of property, plant and equipment:		
－An entity controlled by key management individuals	$ －	$ 1,750

(3) Key management compensation

	For the three-month periods ended September 30,	
	2014	2013
Salaries and other short-term employee benefits	$ 12,105	$ 24,782

	For the nine-month periods ended September 30,	
	2014	2013
Salaries and other short-term employee benefits	$ 67,990	$ 66,522

8. PLEDGED ASSETS

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

Assets	September 30, 2014	December 31, 2013	September 30, 2013	Purpose of collateral
Time deposits (note)	$ 24,734	$ 40,219	$ 40,219	Customs duty and performance guarantee

Note: Recorded as "other financial assets-current" and "other financial assets- non-current"

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group's unused letters of credit amounted to $－, $6,855 and $4,746, respectively.

(2) As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group's remaining balance due for construction in progress and prepayments for equipment was $233,968, $720,902 and $669,455, 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 agreement 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 $5,323 and $15,969 was recognized in profit or loss for both the three-month and nine-month periods ended September 30, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Within one year	$ 21,291	$ 21,291	$ 21,291
Later than one year but not exceeding five years	51,454	67,422	72,745
	$ 72,745	$ 88,713	$ 94,036

10. SIGNIFICANT DISASTER LOSS: None.

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

12. OTHERS

(1) Capital risk 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, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) 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.

	September 30, 2014		December 31, 2013		September 30, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Other financial assets	$ 24,734	$24,734	$40,219	$40,219	$40,219	$40,219
Refundable deposits paid (Note)	16,347	16,347	17,925	17,925	17,655	17,655

Note：Recorded as「other non-current assets」

B. Financial risk management policies

a)The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price 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)Group 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:

	September 30, 2014			
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 31,422	30.42	$	955,857
EUR:NTD	216	38.59		8,335
CNY:NTD	5,183	4.93		25,552
Non-monetary items				
USD:NTD	2,737	30.42		83,260
Financial liabilities				
Monetary items				
USD:NTD	1,932	30.42		58,771
EUR:NTD	106	38.59		4,091

	December 31, 2013			
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 32,046	29.81	$	955,131
EUR:NTD	78	41.09		3,205
CNY:NTD	5,700	4.92		28,038
Non-monetary items				
USD:NTD	3,153	29.81		93,991
Financial liabilities				
Monetary items				
USD:NTD	2,575	29.81		76,748
EUR:NTD	88	41.09		3,616
CNY:NTD	835	4.92		4,107

	September 30, 2013			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 32,040	29.57	$ 947,423	
EUR:NTD	225	39.92	8,982	
CNY:NTD	4,222	4.83	20,392	
Financial liabilities				
Monetary items				
USD:NTD	3,997	29.57	118,191	

As of September 30, 2014 and 2013, 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 nine-month periods ended September 30, 2014 and 2013 would increase/decrease by $44,854 and $41,461, respectively. If the EUR:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the nine-month periods ended September 30, 2014 and 2013 would increase/decrease by $212 and $449, respectively. If the CNY:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the nine-month periods ended September 30, 2014 and 2013 would increase/decrease by $1,278 and $1,020, 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 (shown in '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

The Group analyses its interest rate exposure on a dynamic basis. Thus, the interest rate of the Group's liabilities fluctuates accordingly with the market interest rate, creating divergence in the Group's future cash flow. However, as the Group's liabilities bear little significance and a small range of interest rate, the Group does not bear significant interest rate risk.

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 nine-month periods ended September 30, 2014 and 2013.

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.

September 30, 2014	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	$ 1,123,188	$ −	$ −	$ −
Notes payable	1,476	−	−	−
Accounts payable	195,013	−	−	−
Other payables	493,970	−	−	−
Derivative financial liabilities:				
Forward exchange contracts	5,449	−	−	−

December 31, 2013	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	$ 689,785	$ -	$ -	$ -
Notes payable	1,080	-	-	-
Accounts payable	264,437	-	-	-
Other payables	594,800	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	1,138	-	-	-

September 30, 2013	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	$ 742,832	$ -	$ -	$ -
Notes payable	766	-	-	-
Accounts payable	298,529	-	-	-
Other payables	477,739	-	-	-

(3) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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).

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

The following table presents the Group’s financial assets and liabilities that are measured at fair value at September 30, 2014, December 31, 2013 and September 30, 2013.

September 30, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss – forward foreign contracts	$ -	$ 5,449	$ -	$ 5,449

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	$ -	$ 1,138	$ -	$ 1,138

September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	$ -	$ 1,584	$ -	$ 1,584

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

a) Quoted market prices or dealer quotes for similar instruments.

b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. The Group did not have financial instruments that meet the definition of level 3 instruments as of September 30, 2014, December 31, 2013 and September 30, 2013.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions (For the nine-month period ended September 30, 2014)

A.Financing activities with any company or person: None.

B.The Company provided endorsements and guarantees to other entities: None.

C.The balance of securities held as of September 30, 2014 are summarized as follows (not including subsidiaries, associates and joint ventures):

				As of September 30, 2014				
Investor	Type and name of securities	Relationship with the issuer	Accounts (Note)	Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note
ScinoPharm Taiwan,	Bill under repurchase agreements:							
Ltd.	China Bills Finance Co.	—	Cash equivalents	-	$ 69,956		$ 69,956	—
	Stocks:							
	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost-non-current	28,800	167,673	17.00%	-	—
	Syngen, Inc.	—	Financial assets measured at cost-non-current	245	-	7.40%	-	—

D.The cumulative buying or selling amount of one specific security exceeding the lower of $300,000 or 20 percent of the contributed capital:

					Beginning balance		Additon		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of counterparty	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
ScinoPharm Taiwan, Ltd.	Bill under repurchase agreement:															
	Mega Bills Finance Co., Ltd.	Cash equivalents	−	−	−	$ −	−	$ 2,222,957	−	$2,223,198	($ 2,222,957)	$ 241	−	$ −	−	$ −
	International Bills Finance Co.	Cash equivalents	−	−	−	82,933	−	3,517,412	−	3,600,764	(3,600,345)	419	−	−	−	−
	China Bill Finance Co.	Cash equivalents	−	−	−	49,971	−	2,405,019	−	2,385,264	(2,385,034)	230	−	−	−	69,956

E.Acquisition of real estate with an amount exceeding $300,000 or 20 percent of the contributed capital:

							Prior transaction of related counterparty						
Company name	Type of property	Transaction date	Payment	Status of payment	Name of counterparty	Relationship	Owner	Relationship	Transfer date	Amount	Price reference	Purpose of acquisition	Other items
ScinoPharm Taiwan, Ltd.	Plant	6.2012～9.2014	Approximately $ 660,191	$ 257,167	China Ecoteck Co., Ltd. etc.	—	—	—	—	$ -	Negotiation	Building for operation use	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Plant (Phase II)	11.2012～9.2014	643,416	514,205	Jiangsu Qian Construction Group Co., Ltd. etc.	—	—	—	—	-	〃	〃	—

F.Disposal of real estate with an amount exceeding $300,000 or 20 percent of the contributed capital: None.

G.Purchases or sales transactions with related parties amounting to $100,000 or 20 percent of the contributed capital:

			Description of transaction				Differences in transaction terms compared to third party transactions		Notes or accounts receivable/(payable)		
Company name	Counterparty	Relationship	Purchases/ (sales)	Amount	Percentage of net purchases/ (sales)	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes or accounts receivable/ (payable)	Notes
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company of SPT International, Ltd. accounted for under the equity method	Purchases	$ 112,663	9%	Payable 90 days after acceptance	$ -	—	$ -	—	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The company	(Sales)	(112,663)	(75%)	90 days after delivery	-	—	-	—	—

H.Receivables from related parties exceeding $100,000 or 20 percent of the contributed capital: None.

I.Derivative financial instruments transactions : For the Company’s derivative financial instrument transactions, please refer to Note 6(2).

J.Significant inter-company transactions during the nine-month period ended September 30, 2014:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	1	Purchases	$ 65,116	Closes its accounts 90 days from the end of each month after acceptance	2%
				Management consultancy revenue	(2,072)	—	—
				Other receivables	1,815	—	—
				Accounts payable	(2,340)	—	—
		ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Sales	(6,862)	Closes its accounts 90 days after shipment	—
				Purchases	112,663	Closes its accounts 90 days from the end of each month after acceptance	3%
				Management consultancy revenue	(23,621)	—	(1%)
				Other receivables	23,073	—	—
		ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Outsourcing services fees	1,468	—	—

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Number 0 represents the Company.

(2)The consolidated subsidiaries are in order from number 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1)The company to the consolidated subsidiary.

(2)The consolidated subsidiary to the Company.

(3)The consolidated subsidiary to another consolidated subsidiary.

Note 3: 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 4: Transactions among the company and subsidiaries with amount over NT$1,000 and one side of them are disclosure.

(2) Disclosure information of investee company

Related information on investee companies for the nine-month period ended September 30, 2014

Information about the investees' name, locations, etc. (not including investees in Mainland China)

				Original investments		Holding status					
Investor	Investee	Address	Main business	Balance as at September 30, 2014	Balance as at December 31, 2013	Shares	Ownership (%)	Book value	Net profit (loss) of the investee company for the nine-month period ended September 30, 2014	Income (loss) recognised by the company for the nine-month period ended September 30, 2014	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 1,833,305	$ 1,727,867	60,524,644	100.00	$ 1,540,339	($ 175,510)	($ 162,052)	Subsidary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	34	14	14	Subsidary
ScinoPharm Taiwan, Ltd.	Foreseeacer Pharmaceuticals, Inc.	Grand Cayman, Cayman Islands	Research and development of peptide injectable drugs	109,512	109,512	3,600,000	15.32	83,265	(76,390)	(9,048)	—

(3) Information on investments in Mainland China

Related information on investee companies for the nine-month period ended September30, 2014.

A.The basic information of investments in Mainland China:

Name of investee in China	Main business	Capital	Investment method	Beginning investment balance from Taiwan	Investment amount Remitted to China	Investment amount Remitted back to Taiwan	Ending investment balance from Taiwan	Income (loss) of the investee company	Ownership held by the company (direct or indirect)	Investment income (loss) recognized	Book value of investments as of September 30, 2014	Accumulated remittance	Note
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new drug, etc.	$ 121,680	(Note 1)	$ 113,297	$ -	$ -	$ 113,297	$ 2,336	100.00	$ 2,336	$ 457,487	$ -	Subsidary of subsidary
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drug, etc.	1,657,890	(Note 1)	1,551,420	106,470	-	1,657,890	(171,554)	100.00	(171,554)	1,097,333	-	Subsidary of subsidary
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	36,504	(Note 1)	36,504	-	-	36,504	(6,266)	100.00	(6,266)	22,366	-	Subsidary of subsidary

B.Ceiling amount of investment in Mainland China:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investment amount in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 1,844,928	$ 1,844,928	$ 5,595,146

Note 1: Setting up a company in the third area, which then invested in the investee in Mainland China.

Note 2: The Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2014 was based on audited financial statements of investee companies as of and for the nine-month period ended September 30, 2014.

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

C.Significant transactions with investees in Mainland China, directly, indirectly or through companies located in third region:

(a)Purchase amount and percentage of net purchases, the ending balance of the respective accounts payable and percentage:

I. Purchases

Third region Company's name	Name of investee in Mainland China	For the nine-month period ended September 30, 2014 Amount		% (Note)
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$	112,663	9
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$	65,116	5
		$	177,779	14

Purchase prices from related parties are the same as that of general suppliers. The method of payment is agreed upon and closes its accounts 90 days from the end of each month, which is also similar to that of general suppliers.

Note: Percentage of the Company's net purchases.

II. Accounts payable

Third region Company's name	Name of investee in Mainland China	For the nine-month period ended September 30, 2014 Amount		%
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$	2,340	-

(b)Sales amount and percentage of net sales, the ending balance of respective accounts receivable and percentage:

Sales

Third region Company's name	Name of investee in Mainland China	For the nine-month period ended September 30, 2014 Amount		% (Note)
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$	6,862	-

The terms of sales to related parties were the same with regular customers.

Note: Percentage of the Company's net sales.

(c)Property transaction amount and related gain or loss: None.

(d)Endorsements, guarantee and security's ending balance and purpose: None.

(e)Maximum balance, ending balance, range of interest rates and interest expense for financing transactions: None.

(f)Other events having significant effects on the operating results and financial condition:

Transaction description	Third region company's name	Name of investee in Mainland China	For the nine-month period ended September 30, 2014
Management consultancy revenue	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 23,621
Management consultancy revenue	—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 2,072
Outsourcing service fees	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	$ 1,468
			September 30, 2013
Other receivables	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 23,073
Other receivables	—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 1,815

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 do the 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 nine-month period ended September 30, 2014		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	$ 3,244,496	$ 189,932	$ 3,434,428
Revenue from internal customers	-	186,900	186,900
Revenue from external customers	3,244,496	3,033	3,247,529
Income from segment before income tax	592,463	(240,282)	352,181
Segment assets	9,940,401	2,910,972	12,851,373

	For the nine-month period ended September 30, 2013		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	$ 3, 760, 141	$ 196, 270	$ 3, 956, 411
Revenue from internal customers	-	192, 477	192, 477
Revenue from external customers	3, 760, 141	3, 793	3, 763, 934
Income from segment before income tax	1, 216, 799	(216, 825)	999, 974
Segment assets	10, 228, 075	2, 326, 118	12, 554, 193

(3) Reconciliation for segment income (loss)

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 comprehensive statement. The reconciliations of pre-tax income between reportable segments and continuing operations were as follows:

	For the nine-month periods ended September 30,	
	2014	2013
Reportable segments profit before income tax	$ 592, 463	$ 1, 216, 799
Other segments loss before income tax	(240, 282)	(216, 825)
Inter segments profit	175, 496	135, 388
Profit before income tax	$ 527, 677	$ 1, 135, 362