

Stock Code: 1789

ScinoPharm Taiwan, Ltd.

2015 Annual Report

Notice to readers

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

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Contents

I Letter to Shareholders	1
II. Company Profile	4
2.1 Date of Incorporation.....	4
2.2 Company History.....	4
III. Corporate Governance Report	7
3.1 Organization	7
3.2 Directors, Supervisors and Management Team.....	10
3.3 Remuneration paid to Company directors, supervisors, president, and senior vice presidents over the past year.....	25
3.4 Implementation of Corporate Governance	31
3.5 Information Regarding the Company's Audit Fee and Independence	80
3.6 Replacement of CPA	81
3.7 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed: None.....	81
3.8 Net Change in shareholdings and in shares pledged by directors, supervisors, management, and shareholders holding more than a 10% share in the Company.	82
3.9 Relationship among the Top Ten Shareholders.....	85
3.10 Ownership of Shares in Affiliated Enterprises	100
IV. Capital Overview	101
4.1 Capital and Shares	101
4.2 Bonds	105
4.3 Status of Corporate Bonds, Preferred Stock, GDR, Employee Stock Option Plan, Employee Restricted Stock Plans, Mergers, Acquisitions, and Spin-Offs.....	106
4.4 Financing Plans and Implementation.....	108
V. Operational Highlights.....	109
5.1 Business Activities.....	109
5.2 Market and Sales Overview	125
5.3 Human Resources	141
5.4 Environmental Protection Expenditure.....	141
5.5 Protective measures for workplace and personal safety of employees.....	146
5.6 Labor Relations.....	150
5.7 Important Contracts	152

VI. Financial Information	155
6.1 Five-Year Financial Summary	155
6.2 Five-Year Financial Analysis	163
6.3 Audit Committee's Report in the Most Recent Year.....	171
6.4 The Audited Consolidated Financial Report for the most Recent Fiscal Year.....	172
6.5 The Audited Parent Company only Financial Report for the most Recent Fiscal Year	172
6.6 Financial Difficulties	172
VII. Review of Financial Conditions, Operating Results, and Risk Management.....	173
7.1 Analysis of Financial Status	173
7.2 Analysis of Operation Results	174
7.3 Analysis of Cash Flow.....	176
7.4 Major Capital Expenditure Items.....	177
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	177
7.6 Analysis of Risk Management.....	179
7.7 Other Important Matters	187
VIII. Special Disclosure.....	188
8.1 Summary of Affiliated Companies.....	188
8.2 Private Placement Securities in the Most Recent Years	198
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years.....	198
8.4 Other Necessary Supplement.....	198
8.5 Other Supplementary Disclosure.....	200

I Letter to Shareholders

Dear Shareholders:

In 2015, we have continued to witness a growing number of external factors that have presented challenges to ScinoPharm. Global mergers and acquisitions have resulted in increased market concentration; stringent regulations and enforcement of increasing quality standards have posed new challenges to new product development; and governments of various countries, faced with increasing pressure from their rising national medical and healthcare expenses, have forced intense price competition between our customers, the generic drug pharmaceutical companies around the world. Despite growing challenges posed by this external environment, ScinoPharm was still able to achieve steady improvements in its business performance and improve its annual profits by over 30%.

Financial Performance

ScinoPharm's consolidated revenues for 2015 were NT\$3.955 billion (US\$120.8 million), a 3% decline compared to our NT\$4.098 billion revenues of the previous year. Consolidated net profits after tax were NT\$635 million (US\$19.4 million), a 31% increase compared to the previous year's NT\$484 million. Earnings per share after tax was NT\$0.87(US\$0.0266).

At the end of the previous year, our paid-up capital was NT\$7.311 billion; our shareholders' equity was NT\$9.857 billion, making up 81% of total assets, which equaled NT\$12.22 billion (US\$373 million). Long-term debt was 1.92 times fixed assets, and our flow ratio was 2.65. These results indicate that our financial structure continues to be sound.

Constant innovation to establish industrial leadership

In 2015, our overall revenue decreased slightly compared to 2014 primarily as a result of unfavorable sales volumes of our anti-depressant and anti-obesity drugs experienced by our new drug customers. This adversely affected our contract manufacturing revenues and business growth, and resulted in idle capacity. However, ScinoPharm did demonstrate strong profitability improvement as a result of increased sales volumes of higher profit oncology products and tighter cost control, process optimization and enhanced management efficiency. As a result, the company successfully increased its 2015 gross profit to 42%. This was in spite of carrying a high level of inventory of expensive 10-DAB, the upstream raw material for our two main oncology products. ScinoPharm's financial results also reflected the equity swap with Foresee Pharmaceuticals Co. Ltd., the current parent company of our joint venture partner, Foreseeacer. The capital gain derived from this equity swap was about NT\$95 million.

Last year, ScinoPharm continued its market share dominance of its three major products: *Irinotecan* for colorectal cancer (50% global market share), *Paclitaxel* for ovarian, lung and breast cancer (supplying one-third of the global market), and *Docetaxel* for non-small cell lung and breast cancer (market share of 25%). This affirms our position as a global leader in the supply of oncology products. As of the end of last year, we have applied 733 drug master files (DMFs) worldwide, including 55 in the United States. Of the 55 US DMFs, 29 are for oncology products. This is an unparalleled number of total DMFs among the independent global providers of APIs and proof of the company's persistent efforts in oncology products.

Last year, we completed development on 5 new generic drugs. Further, in order to enhance our long-term competitive advantages, the company has successfully developed significant intellectual property patents. Last year, applications for 11 product process or polymorph patents were filed. As of the end of 2015, ScinoPharm has obtained 206 patents worldwide for its 52 inventions. Additionally, 103 invention patents have been filed and are currently under review.

In accordance with our long term business strategy, ScinoPharm keeps pursuing strategic alliances in order to enhance its position as a developer and manufacturer of innovative products with high added value. *Fondaparinux*, an anti-coagulant product, became ScinoPharm's first self-filed Abbreviated New Drug Application (ANDA) product. The company is one of only a few that can provide all technical aspects of the complicated processes from API to formulation of ANDA products. ScinoPharm is discussing the exclusive marketing rights for this product in the European and US markets with international partners, demonstrating the company's excellent capabilities in the development of specialty generic drugs and capturing increased value via downstream integration.

The construction of a high-potency cytotoxic injectable plant is a key strategic move for ScinoPharm, designed to create added value in our supply chain. To bring focus on markets with greater future prospects, we have decided to develop a peptide product with higher technical barriers designed to trigger a US FDA inspection. Verification of process equipment and instruments for the first production line is scheduled to be completed by next year, after which pilot runs for producing registration batches may begin. In addition to generic drugs developed independently by ScinoPharm, the injectable plant will also provide contract manufacturing services for new drugs targeted on biologics, high-potent new drugs and small volume, complicated and high unit-priced generics.

Globally recognized quality system and the next move in global positioning

ScinoPharm has continued to demonstrate its competitive advantages by consistently providing stable and excellent quality products. Last March, the company's Taiwan manufacturing site passed its fifth US FDA site inspection with 18 products audited. ScinoPharm's Mainland China Changshu site has already successfully completed a cGMP inspection by the US FDA with no resulting 483 comments. Now that the Changshu plant has been inspected and approved by the US FDA, products from this plant can be exported to the United States, allowing increased global visibility for ScinoPharm in both China and the global market.

In the meantime, we are expanding our contract research and manufacturing services business by acquiring projects from many different and varied pharmaceutical developers worldwide in order to create greater business potential. We believe that these efforts will further maximize our long-term success.

To increase capacity utilization at the Changshu Plant, ScinoPharm is focused on multiple operational areas including in-house product development, licensed-in products, technology transfers, and joint development via strategic alliances. Furthermore, ScinoPharm has over ten CRAM (Contract Research and Manufacturing Services) projects ongoing, with most at the clinical trial Phase II and III stages. These, along with the above activities will significantly increase this plant's operational capability and utilization.

As of the end of 2015, the Changshu Plant has received 11 drug production permits. In addition, ScinoPharm has submitted 14 drug licenses to the CFDA. Also on going is progress on the co-development with ScinoPharm's strategic partners of five formulations and one novel drug project, targeting the China market, with market availability scheduled from 2019 to 2022. In addition, ScinoPharm will benefit from last August's national Chinese policy reforms in which they significantly increased costly entry barriers into the Chinese market, with a heavy focus on quality and innovation in new drug product development.

Creating Industrial Value while Fulfilling Social Responsibilities

ScinoPharm has always been dedicated to being a responsible part of the local community where we operate and our efforts have been acknowledged on multiple occasions. Last year, ScinoPharm received the award for excellence in the “Social Welfare Category” of the National Industrial Innovation Award organized by the Ministry of Economic Affairs (MOEA). The company attained the highest rating of A++ for 2 separate occasions on the “Information Disclosure Ranking” system organized by the Taiwan Stock Exchange. Results of the first “Corporate Governance Evaluation” of publicly traded companies also listed ScinoPharm as amongst the top 5% in terms of score and the only listed Biotech Company to win such honors. *CommonWealth Magazine* also listed ScinoPharm Taiwan as amongst the “Top 100 Corporate Social Responsibility Companies” in the “CSR Corporate Citizenship Award” category. Such accolades demonstrated ScinoPharm’s efforts and performance in upholding shareholders’ interests, shareholder equity, structure and operations of the board of directors, information transparency, stakeholders’ interests, and corporate social responsibility.

Prospect for 2016

ScinoPharm relies on its flexible business capabilities and a corporate culture built upon trust and efficiency. The Company has built a strong reputation of trustworthiness amongst our clients, allowing us to accrue great potential in pharmaceutical developments. While maintaining global advantages for oncology products and expanding contract manufacturing for new drugs, ScinoPharm is also constantly researching and developing new products to broaden our product portfolio and secure our leadership position within this industry.

As ScinoPharm continues to achieve vertical integration to include downstream preparations, we shall also hasten the expansion of our product chain to include high value areas. Strategic alliances will also be utilized to speed up product development or sales in order to improve vertical integration potential of the company’s future business model. And ScinoPharm’s ability to act as a global supplier will be greatly expanded when the Changshu Plant in Jiangsu becomes fully operational. All of our fellow colleagues have committed themselves to our collective endeavor with the goal of increasing investment returns for all of our shareholders.

Chairman : Kao-Huei Cheng

CEO : Yung-Fa Chen

Director of Accounting : Chih-Hui Lin

II. Company Profile

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

2.2 Company History

- November 1997 ScinoPharm Taiwan, Ltd. was founded with paid-in capital of NT\$675 million.
- May 1998 The Food and Drug Administration (FDA) of the U.S. screened the company's plant layout design and validation plan.
- July 1998 Started to rent a laboratory.
- December 1998 Completed capital increment to NT\$1.89 billion from NT\$675 million.
- October 1999 Relocated to the present site in Southern Taiwan Science Park, and started to use its own laboratory and office.
Completed capital increment to NT\$2.7 billion from NT\$1.89 billion.
- January 2000 Inaugurated the first Kilo Lab.
- March 2000 Delivered the first batch of GMP (Good Manufacturing Practices) medicines to clients.
- April 2000 Establishment of the reinvested Xinjiang President-ScinoPharm Technology Co., Ltd.
- May 2000 Inaugurated the Pilot Plant.
- November 2000 Inaugurated the Mini Plant.
- January 2001 Delivered the first DMF (Drug Master File) raw medicine to the FDA for examination.
- February 2001 Establishment of the reinvested ScinoPharm (Kunshan) Biochemical Technology, Ltd.
- May 2001 The Customer submitted to the U.S.FDA abbreviated new drug application(ANDA) for the generic drug, The first one using the company's active pharmaceutical ingredient(API)
Establishment of the reinvested ScinoPharm Biotech Ltd.
- June 2001 Inaugurated the small manufacturing unit (SMU).
- October 2001 Passed U.S. FDA's first comprehensive site inspection.
- February 2002 Completed capital increment to NT\$3.7 billion from NT\$2.7 billion.
- April 2002 Completed the validation of the first production line Bay2 in the Production Building.
- October 2002 Completed equipment installation at Bay 1 and Bay3 production lines in the Production Building.
- November 2002 Inaugurated the Production Building.
- February 2003 Establishment of the reinvested Yunnan Ziyun Scino Bio-tech Co., Ltd.
- July 2003 Completed capital increment to NT\$4.2 billion from NT\$3.7 billion.
- April 2004 Completed capital increment to NT\$4.7 billion from NT\$4.2 billion.

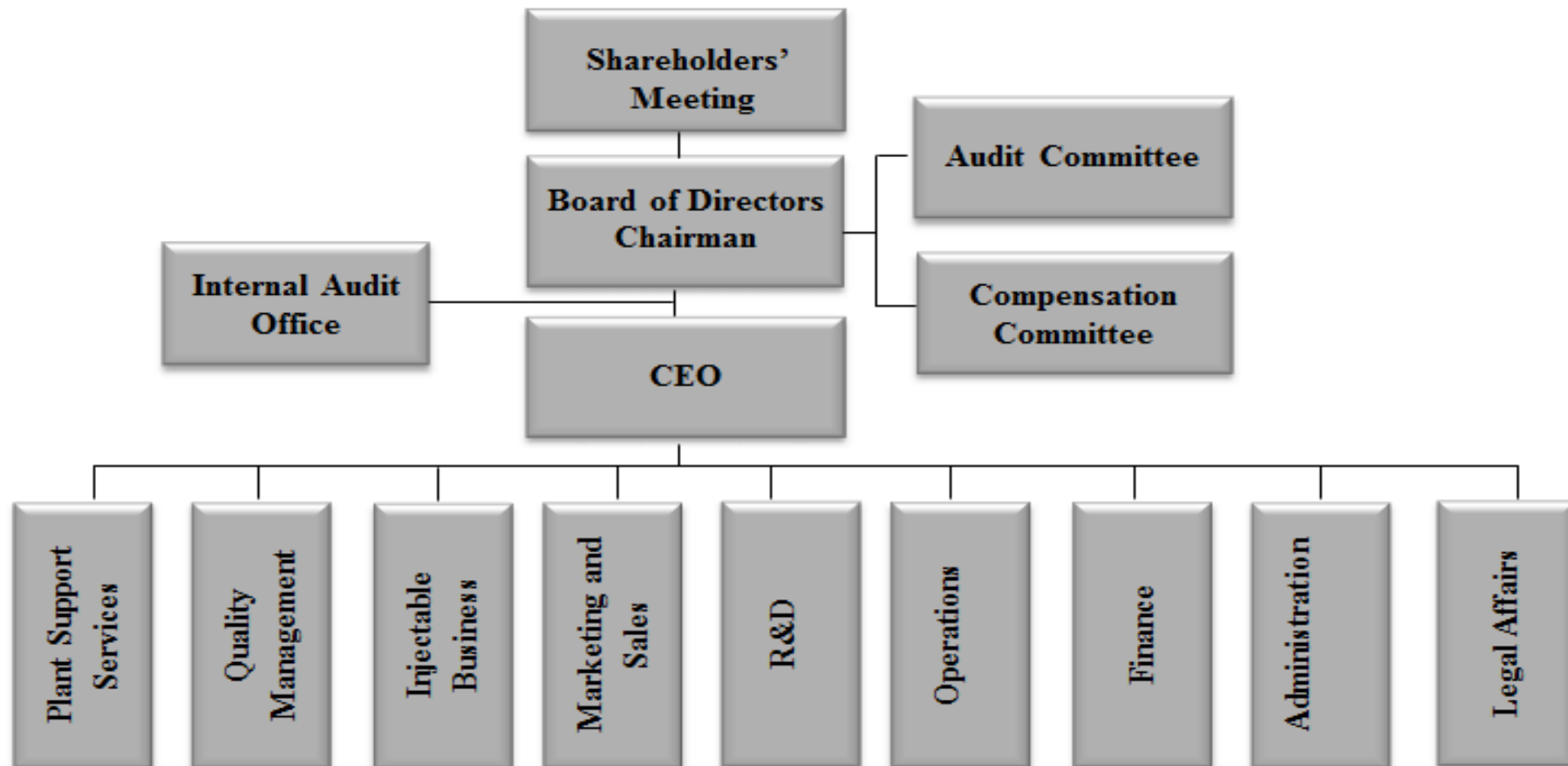
- October 2004 Completed capital increment to NT\$4.86 billion from NT\$4.7 billion.
- August 2005 Passed U.S. FDA's second site inspection.
- December 2005 Completed capital increment to NT\$5.51 billion from NT\$4.86 billion.
- January 2007 Establishment of the reinvested HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- May 2007 Completed expansion of production lines, including Kilo II and ESP II.
- October 2007 Passed the site inspection by the Therapeutic Goods Administration (TGA) of the Australian Government Department of Health.
- May 2008 Kicked off construction of the Quality Inspection Laboratory Building.
- June 2008 Acquired subsidiary ScinoPharm Biotech Ltd.
- June 2008 Passed the site inspection by the National Institute of Pharmacy (NIP) of Hungary, a member state of the European Union.
- June 2008 Passed the site inspection by Pharmaceuticals and Medical Devices Agency (PMDA) Japan.
- September 2008 Passed the site inspection by Korea Food and Drug Administration (KFDA).
- October 2008 Passed U.S. FDA's third site inspection.
- December 2008 Inaugurated the Quality Inspection Laboratory Building.
- December 2008 Business revenues broke the US\$100 million mark.
- August 2009 Establishment of the reinvested ScinoPharm (Changshu) Pharmaceuticals, Ltd.
- June 2010 Liquidation of reinvestment in Xinjiang President-Scino Pharm Technology Co., Ltd.
- August 2010 Signed an investment cooperation pact with Tanvex Biologics, Inc. and Ruentex Group to jointly develop Biosimilars.
- September 2010 Completed initial public offering of its shares in Taiwan.
- November 2010 Obtained the Authorized Economic Operator (AEO) certificate from the Customs Administration under the Ministry of Finance as the first pharmaceuticals maker to do so.
- June 2011 Liquidation of reinvestment in HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- July 2011 Inaugurated the second peptide plant.
- September 2011 Liquidation of reinvestment in Yunnan Ziyun Scino Bio-tech Co., Ltd.
- September 2011 Listing shares on the Taiwan Stock Exchange, with stock code 1789
- November 2011 Establishment of the reinvested ScinoPharm Shanghai Biochemical Technology, Ltd.
- August 2012 Passed U.S. FDA's fourth site inspection.
- August 2012 Established an R&D team to venture into the development of injection medical preparations.

- November 2012 Selected as one of the constituent stocks of the Morgan Stanley Capital International (MSCI) Taiwan Index, marking Taiwan's first biotech company to do so.
- December 2012 Production lines Bay4 and Bay 5 became operational.
- December 2012 ScinoPharm (Changshu) Pharmaceuticals, Ltd. won a production permit for pharmaceuticals.
- December 2012 Sent the first DMF of pharmaceuticals turned out by ScinoPharm (Changshu) Pharmaceuticals, Ltd. to the U.S. FDA for examination.
- August 2013 Passed the first EMA site inspection by European Medicine Agency.
- December 2013 Obtained the second AEO certificate from the Customs Administration of the Ministry of Finance.
- December 2013 Plant of ScinoPharm (Changshu) Pharmaceuticals, Ltd. has been completed and inaugurated.
- July 2014 Won the A++ rating in the 11th assessment on information disclosure by listed companies, conducted by the Taiwan Securities Exchange Corp. (TWSE).
- August 2014 Passed the second EMA site inspection.
- October 2014 Selected by the Institutional Investor, a leading financial monthly magazine in the world, as Taiwan's only biotech company to rank among the most esteemed enterprises in Asia.
- March 2015 Passed the U.S. FDA's fifth site inspection.
- April 2015 Won the A++ rating in the information disclosure assessment conducted by the TWSE on listed companies, for the second straight year.
- June 2015 Won the Outstanding Innovation Enterprise Award in the "People's Well-being" Category of the 4th National Industrial Innovation Award hosted by the Ministry of Economic Affairs.
- August 2015 Ranked among the "Top 100 CSR Enterprises" in the "Excellence in Corporate Social Responsibility" Award hosted by the CommonWealth Magazine.
- October 2015 ScinoPharm (Changshu) Pharmaceuticals, Ltd. passed the U.S. FDA site inspection.
- April 2016 Continuously Rated as one of the top 5% listed companies in the first and Second "Corporate Governance Evaluation" conducted by the TWSE, and is also the sole Biotechnology company that won the special prize.
- April 2016 The company has completed registrations for a total of 738 DMFs worldwide, including 56 DMFs registered with U.S. FDA, as of the end of April 2016.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Introduction to Organizational Functions

Research and Development

- Researching and developing the production procedures of generic drugs, and the front-end technology and platform technology for active pharmaceutical ingredients.
- Planning and carrying out the development of new pharmaceuticals; and analyzing and evaluating introduction of technologies from external sources or cooperative development projects.
- Analyzing the development and establishment of methodologies and specifications.

Production

- Planning, implementing and managing production shifts.
- Analyzing and evaluating production cost and coordinating affairs on how to reduce the cost.
- Establishing production procedures and granting supports to production plants.
- Handling purchase, transportation, customs clearance, bonding and inventory check of production-related materials.
- Conducting regular maintenance of production machinery and equipment.
- Planning, supervising and implementing industrial safety, health, and environmental protection tasks.

Business Development

- Developing sales, markets and business promotion for all of the company's products.
- Evaluating, screening and promoting customized production and R&D projects, and handling contract-related negotiations.
- Handling applications for drug registrations at home and abroad, as well as marketing and regulatory affairs and technical services.
- Developing strategic alliance projects and new models of business partnerships, and implementing and managing strategic cooperation projects.

Injection Medicine Business

- Conducting the R&D of pharmaceutical preparations, peptides and new drugs, and handling contract production affairs.
- Examining and regularly monitoring the aseptic environment for injection medicines, and conducting tests of injection medical products.
- Establishing and maintaining the specifications of products, raw materials, excipients, and packaging materials.
- Screening and releasing quality assurance documents for injection medicines.

Quality Control

- Establishing and sustaining the Good Manufacturing Practices (GMP) system.
- Establishing the specifications and analytical methods for raw materials and active pharmaceutical ingredients (APIs), analyzing random examinations, and handling quality control.
- Examining and releasing GMP products.
- Implementing internal and external GMP auditings, solving possible problems and handling GMP training affairs.

Financial Accounting

- Planning financial accounting operations, and handling financial strategies and related analyses.
- Company spokespersons are responsible for communicating and sustaining good relations with investors and capital markets.

Legal Affairs

- Screening contracts and managing legal affairs.
- Handling patent analyses and applications, and other legal affairs pertaining to intellectual properties.

Auditing

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

Public Safety, Health and Environmental Protection

- Planning and enforcing industrial safety, health and environmental protection programs.
- Handling the management of related operations in accordance with relevant rules and regulations.

Administrative Management

- Planning and handling manpower resources development programs and related training courses.
- Handling administrative management of general affairs and the execution of procurement operations.
- Handling public-relation affairs and issuing press releases.
- Managing and safeguarding the confidentiality and security of networks and information.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

3.2.1.1 Information Regarding Directors

As of 12/31/2015

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Institutional Shareholder	R.O.C.	Uni-President Enterprises Corp.	06/23/2015	3	10/16/1997	266,671,029	37.94%	277,337,870	37.94%	-	-	-	-	-	-	-	-	-
Chairman Representative	R.O.C.	Kao-Huei Cheng	06/23/2015	3	06/13/2012	1,671,072	0.24%	1,737,914	0.24%	-	-	-	-	Tainan Senior Commercial High School	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Uni-President Enterprises Corp.	06/23/2015	3	10/16/1997	266,671,029	37.94%	277,337,870	37.94%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Chih-Hsien Lo	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	MBA, U.C.LA, U.S.A.	(Note 2)	director	Shiow-Ling Kao	spouse
Director Representative	R.O.C.	Representative: Tsung-Ming Su	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	MBA, Iowa State Univ., U.S.A.	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Kun-Shun Tsai	06/23/2015	3	06/23/2015	4,160	0.00%	4,326	0.00%	-	-	-	-	Master of Science, University of Minnesota	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Tsung-Pin Wu	06/23/2015	3	06/23/2015	-	-	-	-	-	-	-	-	Accounting, Chung Yuan Christian University	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Yung-Fa Chen	06/23/2015	3	06/23/2015	6,375	0.00%	6,630	0.00%	733	0.00%	-	-	1. Ph.D., Department of Chemistry, Wayne State University, U.S.A. 2. M.S., Department of Chemistry, National Taiwan University 3. B.S., Department of Chemistry, Tunghai University	(Note 2)	director	Sharon Lee	spouse
Director Institutional Shareholder	R.O.C.	Kao Chyuan Inv. Co., Ltd.	06/23/2015	3	06/13/2002	13,186,248	1.88%	13,713,697	1.88%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Shiow-Ling Kao	06/23/2015	3	07/05/2010	-	-	-	-	-	-	-	-	Marymount College, University of Southern California	(Note 2)	director	Chih-Hsien Lo	spouse
Director Institutional Shareholder	R.O.C.	President International Development Corp.	06/23/2015	3	07/06/2010	25,490,569	3.63%	26,510,191	3.63%	-	-	-	-	-	-	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Representative	R.O.C.	Representative: Chiou-Ru Shih	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	MA in Economics, University of Hawaii	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Tainan Spinning Co., Ltd.	06/23/2015	3	10/16/1997	20,985,578	2.99%	21,825,001	2.99%	-	-	-	-	-		-	-	-
Director Representative	R.O.C.	Representative: Chien-Li Yin	06/23/2015	3	06/13/2012	-	-	-	-	-	-	-	-	Accounting, Nat'l Chung Hsing University.	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	National Development Fund, Executive Yuan	06/23/2015	3	10/16/1997	97,379,785	15.85%	101,274,976	13.85%	-	-	-	-	-		-	-	-
Director Representative	R.O.C.	Representative: Po-Wu Gean	06/23/2015	3	06/13/2002	71,171	0.02%	74,017	0.01%	-	-	-	-	Ph.D.: Department of Pharmacology, University of Texas Medical Branch, Galveston, Texas, U.S.A.	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Ming-Shi Chang	06/23/2015	3	06/23/2015	-	-	-	-	-	-	-	-	University of Texas-South Western Medical Center	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Taiwan Sugar Corporation	06/23/2015	3	06/13/2012	28,965,248	4.12%	30,123,857	4.12%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Chin-Jung Yang (Note 3)	06/23/2015	3		-	-	-	-	-	-	-	-	Master of Business Administration, Chang Jung Christian University	(Note 2)	-	-	-
Independent Director	R.O.C.	Wei-Cheng Tian	06/23/2015	3	4/27/2011	90,804	0.01%	94,436	0.01%	-	-	-	-	1. MS & PhD, Department of Microbiology, Immunology and Molecular Genetics, University of Kentucky 2. BSA, Department of Plant Pathology and Microbiology, National Taiwan University	(Note 2)	-	-	-
Independent Director	R.O.C.	Ih-Jen Su	06/23/2015	3	12/09/2010	-	-	-	-	1,081	0.00%	-	-	PhD in Pathology, Institute of Pathology, National Taiwan University	(Note 2)	-	-	-
Independent Director	R.O.C.	Wei-te Ho	06/23/2015	3	06/13/2012	-	-	-	-	-	-	-	-	PhD, Department of Accountancy, National Cheng Kung University	(Note 2)	-	-	-

Note 1: Amount of shares held and Percentage of shares held as of April 29th, 2016

Note 2: Please see next page

Note 3: The director was discharged from his post on Jan. 11, 2016, and the vacancy was filled by Kuo-his Wang.

Note 2 : Current position with other company

Name	Current Position with Other Company
Kao-Huei Cheng	<p>Chairman of : Tainan Spinning Co., Ltd., Nan Fan Housing Development Co., Ltd., Tainan Spinning Retail & Distribution Co., Ltd., Prince Housing & Development Corp., Ming Da Enterprises Co., Ltd., Southern Taiwan University of Science and Technology., Don-Fung Corp., Cheng-Shi Investment Holding Co., Time Square International Co., Ltd., Prince Property Management Consulting Co., Prince Corp..</p> <p>Director of : Nan Fan Development Corp. , Joyful Investment Co., Ltd., Uni-President Enterprises Corp., President International Development Corp., Uni-President Development Corp., President Fair Development Corp. , Uni-President Assets Management Co., Ltd., President Securities Corp., Universal Venture Capital Investment Corp., Keng Ting Enterprises Co., Ltd., Tainan Textile Co., Ltd., Tainan Spinning Co., Ltd. (VN)</p>
Chih-Hsien Lo	<p>Chairman of : Uni-President Enterprises corp., President Chain Store Corp., Ton Yi Industrial Corp., TTET Union Corp., Kai Yu Investment Co., President Packaging Corp., President International Development Corp., Uni-President Cold Chain Corp., Presco Netmarketing Inc., Uni-President Dream Parks Corp., Uni-OAO Travel Service Corp., Kai Nan Investment Co., Ltd., President Century Corp., Ltd., President Property Corporation, Tong Yu Investment Corp., Uni-President (Vietnam) Co., Ltd., Uni-President (Thailand) Ltd., Uni-President (Philippines) Corp., Changjiagang President Nisshin Food Co., Ltd., Sanshui jianlibao Commerce Co., Ltd., Uni-President China Holdings Ltd. (Cayman), President Enterprises (China) Investment Co., Ltd., Tong Ren Corp., Beijing President Food Co., Ltd.</p> <p>Vice Chairman of : President Nisshin Corp., Prince Housing & Development Corp., Time Square International Co., Ltd., Jinmailang Beverage (Beijing) Co., Ltd.</p> <p>Director of : President Baseball Team Corp., Nanlien International Corp., President Entertainment Corp., Tone Sang Construction Corp., Retail Support International Corp., Presicarre Corp., Tung Ho Development Corp., President Fair Development Corp., Tainan Spinning Retail & Distribution Co., Ltd., President Starbucks Coffee Corp., Uni-President Organics Corp., PK Venture Capital Corp., Uni-President Glass Industrial Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Uni-President Development Corp., Tait Marketing & Distribution Co., Ltd., Weilih Food Corp., Ming Da Enterprises Co., Ltd., Keng Ting Enterprises Co., Ltd., Cheng-Shi Investment Holding Co., Prince Property Management Consulting Co., Prince Corp., Prince Real Estate Co., Ltd., Uni-Splendor Corp., Uni-President Dream Parks Corp, Shanghai, Kao Chyuan Inv. Corp., PCS (BVI) Holdings Ltd., PCS (Labuan) Holdings Ltd., President Coffee (Cayman) Holdings Ltd., Shanghai President Starbucks Coffee Corp., Cayman President Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., President Packing Holdings Ltd., Uni-President Southeast Asia Holdings Ltd., PT. ABC President Indonesia, President Energy Development (Cayman Islands) Ltd. , Uni-President Asia Holdings Ltd., Uni-President International (HK) Co., Ltd., Champ Green Capital Limited, Champ Green (Shanghai) Consulting Co. Ltd., Yantai Tongli Beverage industries Co., Ltd., Beijing President Enterprises Drinks & Food Co., Ltd., Zixi President Enterprises Drinks & Food Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Kunming President Enterprises Corp., Chengdu President Enterprises Food Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., Uni-President Enterprises (Kunshan) Food Technology Co., Ltd., Beijing President Enterprises Drinks & Food Co., Ltd., President Enterprises (Shanghai) Co., Ltd., Guangzhou President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Harbin President Enterprises Co., Ltd., Hefei President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Zhengzhou President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Zhanjiang President Enterprise Co., Ltd., Nanning President Enterprise Co., Ltd., Taizhou President Enterprises Co., Ltd. , Zhanjiang President Enterprise Co., Ltd., Changchun President Enterprise Co., Ltd., Shijiezhuanng President Enterprise Co., Ltd., Hainan President Enterprise Co., Ltd., Jinan President Enterprise Co., Ltd., Baiyin President Enterprise Co., Ltd., Xuzhou President Enterprise Co., Ltd., Guiyang President Enterprises Co., Ltd., Akesu President Enterprise Co., Ltd., Hangzhou President Enterprise Co., Ltd., Henan President Enterprises Co., Ltd., Shanxi President Enterprises Corp., President (Shanghai) Trading Co., Ltd., Ningxia President Enterprises Co., Ltd., Uni-President Enterprises (Inner Mongolia) Co., Ltd., Uni-President Enterprises (Shanxi) Co., Ltd., Uni-President Enterprises (Tianjin) Co., Ltd., Jangsu President Enterprises Co., Ltd., Uni-President Trading (Kunshan) Co., Ltd., Uni-President Trading (Hubei) Co., Ltd.,</p>

Name	Current Position with Other Company
	<p>President (Shanghai) Trading Co., Ltd., Uni-President Enterprises (ChangBai Mountain jilin) Mineral Water Co., Ltd., Wuyuan President Enterprises Mineral Water Co., Ltd., Bama President Mineral Water Co., Ltd., Wuxue President Mineral Water Co., Ltd., Uni-President Enterprise (Hutubi) Tomato Products Technology Co., Ltd., Uni-President Shanghai Pearly Century Co., Ltd., Uni-President Enterprises (Shanghai) Managment Consulting Co., Ltd., Uni-President Enterprises (China) Research&Development Center Co., Ltd.</p> <p>President of : Uni-President Enterprises Corp. , Presco Netmarketing Inc.</p>
Shiow-Ling Kao	<p>Chairman of : Kao Chyuan Inv. Corp., President Being Corp., President Fair Development Corp., Uni-President Department Store Corp. , President Pharmaceutical Corp., President Drugstore Business Corp., Afternoon Tea Taiwan Co., Ltd.</p> <p>Director of : Uni-President Enterprises Corp., President Chain Store Corp., Ton Yi Industrial Corp., President International Development Corp., Uni-President Development Corp., Prince Housing &Development Corp., President Securities Corp., Time Square International Co., Ltd., President (Sanghai) Health Product Trading Company Ltd., President Starbucks Coffee Corp., Tainan Spinning Retail & Distribution Co., Ltd.</p> <p>President of : Kao Chyuan Inv. Corp.</p>
Tsung-Ming Su	<p>Chairman of : Uni-President Development Corp., President Life Sciences Co., Ltd., AndroSciences Corp.</p> <p>Director of : President Chain Store Corp., Kai Yu Investment Co., Ltd., Grand Bills Finance Corp., President Fair Development Corp., Tainan Spinning Retail & Distribution Co., Ltd., President Tokyo Corp., President Tokyo Auto Leasing Corp., Uni-President Tc-Lease (Cayman) Corporation , Kai Nan Investment Co., Ltd., President International Development Corp., Tong Yu Investment Corp., Puppetmotion Entertainment Co., Ltd., CDIB & Partners Investment Holding Corp., Uni-Splendor Corp., President Property Corporation, Uni-President China Holdings Ltd. (Cayman), Uni-President Hong Kong Holdings Limited, Xiang Lu Industrial Ltd., Tong Ting Gas Corp., Kuan Tang Industrial Harbor Corp., Tanvex Biologics, Inc., Uni-Home Tech Corp., President Life Sciences Cayman Co., Ltd., President (BVI) International Investment Holdings Ltd., President Energy Development (Cayman Islands) Ltd., Tong- Sheng (Suzhou) Car Rental Co., Ltd.</p> <p>Supervisor of : Presco Netmarketing Inc., Presicarre Corp., President Enterprises (China) Investment Co., Ltd.</p> <p>President of : President International Development Corp., President Life Sciences Co., Ltd., President Property Corporation</p>
Kun-Shun Tsai	<p>Chairman of : Uni-President Oven Bakery Corp.,</p> <p>Director of : Ton Yi Pharmaceutical Corp.,</p>
Tsung-Pin Wu	<p>Chairman of : Uni-President Assets Management Co. , Ltd.</p> <p>Director of : President Chain Store Corp. , Kuang Chuan Dairy Co. , Ltd. , Kuang Chuan Foods Co. , Ltd. , Tong Yu Investment Corp. , Ton Yi Pharmaceutical Corp. , Uni-President Hong Kong Holdings Limited , President International Trade & Investment Corp. , Prince Housing &Development Corp. , Time Square International Co. , Ltd. , Prince Real Estate Co. , Ltd.</p> <p>Supervisor of : President Baseball Team Corp. , Uni-President Assets Management Co. , Ltd. , Tait Marketing & Distribution Co. , Ltd. , President International Development Corp. , President Entertainment Corp. , Tone Sang Construction Corp. , Kai Yu Investment Co. , Ltd. , Kai Nan Investment Co. , Ltd. , Uni-Splendor Corp. , President Property Corporation , President Kikkoman Zhenji Foods Co. , Ltd. , President Kikkoman Inc.</p>
Yung-Fa Chen	<p>Director of : SPT International, Ltd., ScinoPharm Singapore Pte Ltd., ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., ScinoPharm Shanghai Biochemical Technology, Ltd.</p> <p>General Manager of : ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.,</p>
Chien-Li Yin	<p>Chairman of : Uni-President Glass Industrial Co. , Ltd. , Ton Yi Pharmaceutical Corp.</p> <p>Director of : President Entertainment Corp. , Tone Sang Construction Corp. , President Nisshin Corp. , Kai Yu Investment Co. , Ltd. , Tung Ho Development Corp. , Grand Bills Finance Corp. , President Fair Development Corp. , President Century Corp. , President International Development Corp. , President Tokyo Corp. , President Tokyo Auto Leasing Corp. , Uni-President Tc- Lease(Cayman) Corporation , Uni-President Organics Corp. , Kai Nan Investment Co. , Ltd. , Uni-President International (HK) Co. , Ltd. , Changjiagang</p>

Name	Current Position with Other Company
	President Nisshin Food Co. , Ltd. , President Packaging Holdings Ltd. , Uni-President (Vietnam) Co. , Ltd. , Tong- Sheng (Suzhou) Car Rental Co. , Ltd. Supervisor of : Nanlien International Corp. , President Natural Industrial Corp. , President Packaging Corp. , Uni-President Dream Parks Corp. , Uni-OAO Travel Service Corp. , Uni-President Vendor Corp. , Ming Da Enterprises Co. , Ltd. , President Life Sciences Co. , Ltd. , President Assets Management Co. , Ltd. , Tainan Spinning Retail & Distribution Co. , Ltd. , Kunshan President Kikkoman Biotechnology Co. , Ltd.
Chiou-Ru Shih	Director of : Kang Na Hsiung Enterprise Co., , Ltd. SyNergy ScienTech Corp. , Compliance Certification Services Inc. , President Life Sciences Co., Ltd. Outlook Investment Pte Ltd. , Origene Technologies, Inc. , President Life Sciences Cayman Co., Ltd. Taiwan Branch Allianz Pharmascience Ltd., Grand Bills Finance Corp., Tung Ting Gas Corporation., Kuan Tang Industrial Harbour Corporation. Supervisors of : Puppetmotion Entertainment Co., LTD.
Po-Wu Gean	1. Professor, Department of Pharmacology, College of Medicine, NCKU 2. Director, National Development Fund, Executive Yuan Representative: PharmaEngine, Inc.
Ming-Shi Chang	1. Chair Professor of National Cheng-Kung University 2. Director of Research Center of New Antibody Drug in National Cheng-Kung University 3. Director of Taiwan Antibody Association
Chin-Jung Yang	1. President of Taiwan Sugar Corporation 2. Director, Nan-Kwang Senior High School
Wei-Cheng Tian	1. Adjunct Professor, Department of Life Sciences, National Yang-Ming University 2. Honorary Director, Taiwan Bio Industry Organization 3. Advisor, Medical and Pharmaceutical Industry Technology and Development Center 4. Representative of Institutional Director, IsoGreen Biotechnology Inc. 5. Representative of Institutional Director, Sino Cell Technologies Inc. 6. Representative of Institutional Director, Panlabs Biologics Inc. 7. Director, PharmaEngine, Inc., 8. Chairman, Taipei Biotech Association
Ih-Jen Su	1. Appointed Scientist, National Institute of Infectious Diseases and Vaccinology, National Health Research Institutes 2. Chair Professor, Department of Pathology, Medical College, National Cheng Kung University 3. Professor, Jointly Appointed, Southern Taiwan University of Science and Technology
Wei-te Ho	Assistant Professor, Department of Accounting Information, Southern Taiwan University of Science and Technology

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

As of 12/31/2015

SPT's Institutional Shareholders	Major Shareholders of SPT's Institutional Shareholders (Holding Percentage)
National Development Fund, Executive Yuan	—
Uni-President Enterprises Corp.	Kao Chuan Investment Co., Ltd.(4.64%), The Saudi Arabian Monetary Agency's Dedicated Investment Account in the consigned custody of JPMorgan Chase (3.73%), the Investment Account of the BNP Paribas's Singapore branch in the consigned custody of HSBC Bank (Taiwan) Ltd. (3.16%), Hou Po-ming (2.60%), Hou Po-yu (2.27%), the Singapore government's dedicated fund account in the consigned custody of Citibank Taiwan (2.16%), Kao Hsiu-ling (1.64%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.57%), Liu Hsiu-jen (1.55%) and T.Rowe Price Emerging Markets Stock Account in the consigned custody of Taipei branch of JPMorgan Chase (1.52%).

Taiwan Sugar Corporation	Ministry of Economic Affairs (86.14%), Northern Region Branch of National Property Administration under the Ministry of Finance (9.92%), First Commercial Bank (0.75%), Changhwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Holding (0.14%), Mega Bank (0.13%), Land Bank of Taiwan (0.08%), and Taiwan Cooperative Bank (0.08%).
President International Development Corp.	Uni-President Enterprises Corp. (69.37%), Tainan Spinning Company (9.00%), Prince Housing & Development (6.63%), President Chain Store Corp. (3.33%), Ton Yi Industrial Corp. (3.33%), Tainan Spinning Construction (3.00%), Kao Chuan Investment (1.87%), NANTEX Industry Co., Ltd. (0.67%), and Nanlien International Corp. (0.67%).
Tainan Spinning Co., Ltd.	Hou Po-yu (6.255%), Hou Po-ming (6.233%), Hou Po-yi (6.156%) , Hsin Yung Hsing Investment Co., Ltd. (4.639%), Hsin Fu Hsing Industrial Co., Ltd. (4.200%), Hou Chen Pi-hua (1.572%), Fubon Life (1.525%), Chuang Ying-chih (1.524%), Chuang Ying-nan (1.471%), and Cathay Life Insurance (1.060%).
Kao Chyuan Investment Co., Ltd	Kao Hsiu-ling (61.61%), Alex C. Lo (20.13%), Kao Lai-huan (13.41%), Kao Han-di (1.61%), Kao Ching-yuan (0.98%), Kao Chi-yi (1.19%), and Lo His-ai (1.07%).

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

As of 12/31/2015

Names of corporate bodies	Main shareholders of corporate bodies
Ministry of Economic Affairs	Government unit
Northern Region Branch, National Property Administration, Ministry of Finance	Government unit
First Commercial Bank	First Financial Holding (100%)
Changhwa Commercial Bank	Taishin Financial Holding (22.55%), Ministry of Finance (12.19%), Lungyen Group (3.92%), Lee Shih-tsung (3.48%), First Commercial Bank (2.86%), National Development Fund, Executive Yuan (2.75%), Cheng Chang Investment Co., Ltd. (1.74%), Yun San Corp. (1.02%), Dedicated Investment Account of Emerging Market Fund in the consigned custody of Citibank Taiwan (0.96%), and Chunghwa Post Co., Ltd. (0.96%).
Bank of Taiwan	Taiwan Financial Holdings (100%)
Taiwan Business Bank	Bank of Taiwan (17.22%), Dedicated Property Trust Account for Mega Holdings' non-exchange corporate bonds in the consigned custody of Hua Nan Commercial Bank (12.01%), Lin Chen Hai (2.87%), Chien Ming Investment Co., Ltd. (2.639%), Land Bank of Taiwan (2.428%), Ministry of Finance (2.206%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.261%), Shih Chun-chin (1.037%), Dedicated Investment Account of Emerging Market Fund in the consigned custody of Citibank Taiwan (1.008%), and BES Engineering Corp. (0.996%).
Hua Nan Commercial Bank	Hua Nan Financial Holdings (100%)
Central Investment Holding	Gordon S. Chen (16.667%), Lin Chien-fu (16.667%), Lin Heng-zhi (16.667%), Lee Yung-yu (16.667%), Ma Chia-ying (16.667%), and Chiang Mei-tao (16.667%).

Names of corporate bodies	Main shareholders of corporate bodies
Mega Bank	Mega Holdings (100%).
Land Bank of Taiwan	Ministry of Finance (100%)
Taiwan Cooperative Bank	Taiwan Cooperative Holdings (100%)
Prince Housing & Development	Uni-President Enterprises Corp. (10.03%), Nan Shan Life Insurance (5.19%), Tai Po Investment Co., Ltd. (4.45%), Tainan Spinning Construction (3.65%), Kao Chuan Investment (2.65%), Wu Tseng Chao-mei (2.40%), Ta Chen Construction & Engineering Corp. (2.40%), Jiou Fu Investment Co., Ltd. (1.73%), Hsin Yung Hsing Investment Co., Ltd. (1.63%), and Cheng Lung Investment Co., Ltd. (1.56%)
President Chain Store Corp	Uni-President Enterprises Corp. (45.40%), Matthews International Funds' Dedicated Investment Account in the consigned custody of HSBC (2.60%), Dedicated Scotland Royal FS Pacific Leader Investment Account in the consigned custody of Deutsche Bank (1.86%), Dedicated Trust Account for President Chain Store Corp.'s employees' welfare savings in the consigned custody of CTBC Bank (1.70%), Singapore government's dedicated fund account in the consigned custody of Citibank Taiwan (1.39%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.00%), Saudi Arabian Monetary Agency's Dedicated Investment Account in the consigned custody of JPMorgan Chase (0.99%), Labor Insurance Fund (0.90%), Columbia Aiken Trust Fund in the consigned custody of JPMorgan (0.88%), and Norges Bank's Dedicated Investment Account in the consigned custody of JPMorgan Chase (0.80%).
Ton Yi Industrial Corp.	Uni-President Enterprises Corp. (45.55%), Toyota Tsusho Corp. (5.61%), Maoda Investment Co., Ltd. (2.85%), Fubon Life (2.72%), Nan Shan Life Insurance (1.83%), JFE Steel Corp. (1.71%), Kai You Investment Co., Ltd. (1.67%), Kao Chuan Investment (1.55%), Public Service Pension Fund (1.02%), and Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (0.87%).
Tainan Spinning Construction Corp.	Tainan Spinning Co. (99.99%), Hou Yu-li (0.01%)
NANTEX Industry Co., Ltd.	Tainan Spinning Co., Ltd. (21.43%), Jiou Fu Investment Co., Ltd. (4.87%), Ta Chen Construction & Engineering Corp. (2.71%), Hon Han Enterprise Co., Ltd. (2.18%), Hsin Ho Hsing Investment Co., Ltd. (2.00%), Cheng Lung Investment Co., Ltd. (1.02%), Hou Wen-teng (0.94%), Cheng Li-ling (0.57%), Chuang Ming-yao (0.50%) and Hou Wu-ming (0.23%).
Nanlien International Corp.	Uni-President Enterprises Corp.(99.99%), Kai You Investment Co., Ltd. (0.001%)
Hsin Yung Hsing Investment Co., Ltd.	Hou Po-yi (31.09%), Hou Po-yu (32.09%), Hou Po-ming (31.93%), Hou Cheng Pi-hua (1.42%)
Hsin Fu Hsing Investment Co., Ltd.	Hou Po-yi (23.00%), Hou Po-yu (24.00%), Hou Po-ming (24.00%), Hou Chen Pi-hua (9.00%), Hou Su Chin-chien (2.00%), and Hsin Yung Hsing Investment Co. , Ltd. (14.00%)
Fubon Life	Fubon Financial Holdings (100%)
Cathay Life Insurance	Cathay Financial Holdings (100%)

3.2.1.2 Professional qualifications and independence analysis of directors and supervisors

As of 4/30/2016

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
11. The director was discharged from his post on Jan. 11, 2016, and the vacancy was filled by Kuo-his Wang.

3.2.2 Information of Management Team

As of 12/31/ 2015 ; Unit : Shares ; %

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President & CEO, Chief Technology Officer	R.O.C.	Yung-Fa Chen	92.09.01	6,630	0.001%	733	0.000%	-	-	Education: PhD in Chemistry, Wayne State University of the U.S.; Master Degree, Graduate Institute of Chemistry, National Taiwan University; Tunghai University Department of Chemistry. Work Experience: Senior vice president and chief R&D officer of ScinoPharm's R&D Center; Adjunct associate professor at Tunghai University Department of Chemistry; and Project manager at the Refining & Manufacturing Research Institute of CPC Corp., Taiwan.	Director of : SPT International, Ltd., ScinoPharm Singapore Pte Ltd., ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., ScinoPharm Shanghai Biochemical Technology, Ltd. General Manager of : ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	director -	Sharon Lee	spouse
Vice President Operations	R.O.C.	Chih-Fang Chen	96.08.23	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Cheng Kung University Work Experience: Director at TASCOS and Tuntex; Director at ScinoPharm's pilot plant, senior manager at the firm's production center, director of production center and senior director of production center.	NA	-	-	-
CFO & Vice President Finance	R.O.C.	Patricia Chou (Note 2)	100.09.01	4,161	0.001%	-	-	-	-	Education: Master in Business Administration at University of California, Berkeley Work Experience: Independent director and chairperson of the board of auditors at Kanghui Medical; Chief Financial Officer at Actions Semiconductor; Business development director and senior accounting director at Semiconductor Manufacturing International Corp. (SMIC); accounter of the U.S. business division and planning director at Winbond Electronics Corp.	ScinoPharm Singapore Pte Ltd. Director 、ScinoPharm (Changshu) Pharmaceuticals, Ltd., Director&CFO 、 ScinoPharm Shanghai Biochemical Technology, Ltd. Director	-	-	-
Vice-President Marketing and Sales	R.O.C.	Ching-Wen Lin (Note 3)	99.06.01	98,576	0.013%	30,985	0.004%	-	-	Education: PhD in Chemistry at The Hong Kong Polytechnic University. Work Experience: Researcher, senior marketing manager and marketing director at ScinoPharm..	ScinoPharm Shanghai Biochemical Technology, Ltd. Director& CEO Medical and Pharmaceutical industry Technology and Development Center Supervisors Chung Hsing Science and Culture Education Foundation Director ,	-	-	-

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President Administration	R.O.C.	Tsung-Jung Yen	103.07.01	-	-	-	-	-	-	Education: Department of Accounting, Feng Chia University Work Experience: Assistant accounting manager at Uni-president Enterprises Corp.; financial manager at Uni-Hanku; financial manager at Uni-Takashimaya; financial manager at Uni-President Hong Kong Holdings Ltd.	NA	-	-	-
General Manage ScinoPharm (ChangShu) Pharmaceuticals , Ltd.	R.O.C.	Kuo-Hsi Cheng	96.08.23	11,325	0.002%	-	-	-	-	Education : Ph.D. in Environmental Health Sciences Johns Hopkins University School of Public Health Work Experience: Vice President of Operations, ScinoPharm Taiwan, Senior Director of Operations, ScinoPharm Taiwan, Director of EHS & Plant Support Services, ScinoPharm Taiwan, Manager of Environmental Health & Safety, ScinoPharm Taiwan, Manager of Environmental and Safety Section, Grand Pacific Petrochemical Corporation, Kaohsiung, Taiwan	SPT International, Ltd. Director 、 ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., Director 、 , ScinoPharm (Changshu) Pharmaceuticals, Ltd., Director & CEO 、 ScinoPharm Shanghai Biochemical Technology, Ltd. Director	-	-	-
Senior Director Quality Management	Singapore	Shi-Ming Chou (Note 4)	101.09.30	-	-	-	-	-	-	Education: PhD in Analytical Chemistry, The University of Hong Kong Work Experience: Exxon Mobil, quality control and technical transfer support manager at Shering-Plough Corp., Global technical operations director at MSD (Merck Sharp & Dohme)	NA	-	-	-
Head Injectable Business	R.O.C.	Li-Chiao Chang	96.11.19	8	0.000%	-	-	-	-	Education: PhD in Chemistry, National Taiwan University Work Experience: Senior researcher, quality control director, senior analysis and research manager, senior director of pharmaceutical preparation & peptide products development at ScinoPharm.	NA	-	-	-
Senior Director Research and Development	R.O.C.	Yu-Fen Hung	99.09.15	99,108	0.014%	-	-	-	-	Education : PhD in Chemistry, Stanford University, USA Work Experience : Research Scientist, Roche Palo Alto. Chief Researcher, Manager, Senior Manager, Director, ScinoPharm Taiwan	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Director Plant Support Services	R.O.C.	Chin-Lin Liu	96.11.01	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Tsing Hua University Work Experience: Deputy plant chief at Tuntex Petrochemicals Inc.; senior director of ScinoPharm's production procedure technology department.	ScinoPharm (Changshu) Pharmaceuticals, Ltd. Supervisors	-	-	-
Senior Director Analytical Research and Development	U.S.A.	Helen Chao (Note 5)	99.12.01	-	-	-	-	-	-	Education: Department of Chemistry, Chung Yuan Christian University, PhD in Chemistry at Seton Hall University of the U.S. Work Experience: Senior researcher at Johnson & Johnson, chief researcher and project chief at Alza Corp.	NA	-	-	-
Director Finance	R.O.C.	Chih-Hui Lin	99.06.01	-	-	-	-	-	-	Education: Department of Accounting, Chung Yuan Christian University Work Experience: Manager of international finance and accounting at Airmate (Cayman) International; accounting manager, senior accounting manager at ScinoPharm.	SPT International, Ltd Director 、 ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. Supervisors 、 ScinoPharm (Changshu) Pharmaceuticals, Ltd., Supervisors 、 ScinoPharm Shanghai Biochemical Technology, Ltd Supervisors	-	-	-
Director Purchasing & IT	R.O.C.	Chao-An Chou	99.07.16	6,173	0.001%	-	-	-	-	Education: Department of Economics, Chinese Culture University Work Experience: Specialist, Teco Electric & Machinery Co.; vice president, Wang Laboratories Inc.; central information manager, Hon Hai Precision Industry Co., vice president, Ole Technology Ltd.; and production material control & information technology department director at ScinoPharm.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Human Resources & Administration	R.O.C.	Jessie Wang	98.09.01	127	0.000%	-	-	-	-	Education: Master in Electronic Communication, Michigan State University Work Experience: Management specialist at ITRI's Center for Measurement Standards; deputy manager at New Century InfoComm Tech Co.; ScinoPharm's public relations manager.	NA	-	-	-
Director Product Development	R.O.C.	Lung Huang Kuo (Note 6)	99.09.15	-	-	-	-	-	-	Education: PhD in Chemistry, University of Pittsburgh Work Experience: Postdoctoral research in chemistry, Ohio State University; director of Synthesis Research Institute at Sinon Corp.; manager of Synthesis Department , Standard Chem. & Pharm. Co.; senior production procedure research manager at ScinoPharm.	NA	-	-	-
Director Process Technology	R.O.C.	Ling-Hsiao Lien	100.01.03	-	-	-	-	-	-	Education: Bachelor & Master in Chemical Engineering, National Cheng Kung University Work Experience: Researcher, Kao (Taiwan) Corp.; quality assurance engineer at ASE Group; researcher, production procedure research manager, and senior manager, and production procedure technology senior manager at ScinoPharm.	NA	-	-	-
Director Regulatory Technical Service	R.O.C.	Luh-Chian Chang	101.05.01	-	-	-	-	-	-	Education: PhD in pharmacy, University of IOWA Work Experience: researcher at GeneLab and Scios Inc. of the U.S.; chief analyst and researcher, senior quality assurance specialist, manager & senior manager of pharmaceutical regulations at ScinoPharm.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Injectable Plant	R.O.C.	Nan-Sheng Chan	101.11.07	82,468	0.011%	-	-	-	-	Education: PhD in Chemical Engineering, Texas A&M University Work Experience: Researcher, ITRI's Materials & Chemical Research Laboratories; chief researcher, Standard Chem.& Pharm. Co.; chemical engineer, Jurox Pty Ltd. of Australia; marketing research manager and senior manager, product and market research department director, ScinoPharm.	NA	-	-	-
Director Production & Material Management	R.O.C.	Sharon Lee (Note 7)	104.08.04	733	0.000%	6,630	0.001%	-	-	Education: Department of Chemistry, National Taiwan University; Master in chemistry, Kansas State University; PhD in Chemistry , Wayne State University. Work Experience: Assistant director of laboratories, Diversified Chemical Technologies of the U.S.; planning section chief at Refining & Manufacturing Research Institute, CPC Corp., Taiwan; production and product planning manager, senior production control manager, senior manager of production and production materials control at ScinoPharm.	NA	Preside nt & CEO, Chief Techno logy Officer	Yung- Fa Chen	spouse
Director New Drug Development	U.S.A.	Erick Co (Note 8)	104.2.01	-	-	-	-	-	-	Education: PhD in Organic Chemistry, UCLA; Department of Chemistry, California Institute of Technology Work Experience: Senior Scientist, Exelixis Inc., 、 Senior Scientist, Takeda San Diego Inc., 、 Project Manager/Chief Scientist, Nitto Denko Technical Corporation 、 manager at ScinoPharm's New Pharmaceuticals Development Department.	NA			

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Audit Office	R.O.C.	Shun Yang Lin (Note 9)	104.08.03	-	-	-	-	-	-	Education: Department of In; international Trade, Tunghai University; Master in accounting and information technology, National Chung Cheng University. Work Experience: ScinoPharm's accounting manager, financial planning manager; deputy director of financial and accounting department, Chi Lin Optoelectronics Co.; chief financial and accounting administrator at RiPAL Optotronics, a subsidiary of Compal Group; chief financial officer at Hsin Kai Luo Precision Machinery Co.	NA			
Senior Manager Legal Affairs	R.O.C.	Hui-Ching Chou (Note 10)	100.03.23	83	0.000%	-	-	-	-	Education : National Chengchi University, College of Law (LL.M.); Peking University Law School (Ph.D.) Work Experience: Lee and Li, Attorneys-at-Law, Senior Associate; Lee and Li - Leaven IPR Agency Ltd. in Beijing, Deputy Manager	NA	-	-	-

(Note 1): Holding Shares and holding percentage as of April 29th 2016.

(Note 2): The Vice President was discharge on 3/11/2016

(Note 3): The Vice President is also Strategic officer from January 1st 2016

(Note 4): The Director was discharge on 2/20/2016

(Note 5): The Director was discharge on 1/1/2016

(Note 6): The director was re-assigned on Jan. 1, 2016 to serve as a senior director at the R&D center of ScinoPharm (Changshu) Pharmaceuticals, Ltd., a subsidiary of ScinoPharm Taiwan, Ltd.

(Note 7): The Director was new appointment on 8/4/2015

(Note 8): The Director was new appointment on 2/1/2015

(Note 9): The Director was new appointment on 8/3/2015

(Note 10): The Manager was new appointment as a senior director on 1/1/2016

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

3.3.1 Remuneration paid to each individual director

December 31, 2015 / Unit: NT\$ thousands

Title	Name	Total Director Remuneration								Summation of A , B , C , and D as a % of After-Tax Income	Compensation to Directors Also Serving as Company Employees												Summation of A , B , C , D , E , F and G as a % of After-Tax Income	Compensation from Affiliates Other Than Subsidiaries		
		Remuneration (A)		Pensions (B)		Earnings Distribution (C)		Business Expenses (D)			Salary, Bonuses, and special Allowance (E)		Pensions (F)		Earnings Distribution (G)				Shares Received through the Employee stock Option Plan (H)		New shares Received through Employee Restricted stock Awards (I)					
		SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies		SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	Cash Bonuses	Stock Bonuses	Cash Bonuses	Stock Bonuses	SPT	All consolidated companies	SPT		All consolidated companies	SPT
Director	Uni-President Enterprises Corp.	10,746	10,746	1,200	1,200	11,543	11,543	11,068	11,068	5.44%	5.44%	4,335	5,435	567	567	4,621	-	4,621	-	150,000	-	150,000	-	6.94%	7.12%	None
Chairman	Uni-President Enterprises Corp. Representative : Kao-Huei Cheng																									
Director	Uni-President Enterprises Corp Representative : Chang-Sheng Lin																									
Director	Uni-President Enterprises Corp. Representative : Lung-Yi Lin																									
Director	Uni-President Enterprises Corp. Representative : Chih-Hsien Lo																									
Director	Uni-President Enterprises Corp. Representative : Tsung-Ming Su																									
Director	Uni-President Enterprises Corp. Representative : Kun-Shun Tsai																									
Director	Uni-President Enterprises Corp. Representative : Tsing-Pin Wu																									

Range of remuneration for directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Uni-President Enterprises Corp. Representative: Chang-Sheng Lin 、 Uni-President Enterprises Corp. Representative: Lung-Yi Lin 、 Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Tian-Shung Wu 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 National Development Fund, Executive Yuan Representative: 、 National Development Fund, Executive Yuan Representative: Chin-Jung Yang 、 Jo Shen 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Chang-Sheng Lin 、 Uni-President Enterprises Corp. Representative: Lung-Yi Lin 、 Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Tian-Shung Wu 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 National Development Fund, Executive Yuan Representative: 、 National Development Fund, Executive Yuan Representative: Chin-Jung Yang 、 Jo Shen 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Chang-Sheng Lin 、 Uni-President Enterprises Corp. Representative: Lung-Yi Lin 、 Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Tian-Shung Wu 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 National Development Fund, Executive Yuan Representative: 、 National Development Fund, Executive Yuan Representative: Chin-Jung Yang 、 Jo Shen 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Chang-Sheng Lin 、 Uni-President Enterprises Corp. Representative: Lung-Yi Lin 、 Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shioh-Ling Kao 、 National Development Fund, Executive Yuan Representative: Tian-Shung Wu 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 National Development Fund, Executive Yuan Representative: 、 National Development Fund, Executive Yuan Representative: Chin-Jung Yang 、 Jo Shen 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho
NT\$2,000,001 ~ NT\$5,000,000	0	0	0	0
NT\$5,000,001 ~ NT\$10,000,000	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng Uni-President Enterprises Corp. Representative: Yung-Fa Chen	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng
NT\$10,000,001 ~ NT\$15,000,000	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp. Uni-President Enterprises Corp. Representative: Yung-Fa Chen
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	22	22	22	22

3.3.2 Remuneration of supervisors: The company set up an audit committee at the shareholders' meeting in 2012 to assume the functions of supervisors.

3.3.3 President and senior vice president remuneration

December 31, 2015 / Unit: NT\$ thousand dollars

Title	Name	Salary(A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
								Cash	Stock	Cash	Stock							
President	Yung -Fa Chen	15,256	19,700	1,161	1,161	3,435	4,411	8,201	-	8,201	-	4.42%	5.27%	407,000	407,000	-	-	0
Vice President	Kuo Hsi Cheng																	
Vice President	Ching-Wen Lin																	
Vice President	Patricia Chou																	
Vice President	Chih Fang Chen																	
Vice President	Tsung-Jung Yen																	

Range of remuneration for president and senior vice presidents

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Tsung-Jung Yen	Tsung-Jung Yen
NT\$2,000,001 ~ NT\$5,000,000	Chih Fang Chen 、 Patricia Chou 、 Ching-Wen Lin 、 Kuo Hsi Cheng	Chih Fang Chen
NT\$5,000,001 ~ NT\$10,000,000	Yung-Fa Chen	Patricia Chou 、 Ching-Wen Lin 、 Kuo Hsi Cheng
NT\$10,000,001 ~ NT\$15,000,000	0	Yung-Fa Chen
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	6	6

3.3.4. Distribution of bonuses to Company management during

December 31st 2015 ; Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%) (%)
Executive Officers	President & CEO, Chief Technology Officer	Yung-Fa Chen	—	14,881	14,881	2.34%
	CFO & Vice President Finance	Patricia Chou				
	Vice-President Marketing and Sales	Ching-Wen Lin				
	Vice President Operations	Chih-Fang Chen				
	General Manage ScinoPharm (ChangShu) Pharmaceuticals, Ltd.	Kuo-Hsi Cheng				
	Head Injectable Business	Li-Chiao Chang				
	Senior Director Research and Development	Yu-Fen Hung				
	Senior Director Plant Support Services	Chin-Lin Liu				
	Director Finance	Chih-Hui Lin				
	Director Purchasing & IT	Chao-An Chou				
	Director Human Resources & Administration	Jessie Wang				
	Director Product Development	Lung Huang Kuo				
	Director Process Technology	Ling-Hsiao Lien				
	Director Regulatory Technical Service	Luh-Chian Chang				
	Director Injectable Plant	Nan-Sheng Chan				
	Director Production & Material Management	Sharon Lee				
	Director New Drug Development	Erick Co				
	Director Audit Office	SHUN YANG Lin				
	Senior Manager Legal Affairs	Hui-Ching Chou				

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

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

	The company		Companies in the consolidated financial statements	
	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	2014	2015	2014	2015
Total remuneration paid to directors,	6.38	5.44	6.38	5.44
Total remuneration paid to Supervisors	-	-	-	-
Total remuneration paid to presidents and vice presidents	6.13	4.42	7.22	5.27

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

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

Total of 7 meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Uni-President Enterprises Corp Representative : Kao-Huei Cheng	7	0	100%	Re-elected on June 23, 2015
Director	Uni-President Enterprises Corp Representative : Chang-Sheng Lin	2	0	100%	Old term; Dismissed during the re-election on June 23, 2015; Attending the board of directors meeting twice, from January 2015 to June 22, 2015
Director	Uni-President Enterprises Corp Representative : Long-Yi Lin	0	2	0%	Old term; Dismissed during the re-election on June 23, 2015; Attending the board of directors meeting twice, from January 2015 to June 22, 2015
Director	Uni-President Enterprises Corp Representative : Chih-Hsien Lo	7	0	100%	Re-elected on June 23, 2015
Director	Uni-President Enterprises Corp Representative : Tsung-Ming Su	6	1	86%	Re-elected on June 23, 2015
Director	Uni-President Enterprises Corp Representative : Kun-Shun Tsai	5	0	100%	New term; Newly Elected on June 23, 2015 Attending five meetings of the board of directors, from June 23 to December 2015
Director	Uni-President Enterprises Corp Representative : Tsung-Pin Wu	5	0	100%	New term; Newly Elected on June 23, 2015 Attending five meetings of the board of directors, from June 23 to December 2015
Director	Uni-President Enterprises Corp Representative : Yung-Fa Chen	5	0	100%	New term; Newly Elected on June 23, 2015 Attending five meetings of the board of directors, from June 23 to December 2015
Director	President International Development Corp. Representative: Chiou-Ru Shih	7	0	100%	Re-elected on June 23, 2015
Director	Kao Chyuan Inv. Co., Ltd. Representative:	6	1	86%	Re-elected on June 23, 2015

	Shiow-Ling Kao				
Director	Tainan Spinning Co., Ltd. Representative: Chien-Li Yin	7	0	100%	Re-elected on June 23, 2015
Director	National Development Fund, Executive Yuan Representative: Tien Shun Wu	2	0	100%	Old term; Dismissed during the re-election on June 23, 2015; Attending the board of directors meeting twice, from January 2015 to June 22, 2015
Director	National Development Fund, Executive Yuan Representative: Po-Wu Gean	7	0	100%	Re-elected on June 23, 2015
Director	National Development Fund, Executive Yuan Representative: Ming-Shi Chang	4	0	80%	New term; Newly Elected on June 23, 2015 Attending five meetings of the board of directors, from June 23 to December 2015
Director	Taiwan Sugar Corporation Representative: Chin-Jung Yang	5	2	71%	Re-elected on June 23, 2015
Director	Jo Shen	2	0	100%	Old term; Dismissed during the re-election on June 23, 2015; Attending the board of directors meeting twice, from January 2015 to June 22, 2015
Independent Director	Wei-Cheng Tian	6	1	86%	Re-elected on June 23, 2015
Independent Director	Ih-Jen Su	6	1	86%	Re-elected on June 23, 2015
Independent Director	Wei-Te Ho	7	0	100%	Re-elected on June 23, 2015

Other issues to be noted:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
 - (1) The company has established a set of "Regulations Governing Procedure for Board of Directors Meetings," and Article 14 of the regulations stipulates that directors can present opinions and answer questions when the meeting's subjects are related to their own interests or the interests of the corporate bodies they represent and are likely to undermine the interests of the company, but they are prohibited from joining discussions or voting operation. They should absent themselves from discussion and vote, and cannot vote on behalf of other directors.
 - (2) No controversial case involving the interests of the company's directors has occurred throughout 2015 and as of the publication of this annual report.
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

- (1) The decision to set the regulations governing the organization of an audit committee was made at the 23rd meeting of the sixth-term board of directors, held on April 26, 2012.
- (2) The 2012 shareholders' meeting, held on June 13 that year, passed the resolution to set up an audit committee to replace the supervisors system.
- (3) The 2012 shareholders' meeting, held on June 13 that year, passed the resolution to set up an audit committee to replace the supervisors system.
- (4) The fourth meeting of the seventh-term board of directors, held on December 14, 2012, passed a proposal to revise the company's "Regulations Governing Procedure for Board of Directors Meetings" to intensify the procedure of resolution concerning major donations and prevent other participants in the meetings from affecting discussions and votes by directors, so as to better reveal the avoidance of conflicts of interests by directors. The proposal was initiated totally in accordance with the No. 1010034136 decree issued by Financial Supervisory Commission on August 22, 2012 to highlight revisions to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies." The proposal was forwarded to the 2013 shareholders' meeting for final resolution.
- (5) Starting from the second half of 2012, the company moved to redesign its website to enhance relations with investors and boost information transparency.
- (6) The 18th meeting of the seventh-term board of directors approved the "Regulations Governing the Criteria for Screening Nominations & Operation Procedures" and the "Regulations Governing the Criteria for Screening Proposals & Operation Procedures," aiming to safeguard the interests of minor shareholders in nominating director candidates and raising proposals and boost the company's information transparency to upgrade its corporate governance.

3.4.2 Audit Committee

A. Audit Committee

The company selected three independent directors to set up the first auditing committee, during its shareholders' meeting held on June 13, 2012. In conjunction with the re-election of directors held on June 23, 2015 following the expiration of the seventh-term directorship, the second-term members of the audit committee were also selected, namely Tien Wei-cheng, Su Yi-jen, and Ho Wei-der, all independent directors. The committee convenes at least one meeting per quarter, responsible for assessing whether the company's financial statements are appropriate or not, selecting and discharging certified public accountants and evaluating their independence and performance, assuring effective implementation of internal control measures, monitoring whether the company observes related laws, rules and regulations, and managing the company's existing or potential risks.

The major responsibilities of the committee are as follows:

1. Establishing or revising internal control system in accordance with Article 14-1 of the Securities and Exchange Act
2. Gauging the effectiveness of the internal control system.
3. Establishing or revising the procedures for handling such major financial operations as acquiring or disposing of properties, conducting transactions of derivative products, extending loans to others, and rendering endorsement or guarantee services, in accordance with Article 36-1 of the Securities and Exchange Act.
4. Handling Affairs associated with directors' own interests.
5. Handling major deals of assets or derivative products
6. Conducting major lending, endorsement or guarantee operations
7. Placement, issuance or private placement of equity securities
8. Appointment, discharge or remuneration of certified public accountants.
9. Appointment and discharge of chief executives for financial, accounting or internal audit departments.
10. Annual financial report and semi-annual financial report
11. Other major affairs associated with rules and regulations set by the company or other competent authorities.

As of publication of the Annual Report , there had been a total of 6 meetings of the Audit Committee over the past fiscal year.

Independent director attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	Wei-Cheng Tian	5	1	83%	N/A
Independent director	Ih-Jen Su	6	0	100%	N/A
Independent director	Wei-te Ho	6	0	100%	N/A

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.

(2)The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

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

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company established its own “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” with the principles passed by the board of directors on May 8, 2014 and partly revised on May 7, 2015 in line with the revisions made by competent authorities. The latest contents of the company’s corporate governance best practice principles are revealed on the Market Observation Post System of the TWSE and on the “Investor Relationship/ Corporate Governance” section of the company’s own website.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The company has established the “Rules of Procedure for Shareholders Meetings”, and convenes annual shareholders meeting to serve as a channel of communications with shareholders. In addition, in order to build a good and instant mechanism of exchanges with investors, the company has also set up spokespersons, acting spokespersons, public affairs and stock affairs specialists to deal with shareholders’ proposals or quench their doubts. In case of any dispute or possible lawsuit, these spokespersons and specialists will seek opinions from the legal affairs unit to work out appropriate countermeasures.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The company has commissioned a stock affairs agent to deal with shareholders - related affairs. It grasps the information on major shareholders and final controllers through the name list of shareholders compiled by the agent, and regularly reports the changes in shareholdings of directors and managers to regulators.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		There are a spate of rules and regulations established to facilitate the management and control of the company’s transactions with and guarantee endorsements for its affiliated enterprises, as well as extension of loans to	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			others. In addition, the company has worked out a set of “Rules for Monitoring Operations of Subsidiaries” to carry out the mechanism of risk control over the subsidiaries, in accordance with the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” issued by the Financial Supervisory Commission.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		In order to better help all the staff with an accurate concept of corporate governance and prevent the possible occurrence of insider tradings, the company’s board of directors has passed the formulation of “Procedures for Handling Major Internal Information” and the establishment of the “Procedures for Ethical Management and Guidelines for Conduct.” In order to meet the requirements set by competent authorities in revealing its financial and business operation information to the public, and make all its staffs better understand related rules and regulations, the company has also established “Guidelines for Online Filing of Public Information” and “Code of Employee Conduct.” The announcements and amendments of all the rules and regulations mentioned above are made known to all employees via e-mails, and are posted on the “Investor Relationship/ Corporate Governance” section of the company’s website for public reference and check.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		The company’s 15-seat board of directors (including three independent directors) comprises 13 male directors and 2 female ones, with their wide scope of professionalism covering industry, finance, accounting business management and dedicated research and development etc. to realize the principle of having the company’s board of directors made up of pluralistic members, as set in the company’s own “Corporate Governance Best Practice Principles.”	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		To enhance corporate governance, the company, besides establishing the remuneration and audit committees, has also set up an investment committee that is made up of five directors with different professional backgrounds, aiming to boost the company’s business operation performance.	None
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?		✓	The company’s remuneration committee annually assesses the performance of the board of directors, and works out reasonable remuneration policy in accordance with related rules and regulations. The measures for assessing the performance of the board of directors are still under evaluation.	In the process of Evaluation
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>The company assesses annually the independence of certified public accountants by checking to confirm that they don’t sit in the company’s board of directors, aren’t among the company’s shareholders or interested persons, and aren’t on the company’s payroll, so as to meet the company’s criteria for independence assessment.</p> <p>The assessment results were screened by the company’s audit committee on March 9, 2016 and approved by the board of directors on March 25, 2016, indicating that the certified accountants meet the company’s requirements for independence and competence and therefore can serve as the company’s certified accountants, let alone declarative statements they offer.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4.Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		In order to establish an open, transparent and effective channel for communicating with its interested persons, better understand each other’s needs and serve as reference for formulating its corporate social responsibility policy and planning related activities, the company has set up an “Interested Parties Section” on its website and founded an “Unethical Conducts Reporting System” to facilitate contacts with interested parties and offer a tip-off channel. All the related information and messages received in this regard will be properly dealt with by specific staffers and will serve as reference for improving the company’s corporate governance.	None
5.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has commissioned the Shareholder Services Department of President Securities Corp. as a dedicated shareholder service agent, which also assists the company in organizing shareholders meetings. The agent is not an “affiliated enterprise” of the company, as defined in Article 369-2 of the Company Law	None
6.Information Disclosure (1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company has launched a corporate website featuring dedicated sections for both investor relationship and interested parties, and a specific unit is assigned to manage and maintain the website, so as to timely update detailed information on the company’s financial operation, corporate governance and corporate social responsibility. The website address is: www.scinopharm.com.tw	None
(2)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? Does the	✓		1. The company has set up an English-language website to release its financial information in English for reference by investors. The website address is: www.scinopharm.com.tw 2. In order to boost the transparency of its information revelation, the company has assigned a specific unit to handle information collection and revelation. 3. The company has appointed spokespersons	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			and acting spokespersons to handle external speeches and information relation affairs, so as to make shareholders and interested persons better understand the company’s financial operations and corporate governance implementation. 4. Briefings and video information of the company’s institutional investor conferences held quarterly and aperiodically are also revealed on the Market Observation Post System of the TWSE and the company’s own website.	
7.Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		1. Welfare of and Care for Employees: The company shows high regard for harmonious labor-management relationship, and has constantly upgraded the interests and welfare of employees, such as offering employee dormitory, small welfare stations, employee restaurant, breastfeeding room, visually impaired massage service, employee travels, physical examination, performance bonus, employee stock subscription, and dividend sharing etc., all designed to make employees enjoy a sound welfare system and work hard to contribute well to the company. 2. Investor Relationship: The company makes it the greatest goal to safeguard the interests of shareholders and grant equal treatment to all the shareholders. Accordingly, the company has not only timely revealed major information on financial and business operations and changes in internal shareholdings on the Market Observation Post System in accordance with related regulations, but has also set up an “Investor Relationship” section on its website to allow timely release of the company’s financial and corporate governance information. 3 Supplier Relationship:	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>The company has worked out a set of rules governing the management of exchanges with suppliers, aiming to build long-term close relationship with suppliers under the win-win principle to jointly pursue sustainable development and growth.</p> <p>4. Interests of Interested Parties: The company thinks highly of maintaining good relationship with interested parties including shareholders, investors, employees, customers, government, communities, non-profit organizations, suppliers, contractors, and news media. Besides fulfilling each other’s rights and obligations in accordance with relevant laws and regulations, contracts and operating rules, the company also endeavors to maintain good communication channels to safeguard legal interests of both parties, based on an integrity principle.</p> <p>5. Study Courses for Directors (including Independent Directors): The company’s directors (including independent directors) take study courses in accordance with related legal regulations, with number of the study hours meeting or even exceeding the required level. The company will continue to arrange irregular study courses for its directors (including independent ones). Please see Pages 69-73 of the annual report to learn more in this regard from the “Table of Study Courses for Directors and Independent Directors in 2015.”</p> <p>6. Risk Management Policy and Implementation of Risk Assessment Criteria: The company’s major business operation policies, investment projects, guarantee endorsements, lendings to others and loans from banks all undergo intensive analysis and evaluation by internal competent units and then are put into practice based on resolutions passed by the board of directors.</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>7. Implementation of Customer Policy: The company follows the cGMP regulations governing pharmaceutical production to provide clients with high-quality and safe products, and its dedicated customer service staffers are assigned to deal with opinions presented by customers.</p> <p>8. Purchase of Liability Insurance for Directors and Independent Directors: The company has purchased liability insurance for its directors and managerial staff in accordance with the law.</p>	
8.Has the company implemented a self-evaluation report ² on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	✓		<p>1. In accordance with the No. 1032201043 document issued by the TWSW on October 2, 2014 terminating the uploading of “corporate governance self-assessment report” starting from Oct. 13, 2014, the company has since no longer posted the report on its website.</p> <p>2. The company completed the self-assessment on corporate governance in accordance with the schedule set by the TWSE for its 2nd Corporate Governance Evaluation, and the evaluation results were already publicized on April 8, 2016. The company has ranked among the top 5% of listed companies in terms of corporate governance performance as rated in the first and second corporate governance evaluations conducted by the TWSE.</p> <p>3. With regard to the implementation of the company’s corporate governance, please check related chapter of this annual report, and access the “Investor Relationship/ /Corporate Governance” section of the company’s own website.</p>	None

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The company's board of directors resolved at its meeting held on April 27, 2011 to set up a remuneration committee, composed of three independent directors (Liang Ching-si, Tien Wei-cheng and Su Yi-jen). The remuneration committee was re-elected on June 29, 2012, with three independent directors (Tien Wei-cheng, Su Yi-jen and Ho Wei-der) assuming the second term. The third-term committee was elected on July 2, 2015 in conjunction with the re-election of the board of directors following the expiration of the 7th-term board, with the same 2nd-term three independent directors re-elected as committee members. They are assigned to execute the following tasks and forward suggestions to the board of directors for discussion:

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

The committee should observe the following principles in executing the above-mentioned tasks:

- (1) In assessing the performances and determining remunerations of directors, supervisors and managerial staff, the committee should take into consideration the average corresponding remunerations offered by other peer companies, their individual performance, and the company's overall business performance and future operating risks.
- (2) The committee is not allowed to inspire directors and managerial staff to pursue high remunerations by engaging in operations involving risks that are beyond the company's control.
- (3) In determining the ratio of short-term bonus payable to directors and high-ranking managerial staff and the timing for honoring part of the variable remuneration, the committee should take into account the characteristics of the industry and the business nature of the company.

The remuneration as mentioned in the first two tasks of the committee include cash reward, stock subscription, bonus-sharing stock ownership, retirement welfare or resignation payment, various allowances and other substantive rewarding measures.

In case the remunerations of any subsidiary's directors and managers should be approved by the parent company, the subsidiary should ask the remuneration committee of the parent company to offer suggestions for discussion at the meeting of the parent company's board of directors.

3.4.4.1 Information Regarding Remuneration Committee

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Criteria (Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark (Note2)
	Name	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Wei-Chen Tian	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Ih-Jen Su	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Wei-te Ho	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1). Not an employee of the Company or any of its affiliates.
- (2). Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7). Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8). Not a person of any conditions defined in Article 30 of the Company Law.

Note 2: Does meet Item 5 of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded over the Counter"

3.4.4.2 Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Wei-Cheng Tian	2	1	67%	None
Committee Member	Ih-Jen Su	3	0	100%	None
Committee Member	Wei-te Ho	3	0	100%	None

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		<p>In accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, the company has worked out its own “Corporate Social Responsibility Best Practice Principles” to serve as the guidelines for fulfilling its social responsibility. As to the decision-making and operating mechanism associated with corporate social responsibility, the company takes inter-department actions to assume its corporate social responsibility by conducting regular interactions with interested parties, examining their concerns, reviewing the progress of various undertakings related to corporate social responsibility, and working out future plans. This way, the company can effectively and systematically fulfil its corporate social responsibility, and review the performance in this regard every six months. Through close cooperation among different units of the company, the company has fully incorporated its corporate social responsibility into ScinoPharm’s daily operations.</p> <p>The company focuses its corporate social responsibility on three major aspects, namely corporate governance, environmental protection and social welfare, and the development strategies for various businesses are oriented toward achieving sustainable corporate development and securing full implementation of its corporate social responsibility policies. The company appropriates annual budgets, which are well applied to finance all the undertakings for assuming its corporate social responsibility as a result of constant review and improvement. All the information concerning the company’s fulfillment of its corporate social responsibility has been revealed in the company’s annual report</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			and on its website’s “Corporate Social Responsibility” section.	
(2)Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The company promotes the concept of corporate social responsibility through its internal publication, ScinoPharm News, and publicizes concrete actions, as well as their significance, taken by the company to assume its corporate social responsibility during periodical meetings with and through e-mails to employees, while incorporating the basic spirit of corporate social responsibility into various activities held by the company.	None
(3)Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The company’s president is authorized by the board of directors to supervise the execution of the mission of fulfilling corporate social responsibilities by the company and its affiliated enterprises, and then duly report the implementation results to the board of directors. The company assigns two departments to execute the mission. The Administration and Human Resources Department is responsible for planning and implementing the tasks of safeguarding legal interests of employees, enforcing social participation and public-service payback, and revealing information on corporate social responsibility in accordance with related labor rules and regulations. The Safety, Health and Environmental Protection Department takes charge of maintaining environmental safety and health by studying, planning and monitoring the company’s practical measures designed to reduce production risks, sustain environmental safety and health, and promote the health of employees. In addition, the company has set up an “Occupational Safety and Health Committee” and a “Sustainable Management Committee.” The former is the company’s top decision-making unit for environmental safety and health, established in accordance with the Occupational Safety and Health Act, with the company’s president responsible for convening a quarterly meeting	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>with chiefs of business units and production plants, heads of various departments and employee representatives to examine the company’s practices in promoting environmental safety and health and determine a future direction for making key improvements. The latter is established to integrate the tasks in promoting environmental protection, safety and health, energy saving, water conservation, and greenhouse gas management, so as to effectively boost the company’s sustainable competitiveness. The Sustainable Management Committee is headed by the vice production president and comprises five sub-committees, such as sales and distribution, health, waste reduction, and energy saving, to map out annual sustainable management plans and review the implementation of the plans, so as to serve as the basis for internal examinations. All the efforts to safeguard the health of employees, create a safe and friendly working environment or list environmental protection among the company’s goals are designed to consolidate the company’s foundation.</p> <p>The company’s affiliated enterprises have set up their own “Production Safety Committee” as the top decision-making unit for environmental safety and health promotion. The committee is headed by president, who is responsible for convening chiefs of business units and production plants, and heads of various departments to promote the safety, health and environmental protection systems and determine the future direction for making key improvements. In addition, the committee should also compare the company’s safety systems with national standards, periodically examine the difference between the current state and operating principles, formulate or revise action plans for execution by related units, and review the implementation progress. Furthermore, the committee should also sign a statement of commitment to support the</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Responsible Care Global Charter, continue to improve industrial safety, health and environmental protection performance, and join forces with consumers and suppliers to apply comprehensive risk- and life cycle-oriented scientific information to the management of chemical products, thereby helping to boost the quality of life for people worldwide through the commitment.</p> <p>Besides, the company has established an “Employee Welfare Committee” and a “Labor-Management Meeting” to screen, promote and supervise employee welfare operations, mediate labor-management relationship and push for labor-management cooperation, in accordance with related rules and regulations.</p>	
(4)Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		<p>1. The company has established a reasonable remuneration and performance evaluation system. Under the system, the company will determine the remuneration of employees in accordance with their education backgrounds, work experiences, professional knowledge and expertise, and seniority. Besides year-end bonus and employee dividend, the company will also dole out performance bonus to employees based on their performance ratings. The remuneration of employees won't vary with their gender, race, religion, state of marriage, and political affiliation.</p> <p>2. The company has maintained an effective corporate governance framework and related ethical conduct criteria and practices, so as to accomplish its corporate governance goal. The company has formulated such internal rules and regulations as “Code of Employee Conduct,” “Code of Ethical Conduct,” “Code of Faithful Conduct,” and “Procedures for Ethical Management and Guidelines for Conduct,” which are all posted on the company’s website for reference by employees.</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>3. Besides instructing new employees on the company’s corporate culture, regulations for corporate ethics, as well as industrial safety, health and environmental protection operations associated with its corporate responsibility during the orientation courses for new employees, the company also hosts various education and training programs for all its staff, including those on corporate governance and prevention of insider tradings, to intensify related knowledge and concepts for employees.</p> <p>4 The company keeps highlighting the significance and connotation of its corporate social responsibility among employees through education and training courses, employee meetings, internal publications and e-mails, and also posts related rules and regulations on the company or employees’ portal sites. The company’s “Work Rules” also include the regulations employees should follow in fulfilling corporate social responsibility, and a related reward and punishment system. Employees’ performance in this regard is incorporated into their annual performance evaluation.</p>	
<p>2. Sustainable Environment Development</p> <p>(1)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	✓		<p>The “Sustainable Management Committee” established to integrate the implementation of such tasks as environmental protection, safety and health, energy saving, water conservation and greenhouse gas management has its waste reduction and energy saving sub-committee take charge of boosting the utilization efficiency of various resources and reducing related adverse impact on the environment. The committee also proposes annual sustainable management plan and reviews the performance of related tasks to serve as reference for internal examinations. In this regard, the tasks undertaken include recycling garbage resources, employing recycled materials</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			to reduce adverse impact on the environment, recycling condensated water from reverse osmosis pure water machines and air conditioners to cooling towers, adopting water-conservation washing faucets, saving living water, incorporating the concept of environmental protection and green energy into production procedure and equipment, promoting green environmental protection and laying stress on ecological balance.	
(2)Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		<p>The company’s environment management system is established in accordance with the chemical industry’s strictest “Responsible Care” system. The Responsible Care system is initiated by the global chemical engineering community to help enterprises set up a sound industrial safety, health and environmental protection system, through concrete commitments to improving the EHS (environment, health and safety) aspects by signing the Statement of Commitment (a prerequisite for membership), formulating the Codes of Management Practices, implementing a Self-Evaluation system, promoting the Management System Verification (MSV), delivering the SHE Performance Indicators report, and sharing responsible care systems with other companies.</p> <p>The company has joined the Taiwan Responsible Care Association (TRCA) as a member since its plant was inaugurated, actively promoting its safety, health and environmental protection management system. Besides stringently observing environmental protection regulations issued by the competent authorities, the company also conducts various public activities associated with environmental management to boost resources utilization efficiency and reduce the output of wastes, so as to respond positively to public concerns, further protect public safety,</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>health and environment, reduce the total amount of pollutant emissions on the air, water and soil, boost pollution prevention efficiency and economic benefits, and complete verification on six management codes set by the TRCA. Of the codes, those associated with environmental management include procedure safety management, wastes management, emissions reduction management and product management.</p> <p>To meet the special requirements of the biochemical pharmaceutical industry, the company has passed the SafeBridge Potent Compound Safety Certification, making it the first manufacturer of APIs (active pharmaceutical ingredients) in Asia to win the certification. This has affirmed that the company has met international standards for employee protection and environmental management during the production process of active compound pharmaceuticals.</p> <p>Concrete practices are as follows:</p> <ol style="list-style-type: none"> 1. During its research and development (R&D) of production procedures for pharmaceuticals, the company manages to skip the use of substances or materials subject to restrictions under domestic and international regulations, such as toxic chemicals, precursor chemicals for narcotic drugs, controlled substances for chemical weapons, and ozone depleting substances, and instead, uses less-toxic or-hazardous substances and materials as substitutes. 2. During its R&D of production procedures for pharmaceuticals, the company manages to assess the possibility of reducing the usage amount of chemical solvents and hazardous substances to mitigate relevant impact on environment and decrease the exposure to hazardous chemicals or active substances on 	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>the part of operating staff.</p> <p>3. Before putting a new production procedure into practice, the company should organize a meeting to analyze the possible hazard of the production procedure, focusing discussions on the likely hazard to safety, health and environment and then seeking proper preventive solutions.</p> <p>4. The company disposes of all the wastes generated by production plants, including biodegradable waste water, waste solvents, solid wastes, and air pollutants, totally in accordance with related regulations.</p> <p>5. The biodegradable waste water is usually treated via an activated sludge process and an ultrafiltration system, and the resultant organic sludge is separately filtered and then incinerated by the Resource Recycling Center of the Southern Taiwan Science Park, with the disposed waste water and waste living water piped into the waste water disposal plant in the science park. The organic sludge generated at the company’s affiliated enterprise undergoes a separate filtration process before being delivered to the Jiangsu Kangbo Industrial Solid Rejectamenta Treatment Co., Ltd. for incineration. And the disposed waste water and the waste living water are piped into Binjiang Waste Water Disposal Plant.</p> <p>6. Hazardous or general solid wastes are delivered to the Resource Recycling Center of the science park or other qualified companies for incineration. The air pollutants generated by production plants, such as particulate pollutants, acid gas, alkaline pollutants and organic steam, all undergo two-step treatment by condenser and scrubbing tower for disposal. The recyclable solvents generated by the company’s affiliated enterprise are sent to the</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Kunshan Deyuan Environmental Protection Development Co., Ltd. for purification and recycling.	
(3)Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		<p>1. The energy-saving subcommittee under the “Sustainable Management Committee” is responsible for gauging greenhouse gases and formulating strategies for conserving energy, reducing carbon emissions and slashing greenhouse gas amount, so as to fulfil the purpose of reducing carbon emissions through energy conservation. The sub-committee will review the implementation of its tasks at the quarterly meeting of the Sustainable Management Committee, to serve as reference for internal examination. Currently, strategies for reducing greenhouse gas amount include:</p> <p>Employing gas-fired boilers to replace oil-fueled boilers for steam supply, boosting the energy utilization and reasonableness of air conditioning systems, installing energy-saving equipment featuring low electricity and energy consumption, providing subsidy for car ride-sharing by employees and offering transportation bus service to reduce oil gasoline consumption.</p> <p>2. The company’s greenhouse gas emission amount has stayed at a low level, with aggregate annual emissions of six greenhouse gases reaching 19,078 metric tons of CO2 in 2015 and 21,946 metric tons in 2014. Further details are as follows:</p> <p>Direct greenhouse gas emissions, including those from fuel-burning equipment (such as boilers and restaurant facilities) and mobile combustion sources from transportation (such as the company’s service cars), amounted to 1,585 metric tons of CO2 in 2015, accounting for 8.31% of the company’s total annual CO2 emissions for the year.</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Indirect greenhouse gas emissions, mainly from electric power purchased externally, came to 17,493 metric tons of CO2, commanding 91.69% of the company’s total CO2 emissions in 2015.</p> <p>3. Since 2015, the company has started to respond to the questionnaire concerning the analysis on risks and opportunities of climate change, greenhouse gas emission reduction goal and performance, and corporate carbon reduction management mechanism, issued by the CDP as part of its efforts in implementing the “Carbon Disclosure Project” initiated by the organization.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>1. The company and its affiliates have formulated work rules and comprehensive personnel management regulations to safeguard the interests of employees. Besides convening regular labor-management meetings and employee welfare committee meetings, they also convene employee meetings periodically to establish a regular channel for dialogues and communications between both parties and grant employees the right to understand the management’s activities and policy formulation and contribute their opinions in this regard, thereby promoting labor-management harmony and creating a win-win scenario for both sides.</p> <p>2. The company fully complies with relevant labor rules and regulations to promote gender equality, work out career development and nurturing plans, implement safety and health education, and plan activities to achieve a balance between physical and mental health. In addition, the company also employs a certain portion of physically disabled people totally in accordance with the regulations set in the “People with Disabilities Right Protection Act.”</p> <p>3. As advocating gender equality is an integral</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			part of its corporate culture, the company has completely observed related regulations in implementing its personnel management system, including employment, promotion, performance evaluation and the reward & punishment system.	
(2)Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		While the company provides a platform for exchanging views with employees through the “Labor-Management Meeting” and the “Employee Welfare Committee,” major issues including work rules are also up for bilateral communications at regular labor-management meetings. On another front, in case employees want to present opinions or appeal against something associated with the Code of Employee Conduct, they can use the dedicated electronic mail box or the “Interested Parties “ section of the company’s website to raise the appeal or present improvement opinions. After accepting the petition cases, the company will follow related rules and procedures in dealing with the cases and conducting necessary investigations, so as to secure maximum interests of the company and its employees.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>1. The company and its affiliates show high regard for achieving harmonious labor-management relationship by installing sound software and hardware equipment to provide employees with a comfortable, safe and healthy working environment, including security entry measure, regular safety education and training for employees, banning smoking in all indoor spaces, establishing breastfeeding rooms and an employee restaurant, and offering free delivery and laundry of uniform clothes of operators on production lines.</p> <p>2. The company and its affiliates pay great attention to the safety of their employees and supporting plants, holding unscheduled</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>dispersal exercises and at least two emergency management drills per year and having all their employees attend fire-fighting and emergency treatment operations. In addition, at the monthly safety meeting held by every individual department of the company and its affiliates, each department should carry out safety promotion and training, so as to achieve full communications with staff and meet the requirement for recording at least three hours of occupational safety and health training courses per year.</p> <p>3. In order to help new employees quickly get immersed in the company’s safety culture atmosphere, the company, besides having the new employees take at least three hours of safety and health training courses, usually requires production employees receive an additional three hours of professional production safety and health training courses.</p> <p>4. To promote the health of employees, the company and its affiliates have their new staff receive physical checkups and render annual health examination service to all the staff, with an infirmary established with one staff nurse and physicians invited to offer medical consultation service to employees. In addition, the company also held activities to promote the health of employees, such as smoking-quitting, weight reducing, walking and table tennis competitions.</p> <p>5. The company and its affiliates endeavor to create a favorable environment to facilitate career development of employees, and work out effective plans to develop and mature the career development capabilities of employees. In addition, in order to realize welfare care for employees and improve their working environment, the company hosts annually quite</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			a few family activities during the company’s anniversary, and organizes a series of activities associated with the “Employee Happiness Month” to better take care of employees’ spiritual and family aspects and enable them to work contentedly and lead a happy life at ScinoPharm.	
(4)Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		<p>1. It has been an integral part of the company’s corporate culture to encourage employees to present their suggestions via various channels. The company convenes regular “Labor-Management Meeting” and “Employee Welfare Committee” meeting to discuss the issues concerning the interests of employees to promote harmonious labor-management relations, and holds the “Quarterly Employee Meeting” to serve as one of regular channels for communications between the company and employees.</p> <p>2. In addition, through its internal publications issued periodically, the company aims to make its latest policies, various welfare programs, management measures and business development situations better known to employees through pluralistic channels.</p> <p>3. In case there is major corporate information to be known by employees, the company will release the information through the internal e-mail network or convene a meeting to offer timely instructions.</p> <p>4. In case of any appeal, employees can express their opinions through the dedicated e-mail box, and then the company will move to deeply understand the appeal case and come out with proper countermeasures or solutions.</p>	None
(5)Does the company provide its employees with	✓		At ScinoPharm, every employee enjoys the opportunity for exploiting their talents. The company’s corporate culture of encouraging learning and innovation will inspire employees to	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
career development and training sessions?			bring their potential talents into full play and meet different challenges well. In conjunction with its global deployment, the company offers employees opportunities for pluralistic development and enforces a job rotation system to enhance their experiences in different job fields. This, coupled with systematized performance evaluation, Individual Development Plan and different training courses, will make employees serve the jobs best fit for them to help create a wider stage for career development. All the staffers are required to undergo periodical performance and career development evaluations.	
(6)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		<p>1. The company and its affiliates will offer after-sales services, and will join hands with customers to locate problems and seek effective solutions if customers suffer problems in the production process or during product inspection.</p> <p>2. If customers register the products of the company and its affiliates with competent authorities, the company will assist customers in replying to the questions raised by the authorities during the registration process.</p> <p>3. In order to safeguard the interests of customers, the company has established various channels for communications in this regard, such as an e-mail box with responses made within 24 hours to assure product safety and service quality.</p>	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		The company completely follows related regulations and international codes in carrying out product marketing and offering service instructions. Meanwhile, the company selects reliable sales agents with good business credit and authorizes them to enforce product marketing, thus gradually building long-term partnerships.	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	✓		<p>1. The company and its affiliates endeavor to boost their corporate social responsibility by proactively purchasing energy-saving equipment, green and low-power-consumption office supplies, business machines, information equipment, illumination equipment and other related facilities.</p> <p>2. Through the annual transportation safety conference, the company and its affiliates relay the latest safety and health concepts and practices to their transportation partners invited to attend the meeting, so as to build a good communication channel and fulfil the purpose of promoting safe transportation of chemical products.</p> <p>3. To safely handle highly hazardous chemical substances, dedicated suppliers are invited to the company to make instructions on safe operation of their chemical substances and on disposal of waters or leakage treatment. In addition, the company keeps close contacts with the suppliers to review problems in handling chemical substances.</p> <p>4. In purchasing chemical substances, the company usually asks suppliers to offer the latest version of safety information on the substances and post clear hazard-warning labels on the substances. To meet the management requirement set by the government on controlled substances (such as toxic chemical substances) to prevent the hazards resulting from the misuse of the substances, the company maintains close cooperation with suppliers to assure that it can purchase the substances only after the suppliers obtain sales permits issued by the government and the company itself gets the purchase permits.</p> <p>5. In the safety aspect, the company and its</p>	None

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

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Information Disclosure (1)Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?			Responsibility Best Practice Principles” and “Corporate Social Responsibility Report” as well as the concrete information about the corporate social responsibility implementation on the “Corporate Social Responsibility” section of its website, the company also uploads the above-mentioned regulations and report to the Market Observation Post System of the TWSE. The company also releases the information concerning greenhouse gas emission and reduction, employee welfare policies and interest-safeguarding measures to facilitate check by investors and understanding by employees. In case there is any information associated with the company’s corporate social responsibility in the future, the company will not only issue a press release on its website, but will also publicize major information or apply for making an official announcement in accordance with related rules and regulations.	
<p>5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:</p> <p>The company passed the formulation of its “Corporate Social Responsibility Best Practice Principles” at its board of directors held on June 18, 2014, and revised the principles on March 25, 2015. For details about the operating situation and concrete practices associated with the company’s corporate social responsibility, please see the instructions on the “Fulfillment of Corporate Social Responsibility” as seen in this annual report, and access the “Corporate Social Responsibility” section of the company’s website at http://www.scinopharm.com.tw/Responsibility.asp. Following an evaluation, the company finds little discrepancy between its corporate social responsibility fulfilment situation and the relevant principles set by the company.</p>				
<p>6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :</p> <p>ScinoPharm Taiwan has been devoted to observing the corporate ethics, enforcing fair competition, safeguarding the interests of customers, maintaining good relations with communities, and giving feedbacks to the society, making it really an enterprise dedicated to fulfilling its corporate social responsibility. The implementation of the related tasks in this regard is as follows:</p> <p>(1) Safety and Health:</p> <p>The company and its affiliates have formulated well-rounded standard operating procedures</p>				

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(SOP) for employees to observe stringently, and have also installed sound first-aid medical devices that are periodically examined and renewed. In addition, the company conducted in 2015 a general physical examination for all its staff and enforced additional examination items for employees engaged in special operations.</p> <p>(2) Environmental Protection:</p> <p>The company actively participates in the united management mechanism for safety, health and environmental protection operations in the Southern Taiwan Science Park, and promotes internal energy, power and water conservation campaigns, while also complying with the government’s environmental protection policy by actualizing the recycling of garbage resources to boost the use of recycled substances with lower impact on the environment. The company’s other internal environmental protection measures include: retrieving the condensate emissions from the reverse osmosis water machines and air conditioners to cooling towers for re-utilization, and adopting water-saving faucets to reduce daily use of water.</p> <p>(3) Artistic and Cultural Activities:</p> <p>The company sponsors exhibitions of artistic and cultural works planned by the AAEON FOUNDATION that is dedicated to domestic public arts promotion, to show its support for domestic artistic and cultural creation and innovation activities. Besides, in order to upgrade the nurturing of living aesthetics and humanistic spirit among those working in the Southern Taiwan Science Park, the company has hosted the “ScinoPharm Arts” lecture series for six years in a row, inviting heavyweight lecturers to provide a spate of wonderful living and spiritual feasts. In 2015, the ScinoPharm Arts lecture series featured the theme of “Relaxation After Office Hours” and experts from four different fields of drama, spirit, gourmet food, and travel were invited to share their experience in how to relax themselves after office hours, with the lecturers including Kuo Tzu-chien, Daisy L. Hung, Wang Hao-yi, and Day Sheng-tung.</p> <p>(4) Community Welfare:</p> <p>The company joins forces with its staff to help social welfare groups serving physically and mentally handicapped people as well as children of disadvantaged families in the neighboring communities organize charity-oriented sales activities, with the groups including Luway Opportunity Center, St. Theresa Opportunity Center, and World Peace Association. In 2015, the company cooperated with the Sunny Young Love & Care Foundation in organizing the “Share Happiness, Share Love” welfare activity, taking children from disadvantaged families or families lack of education resources or even without family functions served by the foundation, to the Tainan-based Taiwan Foundation Private Shin De Center to attend the birthday party held for the center’s physically and mentally handicapped children, so as to make the sunny children in the foundation understand well that they are able to help others.</p> <p>(5) Emergency Relief:</p> <p>When major disasters occurred in the past years, the company used to take the lead to initiate donation campaigns, inspiring people to exploit their benevolent spirit to contribute to disaster reliefs. The company also organized many blood donation activities, encouraging its employees to donate blood to help hospitals ease the blood strain. In addition, the company participated in</p>				

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>the “Love, Setting out from Southern Taiwan Science Park” campaign, mobilizing all its staff to make money donations to help disadvantaged families around the science park. After a major earthquake rattled Tainan City in early 2016, the company also initiated a money donation campaign among employees, and then the company doubled the amount of money donation to the families plagued by the disaster by donating the same amount of money as done by employees.</p> <p>(6) Assistance in Promoting Exchanges Between Academic and Industrial Sectors: The company sets up “ScinoPharm Thesis Scholarship” in cooperation with the Chemical Society Located in Taipei, and actively sponsors seminars held by biotech and chemical engineering departments of domestic universities and colleges. In addition, ScinoPharm also arranges tours of the company by students to make them better understand the pharmaceutical industry and help cultivate talents. Furthermore, the company also supports the holding of seminars by domestic industrial, academic and government sectors to establish a communication platform for the industrial and academic sectors. In this regard, the company plays a major role in organizing the seminar on the “Pharmaceutical Engineering Technology Exchanges.”</p> <p>(7) Social Contributions: The company endeavors to create investment gains for shareholders and fully assume its corporate social responsibility. In addition, the company shows high regard for the interests of employees and follows the Labor Standards Act to create job opportunities, hiring over 600 employees and providing internship opportunities for college students to pave the way for them to join the job market, thus helping the local pharmaceutical industry nurture talents.</p>				
<p>7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:</p> <p>The company has completed the compilation of the 2014 “Corporate Social Responsibility Report” based on the GRI 4.0 (Global Reporting Initiative) Sustainability Reporting Guidelines, and plans to commission the Sustainable Development Center of the National Cheng Kung University to invite experts to offer comments and suggestions on the content of the report. The Chinese and English versions of the 2014 “Corporate Social Responsibility Report” has been uploaded to the TWSE’s Market Observation Post System and posted on the “Corporate Social Responsibility” section of the company’s own website. The company plans to send the report to an objective third-party organization for verification.</p>				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	✓		<p>In order to deepen integrity-based management culture and to further strengthen business development, the board of directors formulated a set of “Code of Business Integrity” on December 9, 2010, which was further amended on March 26, 2012 and August 4, 2015, respectively, and consequently posted on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange, as well as on the company’s website. The company also sets up relevant internal operating standards and control systems to examine all aspects of business operations on a fixed-time basis, and then deliver the inspection results to the Board for approval. This practice not only serves as the basis for the implementation of the integrity management, but also highlights the company’s policy and tactics as well as the commitment of its Board and management to realize integrity policy. Related information on the integrity management has also been disclosed in other outgoing documents, including the corporate social responsibility report.</p>	None
<p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	✓		<p>In addition to the “Code of Business Integrity,” the company has also drawn up other regulations, including “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” and declared those through internal email system and corporate website. The company also stresses and promotes the importance of integrity during the training courses for new employees, setting a clearer direction for them to avoid conflicts of interest or receipts of improper benefits when facing other colleagues, customers,</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			suppliers and general public. Related requirements are included in the employee performance appraisal system to periodically assess and ensure the implementation of the integrity policy. For any violation of rules or suspected violations of any conduct, there are relevant reporting mechanism and discipline provisions.	
(3)Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		Based on the “Code of Business Integrity” and “Operating Procedures and Guidelines for Business Integrity”, the company’s directors, managers and employees are required to adopt necessary procedures to prevent from making illegal payment, taking bribery and offering illegal campaign contributions; to not provide or accept any unreasonable gifts, entertainment or other improper benefits so as to avoid the receipt of personal benefits at the expense of corporate interest. Additionally, the company also has set aside a “Stakeholders” special column and “Unethical Behavior Reporting System” on its corporate website to proclaim and maintain the core value of corporate integrity and its basic principle to implement the government’s rules. The stakeholders can communicate and discuss related issues with the correspondent units through the stakeholder column.	None
2. Fulfill operations integrity policy (1)Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The company has set up a filing system to manage the relationships with its contractors and has also been evaluating the integrity of its clients and suppliers through their credit lines and other appraisal systems in order to prevent untrustworthy activities from happening. The company also stipulates integrity provisions in the contracts it signs	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			with corresponding contractors.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The company has also appointed the business integrity promotional task forces of relevant administration, human resources, legal affairs and finance departments to compile and examine the operations related to execution, promotion and consultation of the business integrity policy by individual corporate departments, and then deliver the execution report to the board of directors.	None
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The formulation of the “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” are dedicated to high-level of management including directors and managers, as well as all employees, clearly defining the policy to avoid conflicts of interest, and providing adequate channels to report illegal conducts or violations of ethics and other guidelines. All relevant units are required to implement these rules in order to maintain the spirit of the integrity management of the company.	None
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		To fulfill the integrity management, effective accounting and internal control systems have also been set up, enabling auditing department to examine the execution of related policies periodically and to submit its reports to the board of directors. Additionally, in order to ensure continued effectiveness of the system as well as its execution, the company also examines and modifies related codes and operating procedures annually so as to establish a sound corporate governance and risk control mechanism with which the company can assess the effectiveness of its internal control system and issue related statements	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			regarding internal controls.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		The company will provide legitimacy and integrity training courses to newly recruited employees in accordance with related regulations and will further enhance their understanding of the spirit and execution of related rules, including “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” through internal networks, e-mail systems and other training courses.	None
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The company has established adequate channels to encourage the reporting of suspected illegal conducts or violations of related stipulations set forth in the “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” as a means to safeguard the spirit of integrity management. While all employees are able to submit their opinions through “Employee Communication Box,” the company has also set aside special columns “Stakeholders” and “Unethical Behavior Reporting System” on its website, enabling employees and relevant personnel to report suspected illegal and unethical conducts, with which the company will assign appropriate staff from the administration, human resources, legal and related departments to jointly address alleged issues.	None
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The company will approach all of reported cases and follow-up investigations with extremely confidential and stringent attitude based on standard procedures and secrecy mechanism conforming to internal rules and regulations.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?	✓		Personal data provided by informants, unless otherwise stipulated by law, the company will be kept the data confidentially and take appropriate protective measures in accordance with laws to safeguard personal information and privacy of informants so as to prevent these persons from receiving retaliation and unfair treatment.	None
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The company's "Code of Business Integrity" has been uploaded to "Market Observation Post System (MOPS)", as well as on the "Investors" column of corporate website, allowing all employees and general public to make inquiries at any time. Additionally, related information pertaining to business integrity has also been disclosed in the annual reports and corporate social responsibility reports posted on the MOPS and corporate website.	None
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>In accordance with the rules set on the "Rules for Business Integrity by Listed Companies," the company has set up and promulgated "Code for Business Integrity," "Operating Procedures and Guidelines for Integrity Management," "Administrative Rules on Transaction with Stakeholders, Designated and Associated Companies," "Operating Procedures for Major Internal Information," "Code of Self-Discipline for Disclosing Acquisition Information," "Code of Ethics," and "Code of Conduct." In addition to requiring relevant departments and all of employees to follow these rules, the company has also asked its subsidiaries to abide the spirit of integrity policy set forth by the parent company and to implement related regulations. Overall, the practice of business integrity and the law-abiding requirement for subsidiaries are identical to the parent company.</p>				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
6.Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).				
While operating the company in accordance with related laws and regulations, the company also periodically holds courses pertaining to corporate governance, insider trading management and code of conducts for employees, as well as dispatching relevant units to participate in related courses including taxation, legal risk and corporate governance to promote business integrity and morality.				
The company has also been upholding the highest standards to promote the use of principles of honest, trustworthy and transparency to engage in business activities so as to protect the interest of stakeholders and deepen the spirit of business integrity into corporate ethics and culture for ramping up reputation and sustainable growth. Coping with changing management environment, the company also reviews and amends related rules, operating procedures and guidelines for integrity management in order to meet legal requirements and expectations of stakeholders.				

3.4.7 Corporate Governance Guidelines and Regulations

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

3.4.8 Other Important Information Regarding Corporate Governance

- 3.4.8.1. While integrity is the fundamental of the company, the establishment of a working environment based on pluralism, equality, mutual trust and respectfulness has also been the company's business philosophy. Thus, the formulation of "Code for Business

Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics,” and “Code of Conduct” will enable high-level management and all of employees to understand related laws and rules they have to abide and the ethics they have to put into practice during their work, and to realize the company’s expectations on behavior of its employees, cooperation partners and suppliers. These are not only the bases for senior management and all of colleagues to conduct their behavior, but will also help lift up the quality of behavior and professional ethics, which will be instrumental to sustainable growth and future development of the company.

3.4.8.2.To enable employees to reveal suspected violated conducts through appropriate channels, the company has set a communication box and related protection measures. More information can be found at the company’s website: www.scinopharm.com.tw, to see related regulations from the special column Investors/Corporate Governance/Code of Ethical Conduct/Code of Conducts.

Additionally, in order to establish an open, transparency and effective communication channel with stakeholders to understand the demand of each side, and to be used as reference to formulate the policy and activities for carrying out corporate social responsibility, the company sets up a special “Stakeholders” column on its website, attached with a “Reporting System for Violating Code of Ethics” providing stakeholders with an adequate communication and reporting channel. For more information, please see the “Stakeholders’ section at www.scinopharm.com.tw.

3.4.8.3. To continue enriching related information on corporate governance, the company also takes the initiation to inform all members of its directors and independent directors, totaling 15, to take part in advanced study courses as listed below. The training complies with the ruling of “Key Points for Promoting Advanced Studies by Directors, Supervisors of Listed Companies.”

2015 Directors’ and Independent Directors’ training records

As of 12/31/2015

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
1	Institutional Shareholder Representative	Kao-Huei Cheng	06/18/2009	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	9.0	Yes
				05/08/2015	05/08/2015	Taiwan Corporate Governance Association	Corporate Governance Trend to Create Win-Win Opportunities	3.0		
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
2	Institutional Shareholder Representative	Chih-Hsien Lo	07/06/2010	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	6.0	Yes
				10/24/2015	10/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
3	Institutional Shareholder Representative	Tsung-Ming Su	07/06/2010	07/08/2015	07/08/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0	6.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
4	Institutional Shareholder Representative	Kun-Shun Tsai	06/23/2015	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	15.0	Yes
				09/01/2015	09/01/2015	Taiwan Corporate Governance Association	Practical Operations of Independent Directors and Functional Committees	3.0		
				08/07/2015	08/07/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0		
				06/26/2015	06/26/2015	Taiwan Stock Exchange	International Symposium on "Corporate Governance, Financial Supervision and Laws"	6.0		
5	Institutional Shareholder Representative	Tsung-Pin Wu	06/23/2015	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	12.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance	Business Judgment of Directors, Supervisors,	3.0		

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
						Association	Managers Vs Securities Fraud, False Information and Asset Embezzlement			
				04/16/2015	04/16/2015	Accounting Research and Development Foundation	Operations of Cross-Strait “Free Economic Zones” and Move-in Decision-making by Taiwan Businesses	3.0		
				04/16/2015	04/16/2015	Accounting Research and Development Foundation	Impact of IFRS Accounting Architecture on Taiwan’s Taxation	3.0		
6	Institutional Shareholder Representative	Yung-Fa Chen	06/23/2015	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	12.0	Yes
				09/01/2015	09/01/2015	Taiwan Corporate Governance Association	Practical Operations of Independent Directors and Functional Committees	3.0		
				08/07/2015	08/07/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0		
				07/14/2015	07/14/2015	Taiwan Corporate Governance Association	Multinational Acquisition – a Key for Upgrading Industry Growth	3.0		
7	Institutional Shareholder Representative	Chien-Li Yin	07/06/2010	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	6.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
8	Institutional Shareholder Representative	Shiow-Ling Kao	07/05/2010	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	6.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs	3.0		

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
							Securities Fraud, False Information and Asset Embezzlement			
9	Institutional Shareholder Representative	Chiou-Ru Shih	07/06/2010	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	6.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
10	Institutional Shareholder Representative	Po-Wu Gean	06/18/2009	08/07/2015	08/07/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0	6.0	Yes
				04/17/2015	04/17/2015	Taiwan Academy of Banking and Finance	Corporate Governance – Corporate Social Responsibility for Opening Up Future Competitiveness	3.0		
11	Institutional Shareholder Representative	Ming-Shi Chang	06/23/2015	08/18/2015	08/18/2015	Taiwan Corporate Governance Association	Discussion on Legal Responsibility of Independent Directors – Outsider but with More Responsibility?	3.0	12.0	Yes
				08/12/2015	08/12/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0		
				07/31/2015	07/31/2015	Taiwan Corporate Governance Association	Management and Practice on Operations and Effectiveness of Decision by Board of Directors	3.0		
				07/24/2015	07/24/2015	Taiwan Corporate Governance Association	Legal Aspects of Trade Secrets Protection for Business Engagement	3.0		
12	Institutional Shareholder Representative	Ching-Jung Yang	06/13/2012	05/15/2015	05/15/2015	Taiwan Corporate Governance Association	Risk Management and Practice on Operations and Effectiveness of	6.0	6.0	Yes

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
							Decision by Board of Directors			
13	Independent Director	Ih-Jen Su	12/09/2010	04/17/2015	04/17/2015	Taiwan Academy of Banking and Finance	Corporate Governance – Corporate Social Responsibility for Opening Up Future Competitiveness	3.0	6.0	Yes
				01/22/2015	01/22/2015	Securities and Futures Institute	Corporate Social Responsibility Report – Seminar to Unveil the Value of Sustainable Management	3.0		
14	Independent Director	Wei-Cheng Tian	04/27/2011	04/14/2015	04/14/2015	Taiwan Academy of Banking and Finance	Corporate Governance – Corporate Social Responsibility for Opening Up Future Competitiveness	3.0	6.0	Yes
				01/22/2015	01/22/2015	Securities and Futures Institute	Corporate Governance – Corporate Social Responsibility for Opening Up Future Competitiveness	3.0		
15	Independent Director	Wei-te Ho	06/13/2012	08/07/2015	08/07/2015	Securities and Futures Institute	Briefing on Law-Abiding for Share Trading by Internal Staff of Listed Companies	3.0	6.0	Yes
				04/17/2015	04/17/2015	Taiwan Academy of Banking and Finance	Corporate Governance – Corporate Social Responsibility for Opening Up Future Competitiveness	3.0		

2015 Executive Offices' training records

As of 12/31/2015

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2015 Training total hours	Is training record fulfill the requirement
				From	To					
1	CFO & Vice President Finance	Patricia Chou	09/01/2011	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	9.0	Yes
				05/27/2015	05/27/2015	Securities and Futures Institute	Leadership Forum on Corporate Ethics by Listed Companies	3.0		
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
2	Vice President Administration	Tsung-Jung Yen	07/01/2014	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	6.0	Yes
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		
3	Director Finance	Chih-Hui Lin	06/01/2010	10/23/2015	10/23/2015	Taiwan Corporate Governance Association	A Look at Corporate Governance Appraisal from Board of Directors	3.0	18.0	Yes
				07/23/2015	07/23/2015	National Cheng Kung University	Follow-up Advanced Study by Accounting Executives	12.0		
				04/24/2015	04/24/2015	Taiwan Corporate Governance Association	Business Judgment of Directors, Supervisors, Managers Vs Securities Fraud, False Information and Asset Embezzlement	3.0		

3.4.9 Implementation Status of Internal Control System

3.4.9.1 Internal Control Declaration (translated from Chinese)

Statement of Internal Control System

Date: March 25, 2016

The internal control system from January 1 to December 31, 2015, according to the result of self-assessment is thus stated as follows :

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal control System by Listed Companies” (hereinafter referred to as “Highlights”) promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items , refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting , the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 25, 2016, and those 15 directors in presence all agree at the contents of this statement.

ScinoPharm Taiwan, Ltd.

Chairman : Kao-Huei Cheng

C.E.O. : Yung-Fa Chen

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

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

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.11.1 Major Resolutions of 2015 Annual General Shareholders' Meeting

One general shareholders meeting was convened in the fiscal year 2015 and to the publish date of the annual report. The 2015 General Shareholders Meeting was held on June 23, 2015 and the resolutions were summarized as follows.

(I) shareholders' meeting: 2015/06/23

a. Adoption of Business Report and Financial Statements for 2014.

Implementation status: completed according to the resolution.

b. Adoption of Proposed earnings distribution plan for fiscal year 2014.

Implementation status: The Company's earnings distribution for fiscal year 2014: Remuneration to directors for 2014 is TWD 8,678,314 , Bonus to employees is TWD 867,832. Dividends to shareholders: cash dividend of TWD 0.2 and a stock dividend of TWD 0.4 for each share held.

c. Approved capital increase by issuing new shares on retained earnings.

Implementation status: TWD 281,185,720 of the undistributed earnings accumulated from the previous period be capitalized to issue 28,118,572 new shares for distributable stock dividend with 40 shares distributed on each 1,000 shares held.

d. Approved revision of the Rules Governing Shareholders Meetings and the Rules Governing Election of Directors and Supervisors.

Implementation status: completed according to the resolution.

e. Approved revision of the Procedural Rules for Providing Lending to Other Persons.

Implementation status: completed according to the resolution.

f. The Company's 8th election of Directors (including Independent Directors)

Implementation status: 15Directors were elected (including Independent Directors). office term for 8th election of Directors is from 23 June 2015 through 22 June 2018.

g. Proposed relief of prohibition on the Directors (including Independent Directors) and their representatives of the 8th election from participation in competitive business.

Implementation status: completed according to the resolution.

(II) Major Resolutions during the Board of Directors Meetings in 2015 and to the Publish Date of the Annual Report

Eight board meetings were convened in fiscal year 2015 and to the publish date of the annual report. The major resolutions were summarized below.

(1) The eighteenth meeting of the Seventh Session of Board of Directors (March 25, 2015)

- a. Approved business and financial reports for fiscal 2014.
- b. Approved income distribution plan for fiscal 2014.
(a) Cash dividend NT\$0.2 per share; (b) share dividend NT\$0.4 per share.
- c. Approved to increase capital through issuance of 28,118,572 new shares using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares.
- d. Approved the nomination of directors (including independent directors) for the Eighth Session of Board of Directors at 2015 annual general shareholders meeting.
- e. Approved the proposal, submitted at 2015 annual general shareholders meeting, to relieve the prohibitions from participation in competitive business on the directors (including independent directors) of the eighth term of the Board of Directors.
- f. Approved the enactment of “Criteria and Operation Flow for Reviewing Nomination” and “Criteria and Operation Flow for Reviewing Nomination Proposals”
- g. Approved and declared the acceptance of nomination proposals submitted by shareholders who holds over 1% of the company’s outstanding shares.
- h. Approved partial amendments to “Practical Guidelines on Corporate Social Responsibility,” “Code of Ethics,” “Rules of Shareholders Meeting,” “Rules for Election of Directors and Supervisors,” and “Operating Procedures for Lending Funds to Others”
- i. Approved the date, location and agenda for holding of the 2015 annual general shareholders meeting, as well as relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares.
- j. Approved the appointment of chartered certified accountant and the remuneration proposal.
- k. Approved the replacement of certified accountant to cope with the adjustment of internal administrative organizations of accounting firm.
- l. Approved the renewal and additive contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the company’s chairman to sign the deal.
- m. Approved the “Statement on Internal Control System” for fiscal 2014.
- n. Approved amendments to “Internal Control System.”
- n. Approved amendments to “Internal Control System.”
- p. Approved the remuneration distribution plans for directors for fiscal 2014.
- q. Approved the proposal for distribution of performance allowance to relevant managers for fiscal 2014.

(2) The nineteenth meeting of the Seventh Session of Board of Directors (May 7, 2015)

- a. Approved the reviewing of the candidacy of directors (including independent directors)
- b. Approved amendments of “Practical Guidelines on Corporate Governance”

(3) The first meeting of the Eighth Session of Board of Directors (June 23, 2015)

- a. Approved the nomination of Cheng Kao-Huei, legal representative of Uni-President Enterprises Corp., to continue to serve as chairmen of the company.
- b. Approved the appointment of Dr. Yung-Fa Chen to continue to serve as president of the company.

(4) The second meeting of the Eighth Session of Board of Directors (July 2, 2015)

- a. Approved the proposal to issue new shares using retained earnings and authorized the chairman to announce dates for ex-dividend, ex-right, capital expansion, dividend payment and other related issues.
- b. Approved the re-appointment of the honorary chairman.
- c. Approved the selection of members for the functional committees under the Board of Directors.
- d. Approved the appointments of vice president and other senior managers.

(5) The third meeting of the Eighth Session of Board of Directors (August 4, 2016)

- a. Approved the consolidated financial reports for the second quarter of 2015.
- b. Approved the abolishment of restrictions of non-compete clause for the company's managers.
- c. Approved the plan to perish discarded inventories.
- d. Approved proposals to annul the company's IPO taskforce and the nomination committee, as well as the organization rules for the nomination committee.
- e. Approved the recruitment of internal audit officer.
- f. Approved amendments to the company's "Code of Business Integrity" and the formulation of "Operating Procedures and Guidelines for Business Integrity."
- g. Approved employee stock option plans and set related guidelines for issuance of employee stock options.
- h. Approved the remuneration package for directors with related contents being reviewed
- i. Approved the remuneration plans for honorary chairman.
- j. Approved the remuneration package for the company's president with related contents being reviewed.
- k. Approved the promotion plans for directors of various departments.

(6) The fourth meeting of the Eighth Session of Board of Directors (November 6, 2015)

- a. Approved amendments to corporate organization rules and regulations.
- b. Approved retroactively the company's "Regulations for issuance of the First Batch of Employee Stock Options for 2014."
- c. Approved "Plans to Improve the Capability for Self-preparation of Financial Report" aiming to continue to strengthen the quality and transparency of the company's financial report.

(7) The fifth meeting of the Eighth Session of Board of Directors (December 18, 2015)

- a. Approved the participation of a cash capital increase project of Foresee Pharmaceuticals Co., Ltd.
- b. Approved employees' salary adjustment program for 2016.
- c. Approved planned budget for fiscal 2016.
- d. Approved the supplementary budget for the injectable plant.
- e. Approved the company's audit planning for 2016
- f. Approved amendments to "Corporate Charter."
- g. Approved the formulation of "Operating Procedures for Applications of Temporary Suspension and Resumption of Stock Trading."
- h. Approved amendments to "Operating Procedures for Endorsement" and "Operating Procedures for Lending Funds to Others" and statements to limit total endorsements by the company and its subsidiaries to 100% of its net worth.
- i. Approved the appointment of the company's chairman to concurrently serve as company's manager.
- j. Approved the position adjustment and promotion of Business Development Center Vice President Portia Lin to Chief Operating Strategy Officer.

(8) The sixth meeting of the Eighth Session of Board of Directors (March 25, 2016)

- a. Approved remuneration distribution plans for directors for fiscal 2015.
- b. Approved remuneration distribution plans for employees and vice president and above for fiscal 2015.
- c. Approved business and financial reports for fiscal 2015.
- d. Approved income distribution plan for fiscal 2015.
 - (a) Cash dividend NT\$0.3 per share (b) share dividend NT\$0.4 per share.
- e. Approved to increase capital through issuance of 29,243,315 new share using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares.
- f. Approved the proposal submitted at the 2016 annual general shareholders meeting to abolish the restrictions of non-compete clause for representative directors of the eighth session of Board of Directors.
- g. Approved the date, location and agenda for holding of the 2016 annual general shareholders meeting and relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares.
- h. Approved the transform of financial executives.
- i. Approved the appointment of chartered certified accountant and remuneration package.
- j. Approved CPA replacement due to the internal reorganization of accounting firm.
- k. Approved the renewal contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the company's chairman to sign the deal.
- l. Approved to provide guarantees for syndicated loans obtained by ScinoPharm (Changshu) Pharmaceuticals, Ltd.
- m. Approved "Statement for Internal Control Systems" for fiscal 2015.

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

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

As of 4/30/2016

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Internal Auditor	Vickie Lee	May 19 th , 2014	July 1 st , 2015	Resign
CFO	Patricia Chou	September 1 st , 2011	March 11 th , 2016	Resign

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Audit Fee Range Statement

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers Taiwan	Tzu-Yu Lin	Ming-Hsien Lee	January 1 st , 2015~ December 31 st , 2015	

Unit: NT\$ thousands

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

3.5.2 The amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches 13.27 % of the Company's annual auditing expenses.

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Pricewaterhouse Coopers, Taiwan	Tzu-Yu Lin	4,500	-	261	-	336	5,097	January 1 st , 2015~ December 31 st , 2015	
	Ming-Hsien Lee								

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

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

3.6 Replacement of CPA : NA

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

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

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

Title	Name	2015		As of Apr 30,2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Chairman	Uni-President Enterprises Corp	10,666,841	0	0	0
	Uni-President Enterprises Corp	66,842	0	0	0
	Representative: Kao-Huei Cheng				
Directors	Uni-President Enterprises Corp	10,666,841	0	0	0
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Chih-Hsien Lo				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Chang-Sheng Lin(Note1)				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Long-Yi Lin(Note2)				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Tsung-Ming Su				
	Uni-President Enterprises Corp	4,326	0	0	0
	Representative: Kun-Shun Tsai (Note3)				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Tsung-Pin Wu(Note4)				
	Uni-President Enterprises Corp	255	0	0	0
	Representative: Yung-Fa Cheng(Note5)				
Big Shareholder	Uni-President Enterprises Corp	10,666,841	0	0	0
Directors	National Development Fund, Executive Yuan	3,895,191	0	0	0
	National Development Fund, Executive Yuan	0	0	0	0
	Representative: Tian-Shung Wug(Note6)				
	National Development Fund, Executive Yuan	2,846	0	0	0
	Representative: Po-Wu Gean				
	National Development Fund, Executive Yuan	0	0	0	0
	Representative: Ming-Shi Changg(Note7)				

Title	Name	2015		As of Apr 30,2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Big Shareholder	National Development Fund, Executive Yuan	3,895,191	0	0	0
Director	Tainan Spinning Co., Ltd.	839,423	0	0	0
	Tainan Spinning Co., Ltd.	0	0	0	0
	Representative: Chien-Li Yin				
Director	Kao Chyuan Inv. Co., Ltd.	527,449	0	0	0
	Kao Chyuan Inv. Co., Ltd.	0	0	0	0
	Representative: Shiow-Ling Kao				
Director	President International Development Corp.	1,019,622	0	0	0
	President International Development Corp.	0	0	0	0
	Representative: Chiou-Ru Shih				
Director	Jo Sheng(Note8)	0	0		0
Directors	Taiwan Sugar Corporation	1,158,609	0	0	0
	Taiwan Sugar Corporation	0	0	0	0
	Representative: Chin-Jung Yang(Note9)				
	Taiwan Sugar Corporation	0	0	0	0
	Representative: Kuo- His Wang(Note10)				
Independent Director	Chin-Jung Yang	0	0	0	0
Independent Director	Wei-te Ho	0	0	0	0
Independent Director	Wei-Cheng Tian	3,632	0	0	0
President & CEO, Chief Technology Officer	Yung-Fa Chen	255	0	0	0
Vice President	Chih-Fang Chen	0	0	0	0
CFO & Vice President	Patricia Chou(Note11)	160	0	0	0
Vice-President	Ching-Wen Lin	3,791	0	0	0
Vice-President	Tsung-Jung Yen	0	0	0	0
Vice-President	Kuo-Hsi Cheng	435	0	0	0
Director	Chau Shi Ming(Note12)	0	0	0	0
Director	Li-Chiao Chang		0	0	0
Director	Yu-Fen Hung	3,811	0	0	0
Director	Chin-Lin Liu		0	0	0
Director	Helen Chao(Note13)	(5,640)	0	0	0

Title	Name	2015		As of Apr 30,2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Director	Jessie Wang	4	0	0	0
Director	Chao-An Chou	237	0	0	0
Director & Accounting Officer	Chih-Hui Lin	0	0	0	0
Director	Julian P. Henschke(Note 14)	0	0	0	0
Director	Lung Kuang Kuo	0	0	0	0
Director	Ing-Hsiao Lien	0	0	0	0
Director	Luh-Chian Chang	0	0	0	0
Director Injectable Plant	Nan-Sheng Chan	3,171	0	0	0
Director	Chuan De Huang (Note15)	0	0	0	0
Director	Sharon Lee (Note16)	28	0	0	0
Director	Erick Co(Note17)	0	0	0	0
Director	Shun Yang Lin(Note18)	0	0	0	0
Director	Hui-Ching Chou (Note 19)	3	0	0	0

Note 1: The Director was discharged on June 23rd 2015.

Note 2: The Director was discharged on June 23rd 2015.

Note 3: The Director was newly appointed on June 23rd 2015.

Note 4: The Director was newly appointed on June 23rd 2015.

Note 5: The Director was newly appointed on June 23rd 2015.

Note 6: The Director was discharged on June 23rd 2015.

Note 7: The Director was newly appointed on June 23rd 2015.

Note 8: The Director was discharged on June 23rd 2015.

Note 9: The Director was discharged on January 11th 2016.

Note 10: The Director was newly appointed on January 11th 2016.

Note 11: The CFO & Vice President Finance was discharged on March 11th 2016.

Note 12: The Director was discharged on February 20th 2016.

Note 13: The Director was discharged on January 1st 2016.

Note 14: The Director was discharged on April 16th 2015.

Note 15: The Director was discharged on August 14th 2015.

Note 16: The Director was newly appointed on August 4th 2015.

Note 17: The Director was newly appointed on February 1st 2015.

Note 18: The Director was newly appointed on August 3rd 2015.

Note 19: The Director was newly appointed on January 1st 2016.

3.8.2 Shares Trading with Related Parties: None

3.8.3 Shares Pledge with Related Parties: None

3.9 Relationship among the Top Ten Shareholders

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

As of 12/31/2015 ; Unit : Share ; %

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp Representative : Chih-Hsien Lo Institutional Shareholder Representative : Kao-Huei Cheng Tsung-Ming Su Kun-Shun Tsai Yung-Fa Chen	277,337,870	37.935%	—	—	—	—	President International Development Corp.	1.Referring to the parent company of President International Development Corp.(PIDC) 2. Company's Chairman and President is also Chairman of PIDC 3.Director also referring to as Director of PIDC 4. Vice President also referring to as President of PIDC 5. Vice President also referring to as Director of PIDC 6. Assistant Vice President also referring to as Director of PIDC 7. Manager also referring to as Supervisor of PIDC 8. Chairman and President is the spouse of Director of PIDC 9. Director is father-in-law of Chairman of PIDC	
							Tong Yu Investment Corp	1.Referring to the final parent company of Tong Yu Investment Corp 2. Company's Chairman and President is also Chairman of Tong Yu Investment Corp 3. Vice President also referring to as Director of Tong Yu Investment Corp	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								4. Manager also referring to as director of Tong Yu Investment Corp 5. Director is the spouse of chairman of Tong Yu Investment Corp 6. Director is father-in-law of Chairman of Tong Yu Investment Corp	
							Tainan Spinning Co., Ltd.	1. Company's Chairman is also Chairman of Tainan Spinning Co., Ltd. 2. Company's director is also Vice Chairman and President of Tainan Spinning Co., Ltd. 3. Company's director is also Director of Tainan Spinning Co., Ltd. 4. Vice Chairman and President is brother of Director of Tainan Spinning Co., Ltd. 5. Chairman and President is father-in-law of director of Tainan Spinning Co., Ltd.	
Uni-President Enterprises Corp Representative : Chih-Hsien Lo Institutional Shareholder Representative : Kao-Huei Cheng Tsung-Ming Su Kun-Shun Tsai Yung-Fa Chen	277,337,870	37.935%	—	—	—	—	Kai Yu Investment Co.	1. Referring to the parent company of President International Development Corp.(PIDC) 2. Company's Chairman and President is also Chairman of Kai Yu Investment Co. 3. Vice President also referring to as Director of Kai Yu Investment Co. 4. Manager also referring to as Supervisor of Kai Yu Investment Co. 5. Director is the spouse of chairman of Kai Yu Investment Co.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								6. Director is father-in-law of Chairman of Kai Yu Investment Co.	
							Kai Nan Investment Co.	1. Referring to the parent company of Kai Nan Investment Co. 2. Company's Chairman and President is also Chairman of Kai Nan Investment Co. 3. Vice President also referring to as President of Kai Nan Investment Co. 4. Manager also referring to as director of Kai Nan Investment Co. 5. Director is the spouse of chairman of Kai Nan Investment Co. 6. Director is father-in-law of Chairman of Kai Nan Investment Co.	
							Kao Chyuan Inv. Co., Ltd.	1. Company's Chairman and Partial Directors are representatives of Kao Chyuan Inv. Co., Ltd. 2. Chairman and President is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 3. Chairman and President is the father-in-law of Director of Kao Chyuan Inv. Co., Ltd. 4. Chairman and President is the director of Kao Chyuan Inv. Co., Ltd. 5. Director is the father of chairman of Kao Chyuan Inv. Co., Ltd.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
National Development Fund, Executive Yuan Institutional Shareholder Representative : Po-Wu Gean Ming-Shi Chang	101,274,976	13.853%	—	—	—	—	None	None	
Taiwan Sugar Corporation Representative: Chao-Yih Chen Institutional Shareholder Representative : Chin-Jung Yang (Note 1)	30,123,857	4.120%	—	—	—	—	None	None	
President International Development Corp. Representative : Chih-Hsien Lo Institutional Shareholder Representative : Chiou-Ru Shih	26,510,191	3.626%		—	—	—	Uni-President Enterprises Corp.	1. An enterprise invested by Uni-President Enterprises on the basis of equity-method evaluation 2.Chairman is the Chairman and President of Uni-President Enterprises Corp. 3.President and Director is the Vice President of Uni-President Enterprises Corp. 4.Company Director is Director of Uni-President Enterprises Corp.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								5.Company Director is Vice President of Uni-President Enterprises Corp. 6.Company Director is Assistant Director of Uni-President Enterprises Corp. 7.Company's Chairman 、Director	
							Kao Chyuan Inv. Co., Ltd.	1.Chairman is the spouse of Director of Kao Chyuan Inv. Co., Ltd. 2.Director also referring to as Chairman of Kao Chyuan Inv. Co., Ltd. 3. Is Director of Kao Chyuan Inv. Co., Ltd. 4. Company's Director	
							Tong Yu Investment Corp.	1. An enterprise invested by Tong Yu Investment Corp. on the basis of equity-method evaluation 2.President and Director is the Director of Tong Yu Investment Corp. 3.Director also referring to as Director of Tong Yu Investment Corp. 4. Manager is also referring to as Supervisor of Tong Yu Investment Corp. 5.Being Chairman 、Director and Supervisor	
							Prince Housing &Development Corp.	1. Company's Chairman is also vice chairman of Prince Housing &Development Corp. 2.Director is also Chairman of Prince Housing &Development Corp. 3.Director is President of Prince Housing & Development Corp.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
President International Development Corp. Representative : Chih-Hsien Lo Institutional Shareholder Representative : Chiou-Ru Shih	26,510,191	3.626%	—	—	—	—		4. Director is Director of Prince Housing & Development Corp. 5. Company's Director	
							Kai Yu Investment Co.	1. Chariman is Chairman of Kai Yu Investment Co. 2. President and Director are also referring to as Director of Kai Yu Investment Co. 3. Director is also referring to as Director of Kai Yu Investment Co 4. Supervisor is also referring to as Supervisor of Kai Yu Investment Co	
							Tainan Spinning Co., Ltd.	1. Director is also referring to as Chairman of Tainan Spinning Co., Ltd. 2. Chairman is also referring to as Vice Chairman of Tainan Spinning Co., Ltd. 3. Direcotr is also referring to as Director of Tainan Spinning Co., Ltd. 4. Company's Director	
							Kai Nan Investment Co.	1. Diretor is also referring to as Chairman of Kai Nan Investment Co. 2. President is also referring to as Director of Kai Nan Investment Co. 3. Director is also referring to as Director of Kai Nan Investment Co. 4. Supervisor is also referring to as Supervisor of Kai Nan Investment Co.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Tainan Spinning Co., Ltd. Representative : Kao-Huei Cheng Institutional Shareholder Representative : Chien-Li Yin	21,825,001	2.985%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also referring to as Chairman of Uni-President Enterprises Corp. 2.Vice Chairman is also referring to as Director of Uni-President Enterprises Corp. 3.Vice Chairman is a brother of Director of Uni-President Enterprises Corp.	
							President International Development Corp.	1.Chairman is also referring to as Director of President International Development Corp. 2.Vice Chairman is also referring to as Director of President International Development Corp. 3.Director of President International Development Corp.	
							Prince Housing &Development Corp.	1.Vice Chairman is also referring to as Director of Prince Housing &Development Corp. 2.Vice Chairman is a brother of Director of Prince Housing &Development Corp.	
Kao-Huei Cheng	1,737,914	0.238%	—	—	—	—	Tainan Spinning Co., Ltd.	As Chairman of Tainan Spinning Co., Ltd.	
							Uni-President Enterprises Corp.	As Director of Uni-President Enterprises Corp.	
							President International Development Corp.	As Director of President International Development Corp.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kao-Huei Cheng	1,737,914	0.238%	—	—	—	—	Prince Housing &Development Corp.	As Chairman of Prince Housing &Development Corp.	
Prince Housing &Development Corp. Representative : Kao-Huei Cheng	21,825,001	2.985%	—	—	—	—	Uni-President Enterprises Corp.	1. Uni-President Enterprises Corp. is Company's Vice Chairman and biggest Shareholder. 2. Vice Chairman is also referring to as Chairman of Uni-President Enterprises Corp.	
							President International Development Corp.	1 Vice Chairman is also referring to as Chairman of President International Development Corp. 2. As Director of President International Development Corp.	
							Tong Yu Investment Corp.	1. Vice Chairman is also referring to as Chairman of Tong Yu Investment Corp. 2. Director is also referring to as Director of Tong Yu Investment Corp.	
							Tainan Spinning Co., Ltd.	Chairman is Chairman of Tainan Spinning Co., Ltd.	
							Kai Yu Investment Co.	1. Vice Chairman is also referring to as Chairman of Kai Yu Investment Co. 2. Director is also referring to as Supervisor of Kai Yu Investment Co.	
							Kao Chyuan Inv. Co., Ltd.	1. Kai Yu Investment Co. is Company's Director 2. Vice Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kai Nan Investment Co.	1.Vice Chairman is also referring to as Chairman of Kai Nan Investment Co. 2.Director is also referring to as Supervisor of Kai Nan Investment Co.	
Tong Yu Investment Corp. Representative : Chih-Hsien Lo	15,766,816	2.157%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also Chairman and President of Uni-President Enterprises Corp. 2.Director is also referring to as Vice President of Uni-President Enterprises Corp. 3.Director is also referring to as Manager of Uni-President Enterprises Corp.	
Tong Yu Investment Corp. Representative : Chih-Hsien Lo	15,766,816	2.157%	—	—	—	—	President International Development Corp.	1. An enterprise invested by President International Development Corp. on the basis of equity-method evaluation 2.Chairman is also referring to as the Chairman of President International Development Corp. 3.Chairman is the Director and President of President International Development Corp. 4.Director is also referring to as the Supervisor of President International Development Corp. 5.Supervisor is also referring to as the Assistant Director of President International Development Corp. 6.Company's Chairman 、 Director and Supervisor	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Prince Housing & Development Corp.	1.Chairman is also referring to as the Vice Chairman of Prince Housing & Development Corp. 2.Director is also referring to as the Director of Prince Housing & Development Corp.	
							Kai Yu Investment Co.	1.Chairman is also referring to as the Chairman of Kai Yu Investment Co. 2.Director is also referring to as the Director of Kai Yu Investment Co. 3.Director is also referring to as the Supervisor of Kai Yu Investment Co.	
							Kao Chyuan Inv. Co., Ltd.	Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd.	
							Kai Nan Investment Co.	1.Chairman is also referring to as the Chairman of Kai Nan Investment Co. 2.Director is also referring to as the Director of Kai Nan Investment Co. 3.Director is also referring to as the Supervisor of Kai Nan Investment Co.	
Kao Chyuan Inv. Co., Ltd. Representative : Shiow-Ling Kao Institutional Shareholder Representative : Shiow-Ling Kao	13,713,697	1.876%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also referring to as the Director of Uni-President Enterprises Corp. 2.Director is Chairman and President of Uni-President Enterprises Corp. 3.Chairman is the spouse of Chairman and President of Uni-President Enterprises Corp. 4. Uni-President Enterprises Corp.'s Chairman and Director.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							President International Development Corp.	1.Chairman is also referring to as the Director President International Development Corp. 2.Director is also referring to as the Chairman of President International Development Corp. 3.Chairman is the spouse of Chairman and President of President International Development Corp. 4. President International Development Corp.'s Director	
							Tong Yu Investment Corp.	1.Director is also referring to as the Chairman of Tong Yu Investment Corp. 2.Chairman is the spouse of Chairman of Tong Yu Investment Corp.	
Kao Chyuan Inv. Co., Ltd. Representative : Shiow-Ling Kao Institutional Shareholder Representative : Shiow-Ling Kao	13,713,697	1.876%	—	—	—	—	Prince Housing &Development Corp.	1.Chairman is also referring to as the Director of Prince Housing &Development Corp. 2.Director is the Vice Chairman of Prince Housing &Development Corp. 3.Chairman is the spouse of Vice Chairman of Prince Housing &Development Corp. 4. Referring to Prince Housing &Development Corp.'s Director	
							Kai Yu Investment Co.	1.Director is also referring to as the Chairman of Kai Yu Investment Co. 2.Chairman is the spouse of Chairman of Kai Yu Investment Co.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kai Nan Investment Co.	1. Director is also referring to as the Chairman of Kai Nan Investment Co. 2. Chairman is the spouse of Chairman of Kai Nan Investment Co.	
Kai Yu Investment Co. Representative : Chih-Hsien Lo	13,649,376	1.867%	—	—	—	—	Uni-President Enterprises Corp.	1. Referring to a Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp. representatives are Chairman 、Directors and Supervisors 3. Chairman is also referring to as the Chairman and President of Uni-President Enterprises Corp. 4. Director is also referring to as the Vice President of Uni-President Enterprises Corp. 5. Supervisor is also referring to as the Manager of Uni-President Enterprises Corp. 6. Chairman is the spouse of Director of Uni-President Enterprises Corp. 7. Director is father-in-law of Director of Uni-President Enterprises Corp.	
							President International Development Corp.	1. Same Parent Company with President International Development Corp. 2. Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is the Director and President of President International Development Corp.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								4. Director is also referring to as the Director of President International Development Corp. 5. Supervisor is also referring to as the Supervisor of President International Development Corp.	
							Tong Yu Investment Corp.	1. Same Parent Company with Tong Yu Investment Corp. 2. Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3. Director is also referring to as the Director of Tong Yu Investment Corp. 4. Supervisor is also referring to as the Director of Tong Yu Investment Corp.	
Kai Yu Investment Co. Representative : Chih-Hsien Lo	13,649,376	1.867%	—	—	—	—	Kai Nan Investment Co.	1. Same Parent Company with Kai Nan Investment Co. 2. Chairman is also referring to as the Chairman of Kai Nan Investment Co. 3. Director is also referring to as the Director of Kai Nan Investment Co. 4. Supervisor is also referring to as the Supervisor of Kai Nan Investment Co.	
							Kao Chyuan Inv. Co., Ltd.	1. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2. Chairman is the Director of Kao Chyuan Inv. Co., Ltd. 3. Chairman is father-in-law of Director of Kao Chyuan Inv. Co., Ltd.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kai Nan Investment Co. Representative : Chih-Hsien Lo	12,897,617	1.764%	—	—	—	—	Uni-President Enterprises Corp.	1.Referring to the Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp.'s representatives are Chairman 、Directors and Supervisors 3.Chairman is the Chairman and President of Uni-President Enterprises Corp. 4.Director is also referring to as the Vice president of Uni-President Enterprises Corp. 5.Supervisor is also referring to as the Manager of Uni-President Enterprises Corp. 6.Chairman is the spouse of Director of Uni-President Enterprises Corp. 7. Chairman is father-in-law of Chairman of Uni-President Enterprises Corp.	
							President International Development Corp.	1.Same Parent Company with President International Development Corp. 2.Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is also referring to as the Director and President of President International Development Corp 4.Director is also referring to as the Director of President International Development Corp.	

Name	Current Shareholding(Note2)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								5.Supervisor is also referring to as the Supervisor of President International Development Corp.	
							Tong Yu Investment Corp.	1.Same final Parent Company with Tong Yu Investment Corp. 2.Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3.Director is also referring to as the Director of Tong Yu Investment Corp. 4.Supervisor is also referring to as the Director of Tong Yu Investment Corp.	
Kai Nan Investment Co. Representative : Chih-Hsien Lo	12,897,617	1.764%	—	—	—	—	Kai Yu Investment Co.	1.Same Parent Company with Kai Yu Investment Co 2.Chairman is also referring to as the Chairman of Kai Yu Investment Co 3.Director is also referring to as the Director of Kai Yu Investment Co 4.Supervisor is also referring to as the Supervisor of Kai Yu Investment Co	
							Kao Chyuan Inv. Co., Ltd.	1.Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2.Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd. 3. Chairman is father-in-law of Chairman of Kao Chyuan Inv. Co., Ltd.	

Note1: Taiwan Sugar Corp. assigned Mr. Wang Kuo-Hsi as its representative to serve Director of the Company.

Note2: Holding Shares and Holding Percentage as of April 29th 2016.

3.10 Ownership of Shares in Affiliated Enterprises

12/31/2015 ; Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
SPT International, Ltd.	60,524,644	100%	-	-	60,524,644	100%
ScinoPharm Singapore Pte Ltd.	2	100%	-	-	2	100%

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

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Issued Shares

As of 04/30/2016

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

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
08/2014	10	1,000,000	10,000,000	702,964	7,029,643	capital increase on retained earnings 270,371		Note 15
08/2015	10	1,000,000	10,000,000	731,082	7,310,829	capital increase on retained earnings 281,186		Note 16

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1.1.2 Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares (Share)	Total Shares	
Common Stock	731,082,860	268,917,140	1,000,000,000	Listed Company Stock

4.1.1.3 Information for Shelf Registration: None

4.1.2 Status of Shareholders

As of 04/30.2016

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	2	134	28,225	122	28,484
Shareholding (shares)	101,274,976	13,728,922	443,496,839	129,035,865	43,546,258	731,082,860
Percentage	13.853%	1.468%	60.663%	17.650%	5.956%	100.000%

4.1.3 Shareholding Distribution Status

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

As of 04/30/2016

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	8,011	1,154,660	0.158%
1,000 ~ 5,000	15,177	30,164,706	4.126%
5,001 ~ 10,000	2,669	18,985,554	2.597%
10,001 ~ 15,000	988	11,830,523	1.618%
15,001 ~ 20,000	443	7,875,846	1.077%
20,001 ~ 30,000	486	11,775,937	1.611%
30,001 ~ 50,000	312	11,914,623	1.630%
50,001 ~ 100,000	206	14,163,464	1.937%
100,001 ~ 200,000	89	12,590,139	1.722%
200,001 ~ 400,000	43	11,387,342	1.558%
400,001 ~ 600,000	13	6,437,873	0.881%
600,001 ~ 800,000	12	8,569,804	1.172%
800,001 ~ 1,000,000	5	4,459,841	0.610%
1,000,001 以上	30	579,772,548	79.303%
Total	28,484	731,082,860	100.000%

4.1.3.2 Preferred Shares: None.

4.1.4 List of Major Shareholders

As of 04/30/ 2016

Shareholder's Name	Shares	Percentage
Uni-President Enterprises Corp	277,337,870	37.935%
National Development Fund, Executive Yuan	101,274,976	13.853%
Taiwan Sugar Corporation	30,123,857	4.120%
President International Development Corp.	26,510,191	3.626%
Tainan Spinning Co., Ltd.	21,825,001	2.985%
Prince Housing & Development Corp.	21,825,001	2.985%
Tong Yu Investment Corp.	15,766,816	2.157%
Kao Chyuan Inv. Co., Ltd.	13,713,697	1.876%
Kai Yu Investment Co.	13,649,376	1.867%
Kai Nan Investment Co.	12,897,617	1.764%

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

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

Item \ Year		2014	2015	As of March 31 2016
Market Price per Share	Highest	90.40	62.70	56.40
	Lowest	52.40	30.95	44.60
	Average	71.17	44.56	51.18
Net Worth per Share	Before Distribution	13.34	13.48	13.72
	After Distribution	13.14	(Note 4)	-
Earnings per Share	Weighted Average Shares (thousand shares)	702,964	731,083	731,083
	Diluted Earnings Per Share	0.69	0.87	0.24
Dividends per Share	Cash Dividends	0.20	(Note 4)	-
	Stock Dividends	Dividends from Retained Earnings (Note 4)	(Note 4)	-
		Dividends from Capital Surplus (Note 4)	(Note 4)	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price / Earnings Ratio (Note1)	103.14	51.22	-
	Price / Dividend Ratio (Note2)	355.85	(Note 4)	-
	Cash Dividend Yield Rate (Note 3)	0.28%	(Note 4)	-

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

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

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

Note 4: The income distribution plan for fiscal 2015 has not yet approved by the general shareholders meeting.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy:

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

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

4.1.6.2. Proposed Distribution of Dividend

The proposal for distribution of 2015 profits was passed at the Meeting of the Board of the Board of Directors. This proposal, a cash dividend of NTD 0.3 per share and stock dividend of NTD 0.4 per share, will be discussed at annual shareholders' meeting.

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

4.1.8 Employee Bonus and Directors' Remuneration

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

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

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

The basis of estimates is based on a certain percentage of 2015 net income after taking into account the legal reserve and other factors, as prescribed under the Company's Articles of Incorporation.

4.1.8.3. Profit Distribution of Year 2015 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration

(1) Recommended Distribution of Employee Bonus and Directors' Remuneration:

(NT\$ thousands)

Employee Bonus – in Cash	\$77,010,882
Employee Bonus – in Stock	0
Directors' Remuneration	<u>11,542,599</u>
Total	<u>\$88,553,481</u>

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings:
None.

4.1.8.4. Information of 2014 Earnings Set Aside for Employee Bonus and Directors' Remuneration

Distribution of 2014 Earnings (NT\$ thousands)

Employee Bonus – in Cash	\$867,832
Directors' Remuneration	<u>8,678,314</u>
Total	<u>\$9,546,146</u>

4.1.9 Buyback of Treasury Stock: None

4.2 Bonds: None

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

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

Issuance of Employee Stock Options

As of 4/30/ 2016

Type of Stock Option	First issuance of Employee Stock Options on 2013	First issuance of Employee Stock Options on 2015
Approval date	102/10/24	104/10/13
Issue date	102/12/03	104/11/06
Units issued	1,000,000Units(Note 1)	1,500,000 Units (Note 1)
Shares of stock options to be issued as a percentage of outstanding shares	0.13678% (Note2)	0.20518% Note2)
Duration	10years	10years
Conversion measures	issue new shares	issue new shares
Conditional conversion periods and percentages	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.
Converted shares	0share	0share
Exercised amount	0	0
Number of shares yet to be converted	832,000 shares	1,340,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT\$83.40/share	NT\$41.65/share
Unexercised shares as a percentage of total issued shares	0.11380% (Note2)	0.18329% (Note2)
Impact on possible dilution of shareholdings	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.

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

Note 2: As calculated based on a total of 731,082,860 shares outstanding currently.

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

4/30/2016 ; Unit : share/NT\$

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executives Officers	President	Yung-Fa Chen	1,224,000	0.16742% (Note 3)	0	-	0	0	1,224,000	83.40 / 41.65	67,804,750	0.16742% (Note 3)
	Vice President	Chih-Fang Chen										
	Vice President Finance	Patricia Chou (Note1)										
	Vice-President	Ching-Wen Lin										
	Vice President	Tsung-Jung Yen										
	Vice President	Kuo-Hsi Cheng										
	Director	Li-Chiao Chang										
	Director	Yu-Fen Hung										
	Director	Chau Shi-Ming (Note 2)										
	Director	Chao-An Chou										
	Director	Jessie Wang										
	Director Accounting	Chih-Hui Lin										
	Director	Erick Co										
	Director	Lung Huang Kuo										
	Director	Ling-Hsiao Lien										
	Director	Luh-Chian Chang										
	Director	Nan-Sheng Chan										
	Director	Sharon Lee										
	Director	Hui-Ching Chou										

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Employees (Note 4)	Senior Manager	Tsung-Yu Hsiao	292,000	0.03994 % (Note3)	0	-	0	0	292,000	83.40 / 41.65	16,378,550	0.03994% (Note 3)
	Senior Manager	Tsung-Cheng Hu										
	Senior Manager	Albert Song										
	Senior Manager	John Tsai										
	Senior Manager	Sabrina Wu										
	Senior Manager	Hanch Su										
	Senior Manager	Bin Liu										
	Manger	Hui-Chun Chen										
	Manger	Yu-Wei Shen										
	Manger	Jason Liang										

Note 1: The Executive officer resigned on March 11th 2016

Note 2: The Executive officer resigned on February 20, 2016

Note 3: As calculated based on a total of 731,082,860 shares outstanding currently.

Note 4: The top-10 employees who can buy the highest amount of shares via stock options refer to non-manager employees.

4.4 Financing Plans and Implementation

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

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 The business items of the Company are as follows:

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

<<1. Research, development, production, manufacture and distribution of the following products:

(1) generic APIs, (2) protein drugs, (3) oligonucleotide, (4) peptide, (5) injection formulation, (6) small-molecule new drugs.

2. Consulting, advisory and technical services relating to the above products.

3. International trade in connection with the above products.>>

5.1.1.2 2015 Revenue distribution

Unit : thousand NTD ; %

Major Products	Year 2015	
	Total Sales	(%) of Total Sales
Manufacturing and sales of API	3,871,561	98%
Technical Services Income	82,272	2%
Other Income	1,374	-
Total Sales	3,955,207	100%

5.1.1.3 Categories of services available currently

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

A. In-house developed APIs (active pharmaceutical ingredients) categorized by purpose:

- 1. Cancer-related application APIs totaling 30 items.
- 2. Central nervous system-related application APIs totaling eight items.
- 3. Cardiovascular-related application APIs totaling six items.
- 4. Infection-related application APIs totaling four items.

5. Women's health-related application APIs totaling three items.
6. Genitourinary-related application APIs totaling three items.
7. Digestion-related application APIs totaling two items.
8. Metabolism-related application APIs totaling two items.
9. APIs for other applications totaling five items.

For total APIs developed in house, three are nucleic acid-related APIs.

B. Customized development and subcontract production of APIs:

1. Commercialized production of APIs totaling five items.
2. APIs under clinical trials totaling ten items.

C. Development and manufacturing services for injection drugs:

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

5.1.1.4 Roadmaps for new products:

New products on drawing board	Purpose
SPT1312	Osteoporosis T treatment
SPT1348	Gastrointestinal drugs
SPC1357	Hepatitis drugs
SPC1361	Anticoagulant drugs
SPT1388	Cancer drugs
SPT1394	Cancer drugs
SPT1400	Cancer drugs
SPT1401	Psychiatric drugs
SPT1411	Anticoagulant drugs

5.1.2 Industry Overview

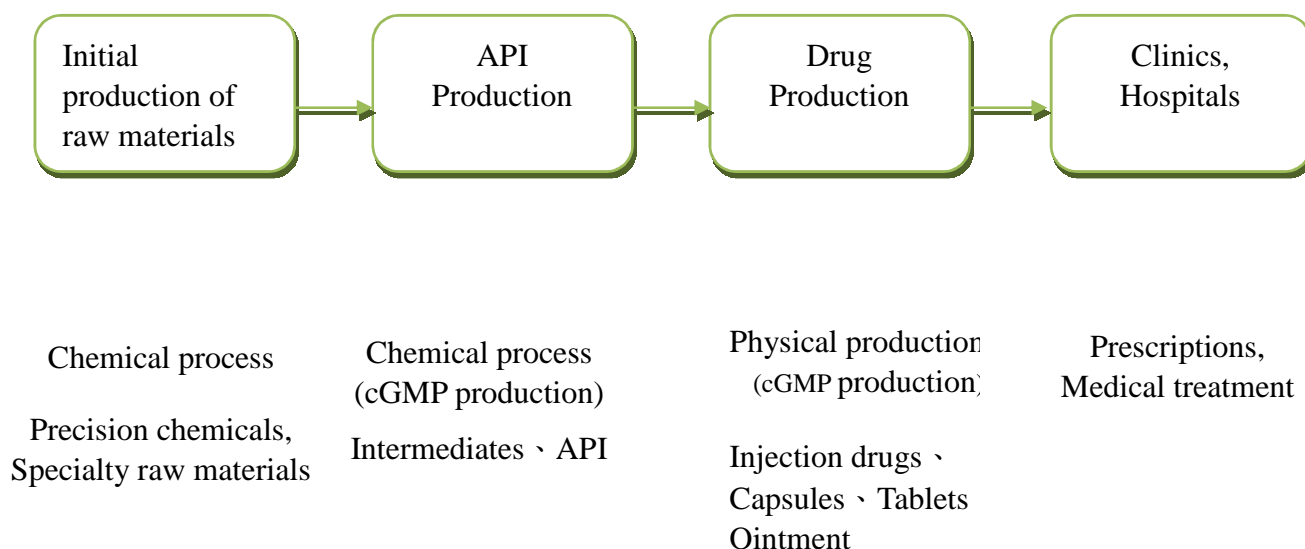
5.1.2.1 Current Situation and Future Development of the Industry

Global sales of drug products totaled US\$1.007 trillion in 2015 and are expected to reach over US\$1.4 trillion in 2020, representing a CAGR of 4-7% from 2016-2020, during which developed countries will have a CAGR of 3-6% and emerging markets will have a CAGR of 7-10%, according data compiled by IMS. The drug market in the U.S. will reach US\$560-590 billion in 2020, accounting for 41% of the global market, followed by Europe (five major countries) with 13%, China 11% and Japan 6%. Being the developed areas North America and Europe are two major pharmaceutical markets globally, but the growth in the two markets is tapering down due to efforts to reduce gigantic medicare expenses, to encourage the use of generic drugs, to lower pharmaceutical product prices and to pare down drug spending. Comparatively, the drug markets in emerging economies are growing rapidly thanks to economic growth, rising medicare standard and increasing demand for pharmaceutical products. However, the growth of generic drugs in emerging markets is still relatively limited.

The global development of generic drugs has been gaining momentum since the enactment of the Hatch-Waxman Act in the U.S. in 1984. Moreover, since excess medical expenses have become a major issue that has to be addressed urgently in many developed countries, a number of governments have begun in recent years to amend their related laws and regulations, mapping out goals and plans for the use generic drugs, encouraging the roll-out and application of generic medicines, while helping governments and people mitigate their medical expenses. The change of health policy in Japan is also expected to bring benefits to the generic drug market. The generic drug market reached US\$400-430 billion in 2015, accounting for 36-39% of the global pharmaceutical market, according to IMS.

While the growth potential of the global generic drug market is increasing, the API market has also continued to expand. The global API market totaled US\$150 billion in 2015 and is expected to reach US\$205.5 billion in 2020, according to market data. Meanwhile, the trend of subcontract production or development process of APIs is also growing year by year as drug makers have continued to seek ways to reduce production costs. Consequently, outsourcing of APIs will become the mainstream of the market in the future, and the focus of outsourcing market will shift from the U.S and Europe to Asia, making the region the fastest growing API market, at a CAGR of 9%, while also heating up competition.

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



5.1.2.3 Global development trend of the industry of active pharmaceutical ingredients

- A. Outsourcing trend for the production of active pharmaceutical ingredients of new drugs
- Demands of preparations companies for active pharmaceutical ingredients can be classified, according to production and supply methods, into own production for own use and outsourcing production. Although majority of major international patented drug companies tend to produce active pharmaceutical ingredients for own use by themselves, for better grip of quality and time, they are intensifying focus on R&D, sales, and market grasp for new drugs, in order to speed up rollout of new drugs, in order to cope with threat of generic drugs and uphold market shares. In view of lesser role of active pharmaceutical ingredients in their profits and in order to massive capital outlays for plant production, growing numbers of major international patented drug companies have outsourced production of active pharmaceutical ingredients. By contrast, majority of smaller patented drug companies have outsourced production of active pharmaceutical ingredients for different stages of new-drug development, including R&D and clinical tests. The outsourcing trend has been intensified by the following objective conditions:
- 1) With timing of marketing of NCEs (new chemical entities) being the primary concern of patented drug companies, outsourcing of production can shorten R&D process and advance materialization of extra revenue and profit.
 - 2) Outsourcing production for active pharmaceutical ingredients can reserve limited resources for R&D and production with higher priorities, thereby maximizing profits.
 - 3) Joint development of products and division of labor in mass production can lower production cost.
 - 4) Outsourcing-production firms can cut cost, via economy of scale and form an industrial chain for higher efficiency, while patented drug companies can maintain flexible operation, in line with market needs.
 - 5) Some patented-drug companies lack necessary technologies or expertise for production of active pharmaceutical ingredients.
- B. Trend of the market of active pharmaceutical ingredients of generic drugs
- According to a report in Journal of Medical Economics in the U.S., 80% of applications by preparations companies for licenses for generic drugs in the U.S. were made in the form of challenging existing patents, the so-called P4 mode, a far cry from 10% in 1995. In addition,

the average length between application for generic-drug licenses and marketing time of new drugs has been shortening. Therefore, suppliers have to supply active pharmaceutical ingredients of said generic drugs to generic-drug preparations companies as soon as possible, in order to land business opportunities.

Meanwhile, as for legal requirement of quality, member countries of ICH have substituted knowledge-based risk-management mode for inspection-based quality-control mode, with the U.S. even replacing past practice of itemized inspection with question-based inspection. Therefore, generic-drug companies must have more precise grip of quality of pharmaceuticals. Accordingly, suppliers of active pharmaceutical ingredients have to make concerted effort with generic-drug firms in upgrading quality-control system, so that quality concern would not cause delay in the obtaining of generic-drug licenses. Quality has become prerequisite for suppliers of active pharmaceutical ingredients in landing orders. Lastly, according to a report in the Journal of Medical Economics in the U.S. comparing activities of generic-drug companies in 2009-2011 with their activities in 1995-1998, it is found that with one year following debut of a generic drug, the number of suppliers of such generic drug in the latter stage doubled that in the initial stage, leading to much more competition. Therefore, suppliers have to provide quality active pharmaceutical ingredients in an early stage and at low prices, in order to secure business opportunities.

In sum, with generic-drug preparations companies ever demanding early supply of quality active pharmaceutical ingredients at low prices, suppliers must focus on development of proprietary technologies and protection of intellectual properties, in order to meet the business demand more efficiently and sustain business growth.

5.1.3 Technology and R&D status

5.1.3.1 Technological level and R&D for the engaged businesses

As for registered inspection files necessary for entering highly regulated markets, such as the U.S. and Europe, the company had registered 55 DMFs (Drug Master Files) with the U.S. FDA as of the end of December 2015, on top of 20 EDMFs (European DMFs) in some 30 European countries, including CEP (COS) for 10 products, applicable in the European Union. Worldwide, the company has made 733 drug registrations and number of its DMFs will increase further yearly, along with increase of the company's product development items and the need of customers in drug marketing.

As for intellectual properties, except patents no longer being upheld by the company due to irrelevance to the company's long-term development, the company now owns 52 inventions, as well as 251 patents worldwide (as shown in the table below). As for technologies needed for mass production of peptide, in addition to the use of solid-phase synthesizing machine, the company has also established technological platform for semi-solid phase synthesis. The company can flexibly embrace either of the two technologies, both fit for cGMP production, according to the features of needed peptide, giving it an extra adaptability and response capability.

No.	Product	Title	Patent number	Country
1	Benazepril	Asymmetric synthesis of a key intermediate for making benazepril and analogues thereof	US6548665B2	US
2	Bio	Monoclonal antibody with the capability of neutralizing enterovirus type 71 infection	US7718775B2	US
3	Crystalline Docetaxel	Crystalline forms of docetaxel and process for preparation thereof	US7662980B2	US
			AU2007309534B2	Australia
			AU2012203862B2	Australia
			US8357811B2	US
			KR1266549B1	Korea
			CA2756603C	Canada
			CA2667416C	Canada
4	Galantamine	Resolution of a Narwedine Amide Derivatives	US7307162B2	US
			IN232259B	India
			AU2004276354B2	Australia
			CN1875004B	China
			CA2540248C	Canada
			EP1670767B1	EP(Switzerland)
			EP1670767B1	EP(Germany)
			EP1670767B1	EP(France)
			EP1670767B1	EP(United Kingdom)
			EP1670767B1	EP(Italy)
			JP5020633B2	Japan
			IL174551	Israel
5	Gemcitabine	Process of making an alpha-anomer enriched 2-deoxy-2, 2-difluoro-D-ribofuranosyl sulfonate and use thereof for making a beta nucleoside	US7572898B2	US
			TWI322812B	Taiwan
			CN101203525B	China
			KR1171087B1	Korea
			IN261002B	India
			JP5091126B2	Japan
6	Irinotecan	Process for the preparation of 7-alkyl-10-hydroxy-20 (S)-camptothecin	US7151179B2	US
			CN100344633C	China
			IN230431B	India
			AU2004238358B2	Australia
			IL171789	Israel
			CA2578767C	Canada
			EP1628982B1	EP(France)
			EP1628982B1	EP(Germany)
			EP1628982B1	EP(Italy)
			EP1628982B1	EP(Switzerland)
			EP1628982B1	EP(United Kingdom)

No.	Product	Title	Patent number	Country
			JP05270091B2	Japan
7	Irinotecan	Crystal forms of irinotecan hydrochloride	US7435818B2	US
			EP1951235B1	EP(France)
			EP1951235B1	EP(United Kingdom)
			DE602006012871D1	EP(Germany)
			CN101277694B	China
			KR1150504B1	Korea
			JP5119153B2	Japan
			AU2006292328B2	Australia
			IN262633B	India
			CA2623117C	Canada
8	Paclitaxel	Process for making taxane derivatives	US6531611B2	US
9	SGLT2	Process for the Preparation of β -C-aryl Glucosides	US8952139B2	US
			TWI488861B	Taiwan
10	Tamsulosin	Process for preparing Tamsulosin	US7332621B2	US
			CN100545148C	China
			TWI330175B	Taiwan
11	Travoprost and Bimatoprost	Process for the preparation of prostaglandin analogues and intermediates thereof	US7897795B2	US
			TWI367206	Taiwan
			AU2009250938B2	Australia
			CN102056887B	China
			EP2274266B1	EP(France)
			EP2274266B1	EP(Germany)
			EP2274266B1	EP(United Kingdom)
			EP2274266B1	EP(Spain)
			EP2274266B1	EP(Italy)
			JP5485980B2	Japan
			US8742143B2	US
			US8436194B2	US
			CA2721102C	Canada
12	Zolpidem	Process for the preparation imidazo [1,2-A] pyridine-3-acetamides	US6861525B2	US
13	Paliperidone	Intermediate for the preparation of paliperidone	US7629469B2	US
14	Topotecan	Process for making Topotecan	US7977483B2	US
			IL201455	Israel
			JP05315335B2	Japan

No.	Product	Title	Patent number	Country
15	Galantamine intermediate C2	Process for Making Galantamine	US7985879B2	US
			TWI343909B	Taiwan
			AU2008239730B2	Australia
			CA2683098C	Canada
			KR1172044B1	Korea
			JP5441883B2	Japan
			EP2146719B1	EP(Austria)
			EP2146719B1	EP(France)
			EP2146719B1	EP(Germany)
			EP2146719B1	EP(Greece)
			EP2146719B1	EP(Ireland)
			EP2146719B1	EP(Italy)
			EP2146719B1	EP(Poland)
			EP2146719B1	EP(Slovenia)
			EP2146719B1	EP(Spain)
			EP2146719B1	EP(Switzerland)
			EP2146719B1	EP(United Kingdom)
			EP2146719B1	EP(Hungary)
			CN101674835B	China
16	Topotecan-crystal	Crystalline forms of topotecan hydrochloride and processes for making the same	US8013158B2	US
			AU2008241509B2	Australia
			CN101730702B	China
			CA2684599C	Canada
			JP05315337B2	Japan
			IL201603	Israel
17	Exemestane	Process for preparing aromatase inhibitors	AU2008248222B2	Australia
			KR1446825B1	Korea
			EP2142561B1	EP(Bulgaria)
			EP2142561B1	EP(Hungary)
			JP05282084B2	Japan
18	SN38	Crystalline Polymorph of 7-ethyl-10- hydroxycamptothecin	US8138343B2	US
			CN101686968B	China
			EP2170329B1	EP(Austria)
			EP2170329B1	EP(Germany)
			EP2170329B1	EP(United Kingdom)
			EP2170329B1	EP(Italy)
			EP2170329B1	EP(Romania)
			EP2170329B1	EP(Slovenia)
			EP2170329B1	EP(Spain)
			EP2170329B1	EP(France)
			EP2170329B1	EP(Greece)
			EP2170329B1	EP(Hungary)
			AU2008269148B2	Australia
			JP05860213B2	Japan

No.	Product	Title	Patent number	Country
			KR1579625B1	Korea
19	Gemcitabine	Process of Making 2-Deoxy-2,2-Difluoro-D-Ribofuranosyl Nucleosides and Intermediates Therefor	US8168766B2	US
20	Granisetron	Polymorphic Form of Granisetron Hydrochloride and Methods of Making the same	US8193217B2	US
			CN102131506B	China
21	Azacitidine	Process for Making 5-Azacytosine Nucleosides and Their Derivatives	IL211100	Israel
			US8212021B2	US
			AU2009279461B2	Australia
			EP2318423B1	EP(Austria)
			EP2318423B1	EP(Germany)
			EP2318423B1	EP(Spain)
			EP2318423B1	EP(France)
			EP2318423B1	EP(United Kingdom)
			EP2318423B1	EP(Greece)
			EP2318423B1	EP(Hungary)
			EP2318423B1	EP(Italy)
			EP2318423B1	EP(Romania)
			JP5650643B2	Japan
22	Glatiramer	Synthesis of Glatiramer Acetate	US8212002B2	US
			CN102112485B	China
23	Cladribine	Process for the preparation of 6-amino-2-chloro-9-(2'-deoxy-β-D-ribofuranosyl)-9H-purine	US8232387B2	US
			US8338586B2	US
			TWI399381B	Taiwan
24	Bivalirudin	Process for Making Bivalirudin	US8252896B2	US
			IL211555	Israel
			AU2009288027B2	Australia
			TWI395752B1	Taiwan
			EP2349307B1	EP(Germany)
			EP2349307B1	EP(France)
			EP2349307B1	EP(United Kingdom)
25	Gemcitabine base	Crystalline Polymorphs of Gemcitabine Base	JP5788321B2	Japan
			US8350023B2	US
			AU2009257344B2	Australia

No.	Product	Title	Patent number	Country
26	Lenalidomide	Solid Forms of 3-(4-amino-1-oxo-1,3-dihydro-is oindol-2-yl)-piperidine-2,6-dione and Methods of Making The Same	US8420672B2	US
			AU2010296072B2	Australia
27	Decitabine	Synthesis of Decitabine	AU2010291893B2	Australia
			CN102209467B	China
			CN102171195B	China
			EP2341772B1	EP(Austria)
			EP2341772B1	EP(Germany)
			EP2341772B1	EP(Spain)
			EP2341772B1	EP(France)
			EP2341772B1	EP(United Kingdom)
			EP2341772B1	EP(Croatia)
			EP2341772B1	EP(Hungary)
			EP2341772B1	EP(Italy)
			EP2341772B1	EP(Netherlands)
			EP2341772B1	EP(Romania)
			EP2341772B1	EP(Turkey)
			US8586729B2	US
			IL212065	Israel
			JP5766703B2	Japan
28	Atazanavir	A New Process for Preparing Form A Atazanavir sulfate	US8461347B2	US
29	Entecavir	Process for preparing Entecavir and intermediates therefor	US8481728B2	US
			TWI418559B	Taiwan
			JP5791636B2	Japan
30	Bortezomib	Preparing bortezomib using racemic α -aminoboronic ester intermediate	US8497374B2	US
31	Lapatinib	Process and Intermediates for Preparing Lapatinib	US8563719B2	US
			US8710221B2	US
			TWI453202B	Taiwan
			CN102812019B	China
			CA2793742C	Canada
			JP5833626B2	Japan
32	Cabazitaxel	Crystalline Forms of Cabazitaxel.	US8575373B2	US
			US8735611B2	US
33	Glatiramer	Methods of analyzing peptide mixtures	US8497630B2	US
			EP2427199B1	EP(Germany)
			EP2427199B1	EP(France)
			EP2427199B1	EP(United Kingdom)
			AU2010245773B2	Australia
34	Glatiramer	Methods for Chemical	US8643274B2	US

No.	Product	Title	Patent number	Country
		Equivalence in Characterizing of Complex Molecules		
35	Clofarabine	Preparation for 2-chloro-9-(2'-deoxy-2'-fluoro-β-D-arabinofuranosyl)-adenine	US8648188B2	US
			EP2404926B1	EP(Germany)
			EP2404926B1	EP(Spain)
			EP2404926B1	EP(France)
			EP2404926B1	EP(United Kingdom)
			EP2404926B1	EP(Italy)
			CN102311472B	China
36	Cell Screening	Inhibition-based High-throughput Screen Strategy for Cell Clones	US8765370B2	US
			US8642327B2	US
			CN102648288B	China
			AU2010258348B2	Australia
			TWI475109B	Taiwan
			EP2440676B1	EP(Germany)
			EP2440676B1	EP(France)
			EP2440676B1	EP(United Kingdom)
37	Fondaparinux	Process for the Preparation of Disaccharides Applied to Heparin Pentasaccharides	JP05797192B2	Japan
			US8889853B2	US
			TWI434857B	Taiwan
			AU2011312907B2	Australia
38	Lubiprostone	Processes for the Preparation of Lubiprostone	CN103168045B	China
			US8846958B2	US
			TWI434837B	Taiwan
			NZ608823B	New Zealand
			AU2010362494B2	Australia
			CN103180306B	China
39	Intermediate for Protease Inhibitor	Process for Reduction of α-acyloxy Sulfide Derivatives	JP5755750B2	Japan
			US9012662B2	US
			Intermediates for the preparation of lubiprostone	
40	Cabazitaxel	Process for Reduction of α-acyloxy Sulfide Derivatives	US8722921B2	US
			TWI429620B	Taiwan
			CN103391919B	China
40	Cabazitaxel	Process for Cabazitaxel and Intermediates Thereof	US8722900B2	US
41	Topiramate	Process for the Preparation and Purification of Topiramate	US8748594B2	US
			JP5643844B2	Japan
			TWI477510B	Taiwan
			CN102725301B	China
			EP2367836B1	EP(Germany)
			EP2367836B1	EP(France)
			EP2367836B1	EP(United Kingdom)
42	Pemetrexed disodium	Process for the Production of Pemetrexed Salt	TWI443100B	Taiwan
			US9051322B2	US

No.	Product	Title	Patent number	Country
			JP5826371B2	Japan
43	Sunitinib malate	Processes for the Preparation of 3-(pyrrol-2-yl)methylene)-2-pyrrolones Using 2-silyloxy-pyrroles	US8846953B2	US
			NZ609475	New Zealand
			JP5732541B	Japan
			AU2010363613	Australia
			CN103328465B	China
44	Peptide	Real-time Monitor Solid Phase Peptide Synthesis (SPPS) by Mass Spectrometry	US8835179B2	US
			CN103261889B	China
			TWI510781B	Taiwan
45	MITH	Process for the manufacture of chiral catalysts and their salts	US8859765B2	US
			TWI483926B	Taiwan
			AU2012346860	Australia
46	Roflumilast	A novel Process for the Preparation of Roflumilast	TWI460163B	Taiwan
			US9085533B2	US
			US9233925B2	US
			NZ629161	New Zealand
47	Peptide	Peptide chromatographic purification assisted by combining of solubility parameter and solution conformation energy calculations	US8933196B2	US
			TWI510276B	Taiwan
48	Dapagliflozin and Canagliflozin	Crystalline and Non-crystalline Forms of SGLT2 Inhibitors	US8999941B2	US
			TWI495472B	Taiwan
49	Fondaparinux	Analytical Method for Detecting Sulfated Oligosaccharides	TWI479150B	Taiwan
50	Fondaparinux	Process for the Production of Fondaparinux Sodium	TWI478934B	Taiwan
51	Leuprolide	A Process for the Preparation of Leuprolide and its Pharmaceutically Acceptable Salts	US9150615B2	US
52	Abiraterone	Process for the Preparation of Abiraterone and Intermediates Thereof	TWI506034B	Taiwan

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

Unit: NT\$ thousands

Year	2014	2015	Jan.~April 2016
Combined R&D expense	415,888	324,214	95,167
Combined Net Operating Revenue	4,097,844	3,955,277	1,390,497
Combined R&D expense/ Combined Net Operating Revenue (%)	10.15	8.20	6.84

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

Year	Products
2010	Cladribine
	TS-1
	Bortezomib
	Entecavir
2011	Atazanavir Sulfate
	Clofarabine
	Lubiprostone
	SPT1258
2012	Roflumilast
	SPT1317
	SPT1181
	SPT1213
2013	Abiraterone
	Everolimus
	Regadenoson
	Fosaprepitant
2014	Lapatinib
	Apixaban
	Gefitinib
	SPT1325
2015	Apremilast
	Celecoxib
	Enzalutamide
	Ibrutinib
	Idelalisib
	SPT1366

5.1.4 Long-term and Short-term Development

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

--Near term:

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

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

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

--Medium term:

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

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

--Long term:

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

into quasi-new drug market.

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

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

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

- (2) Outsourcing manufacturing for patented drug firms--branded quality and Asian edge

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

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

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

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

ScinoPharm Taiwan began to build two new large-scale production lines in 2012, which already started operation in 2013. The production line of ScinoPharm (Changshu) Pharmaceuticals in China have also been completed and ready for test run in the first quarter of 2016, after passing inspection, with zero flaw, by the U.S. FDA in the fourth quarter of 2015. These production lines have strong edge in the development and manufacturing of active pharmaceutical ingredients and intermediates with higher demand.

Therefore, proper arrangement of production can not only improve production process and materials management, but also provide most efficient service, in terms of time, legal compliance, and market.

As both the Tainan plant and the Changshu plant have in-house R&D centers, ScinoPharm is capable of supplying upstream key intermediates and active pharmaceutical ingredients, giving it an edge of vertical integration. The company aims to provide products with the shortest development cycle and "interactive compound custom service," a one-stop shopping service for the marketing of new products, so as to meet the needs of developers of brand-name drugs and new drugs.

Finally, the company has also forayed into the realm of injection drugs and preparations, starting to construct related facilities in the second half of 2013, which had been completed in 2015. The first production line, undergoing equipment certification and conducting test run now, is expected to turn out trial products in 2017. It will be able to conduct integrated production of active pharmaceutical ingredients and injection drugs for sales via global marketing channel, thereby accelerating business development.

(4) Development plan for the Chinese market

Mainland China is expected to become the world's second largest pharmaceutical market in 2016, next to the U.S. As China's pharmaceutical laws/regulations/system are undergoing major adjustment, the company has started strategic deployment in the market, with an eye to active pharmaceutical ingredients and preparations. ScinoPharm will select from its product lineup items with high technological threshold and competitive edge for cooperating with Chinese pharmaceutical firms for development of preparations for the Chinese market.

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

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

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Major Products (Services) by Region

Unit: NT\$ thousands ; %

<div> <div>Year</div> <div>Region</div> </div>		2014		2015	
		Amount	%	Amount	%
Abroad	US&CAN	1,685,528	41	1,662,418	42
	EU	1,251,185	31	882,878	22
	AU&NZ	91,361	2	193,425	5
	ASIA	900,453	22	1,061,494	27
	Other	168	-	-	-
	Subtotal	3,928,695	96	3,800,215	96
Domestic Market		169,149	4	154,992	4
Total Combined Revenue		4,097,844	100	3,955,207	100

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

According to the study of Evaluate Pharma, the top three drugs, in terms of sales, in 2013, were anti-cancer drugs, anti-rheumatism drugs, and anti-diabetes drugs. Still with large amount of unmet demands, anti-cancer drugs boasted US\$72.8 billion in market value in the U.S. in 2013. Anti-cancer drugs have also boasted the large number, making the market the one with fastest sustained growth. According to the report of the IMS, global sales of anti-cancer drugs scored 6.5% compound average growth rate during 2010-2014, topping US\$100 billion in 2014, which is forecast to rise to US\$153.1 billion by 2020. Further increase in the number of anti-cancer new drugs and generic drugs on the market will entail massive demand for active pharmaceutical ingredients of anti-cancer drugs.

ScinoPharm will be a major beneficiary of the trend, in view of its leading market status, in terms of the number of products or services provided to major customers.

Furthermore, with the demand in the pharmaceutical industry for the production of anti-cancer injection drugs becoming every higher, including that from those companies lacking production capability for anti-cancer injection drugs, production of many anti-cancer injection drugs has been outsourced to CMOs (contract manufacturing organizations). With related laws/regulations having become increasing rigorous worldwide, many injection-drug companies in the U.S. and Europe have been unable to meet legal requirements. Some major anti-cancer injection-drug CMOs or in-house injection-drug plants of ScinoPharm's customers have received warning from the U.S. FDA demanding improvement by a deadline or face mandatory closure. The situation has led to overstrained supply of injection-drug contract production, especially anti-cancer injection drugs.

Aware of the market demand and based on the finding of a recent market study of its

customers worldwide, ScinoPharm has started evaluation of a plan for downward vertical integration, aiming for an all-round business ranging from R&D for active pharmaceutical ingredients to contract production for anti-cancer injection drugs, so as to meet customer needs and foray into the fast growing anti-cancer pharmaceutical market.

5.2.1.3 Competitive niche and development outlook

The company's competitive niche lies in: 1) high-caliber R&D team: Members of the company's R&D team major in disciplines of synthesis or analysis, mostly with doctorate degree, under the leadership of veteran managers. It is the most R&D team among domestic peers; 2) bountiful R&D results: In addition to around 80 inventions, the company has filed 500 patent applications and submitted 10 papers to academic journals, attesting to its bountiful R&D fruits; 3) complete production facilities: For the purpose of pluralized functions, the company's production lines are capable of producing highly active pharmaceutical ingredients of cellular-toxin, steroid, hormone, and anti-cancer drugs. The R&D unit is furnished with a wide range of equipment, including nuclear magnetic resonance, crystal diffractometer, and mass spectrometer, enabling the company to overcome various barriers in producing unique active pharmaceutical ingredients; 4) seasoned operating skill: With veteran experience, operators can operate efficiently and effectively utilize solvents, reducing unnecessary expenses and thereby lowering cost; 5) good product quality: Thanks to complete process norms put forth by the R&D team and strict abidance by the GMP requirements, the company has firm grip of the production flow, resulting in good quality; 6) good customer relationship and competent marketing capability: Thanks to long-standing supply, regular visits to customers for understanding their needs, and meeting of customers' emergent needs, the company has established a relationship of mutual trust with customers, facilitating works of the marketing team; 7) complete after-sales legal support: As active pharmaceutical ingredients have to be subject to the inspection of regulators, the company actively replies to the concern of inspectors about active pharmaceutical ingredients and preparations, thereby facilitating the acquisition of generic-drug licenses by customers, which also benefit the company.

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

A. Highly active and low toxic products

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

In view of the low-toxin requirement for injection drugs, the company is furnished with highly pure water supply system, capable of producing pure water similar to WFI (water for injection) in quality. As a result, ScinoPharm Taiwan's products boast very low toxin, another edge of the company. Industry insiders note that there are only a few companies capable of producing injection drugs on the market. Thanks to its

manufacturing edge meeting market need, the company has been acknowledged as an injection-drug supplier, segmented from members of low-priced market. The company has become a reputed injection-drug supplier among international generic-drug pharmaceutical firms.

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

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

C. Peptide

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

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

D. Injection drugs

ScinoPharm Taiwan specializes in the development and production of active pharmaceutical ingredients of anti-cancer medicines featuring high activity and high

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

At present, most customers of active pharmaceutical ingredients of anti-cancer medicines are incapable of producing injection drugs and rely on the manufacturing service of dedicated manufacturers of anti-cancer injection drugs, overstraining the latter's capacity, especially those which meet the cGMP standard. The situation has deteriorated, as many injection-drug manufacturers in the U.S. and Europe have received warning notice from the FDA demanding improvement by a deadline or even termination of production, for failing to meet cGMP standard, which has become increasing rigorous. Therefore, many generic-drug companies are eagerly seeking cooperative partners capably of stable supply at good quality. The extension of the company to downstream manufacturing will enable it to provide one-stop shopping service to customers, thereby not only consolidating its existing business of active pharmaceutical ingredients but also augmenting its long-term competitive edge and expanding leeway for growth.

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

ScinoPharm will focus on anti-cancer injection drugs but also other injection drugs via arrangement of production lines, giving the injection-drug plant a complete function. The transformation is meant to provide value-added service to customers, without causing conflict with customers' business. The plant will boast versatile functions, including contract manufacturing service for existing customers of active pharmaceutical ingredients, development of own medicines, registration and production of injection drugs for sale to customers, and custom service for international pharmaceutical firms.

5.2.1.4 Favorable and adverse factors for development outlook

A. Favorable factors:

a. Government policy

In line with the thriving development of biomedicine industry worldwide, various governments have put forth programs pushing the development of the industry. In Taiwan, the Board of Science and Technology, under the Executive Yuan (the Cabinet), passed the "diamond action plan for Taiwan's biotech takeoff," renamed "action plan for takeoff of Taiwan's biotech industry" later on, in 2012.

According to the latest version of its medical regulation GMP, dubbed "regulation governing quality and quality of medicine production" (revised in 2010), the Chinese government will force exit of pharmaceutical manufacturers with lower output and quality from the market, while encouraging others to invest more in transformation or carryout merger and

acquisition. The policy will be conducive to the development of quality enterprises.

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

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

In October 2015, the talk on TPP (Trans-Pacific Partnership), spearheaded by the U.S., resulted in an agreement on medicine norm, which will be based on the Hatch-Waxman Act of the U.S., in the close linkage between patents and medicine applications, facilitating the extension of the company's operation to other markets, due to its focus on the U.S. market. Passed in 1984, the U.S. Hatch & Waxman Act encourages in principle the application and usage of generic drugs, helping the latter achieve 70% market penetration rate in the U.S. (For every 100 prescription, 70 use generic drugs). The implementation of the "Patient Protection and Affordable Care Act," or known as "Obamacare," following its passage in March 2010, has further boosted the development of generic drugs.

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

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

In 2012, the "Generic Drug User Fee Amendments" (GDUFA) was promulgated, according to which pharmaceutical firms have to pay screening fee and fee for the cost of inspection facilities for applying the approval of generic drugs. The act has boosted the efficiency of the FDA in screening and approving applications for generic drugs, slashing backlog of applications awaiting approval, and shortening average screening time, on top of additional risk check, facilitating marketing of generic drugs and enabling the public to access safe and effective generic drugs. The proposition of GDUFA was prompted by the success of PDUFA, which had helped patients obtain safe and effective new prescription drugs more rapidly. The implementation of GDUFA has facilitating obtaining of information on generic-drug manufacturing facilities and sites worldwide, augmenting the safety of global supply chain.

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

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

- d. Complying with cGMP norm

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

B. Adverse factors

- a. Price competition for generic drugs

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

Countermeasure:

The development of new generic drugs is a key strategy of ScinoPharm Taiwan, which selects development targets via analysis of market potential and possible competition. The company has been rolling out a number of generic drugs every year, focusing on those drugs

which feature active pharmaceutical ingredients with high technological threshold, speedy R&D for synthetic method, and efficient process technology, so as to tap the market opportunities emerging after the expiration of patents. Following mass production, the company would continuously improve process technology, secure supply source for raw materials, and farm out front-end processing, so as to cut production cost. The company even develops process technology with cost lower than original patent owners, while upholding the purity and safety of products.

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

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

b. Price competition from China and India

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

Countermeasure:

Since its establishment, the company has targeted market of products featuring high technological threshold, such as active pharmaceutical ingredients for anti-cancer injection drugs. The company has been actively developing next-generation production technologies

with higher efficiency, in order to supply active pharmaceutical ingredients at reasonable prices and help customer augment market competitiveness, while upholding the company's dominating status on the global market of active pharmaceutical ingredients.

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

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

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

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

Countermeasure:

The company has set up a legal unit for pharmaceutical affairs, in charge of import-related documents demanded by hygiene agencies of import countries or areas for approval of local sales. The company carries out internal auditing periodically, to assure compliance of the company's operation and internal procedures with cGMP standard. The regulation-compliance unit is in charge of affairs related to official inspection and customer auditing, cGMP education and training for staffers, stability testing plan, and annual product inspection. The company's quality assurance and control unit is responsible for the checking and testing of all products and samples, including raw materials, initiators, samples in process, and finished products, to assure compliance with set specifications. Since the company mainly produces pharmaceutical ingredients with high activity for anti-cancer injection drugs, monitoring and control of the water-supply system and manufacturing environment is crucial, in order to control the amount of particulate matters and microbes in equipment, to avoid contamination of medical-use pure water. In addition, the

quality-control unit will stability test for samples, to assure that they are not affected by contamination of the external environment. Therefore, the company have fully prepared for meeting the strict standards of related laws/regulations for pharmaceutical production, enjoying a strong edge over peers.

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

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

Countermeasure:

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

5.2.2 Important usages and production process of major products

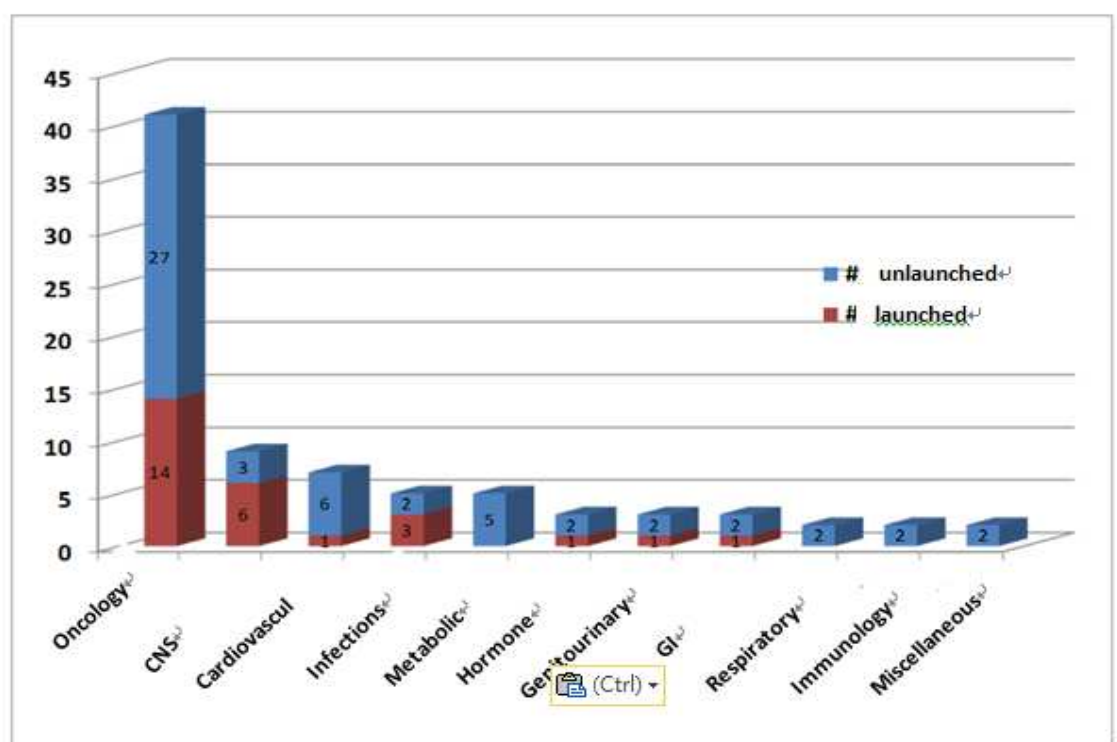
5.2.2.1. Important usages of major products

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

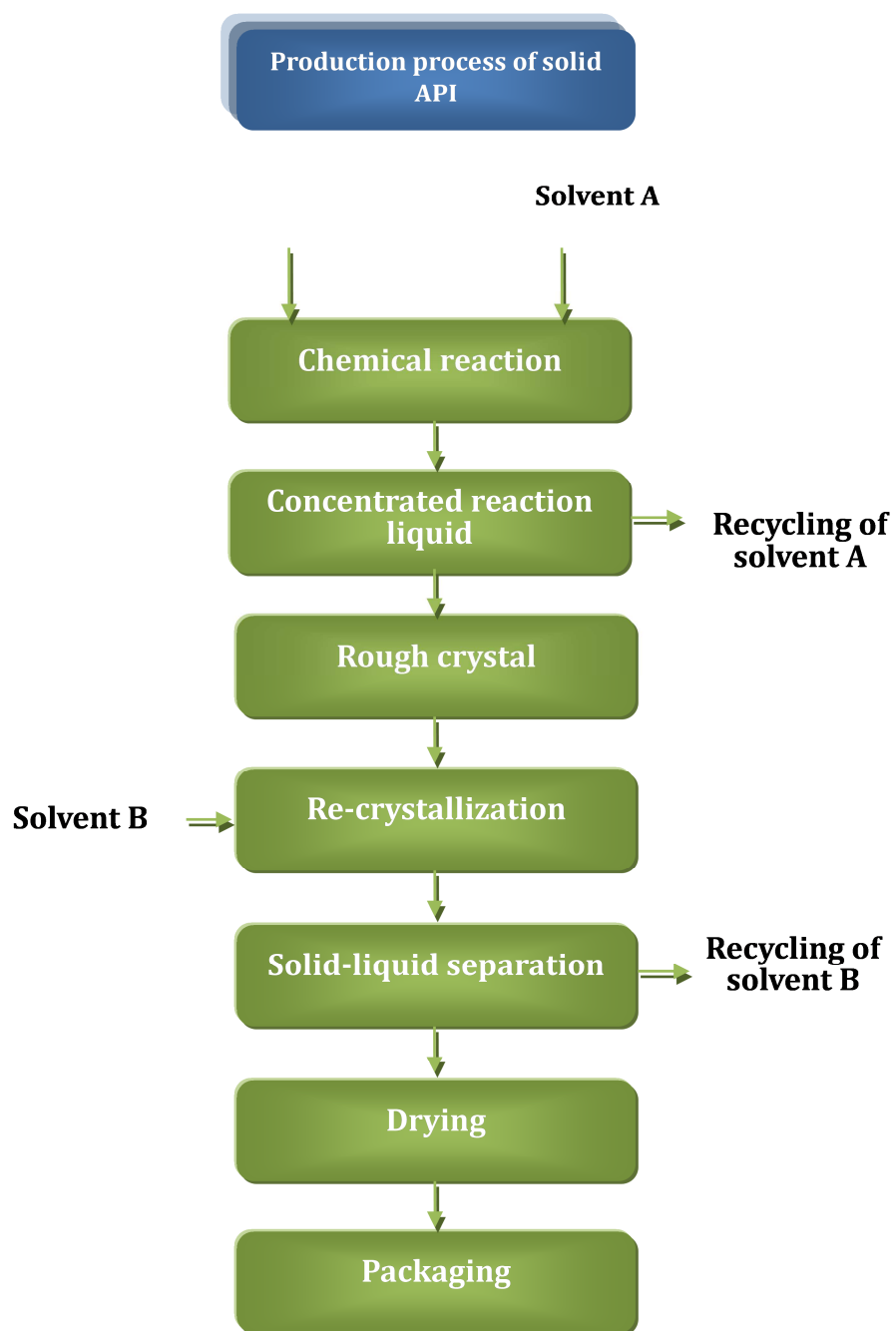
In order to speed up the pace of R&D, in addition to the utilization of solid in-house R&D strength, the company also entrusts a number of domestic and foreign research bodies for initial R&D or establishment of platform technology. Up to now, the company has successfully developed 20 products via cooperation with 10 domestic and foreign research institutions, the latter mainly academic and research units in mainland China. From those cases, many technologies have been transferred to the company as initial technologies for amplification and the company has applied patents for them. In 2011, the company

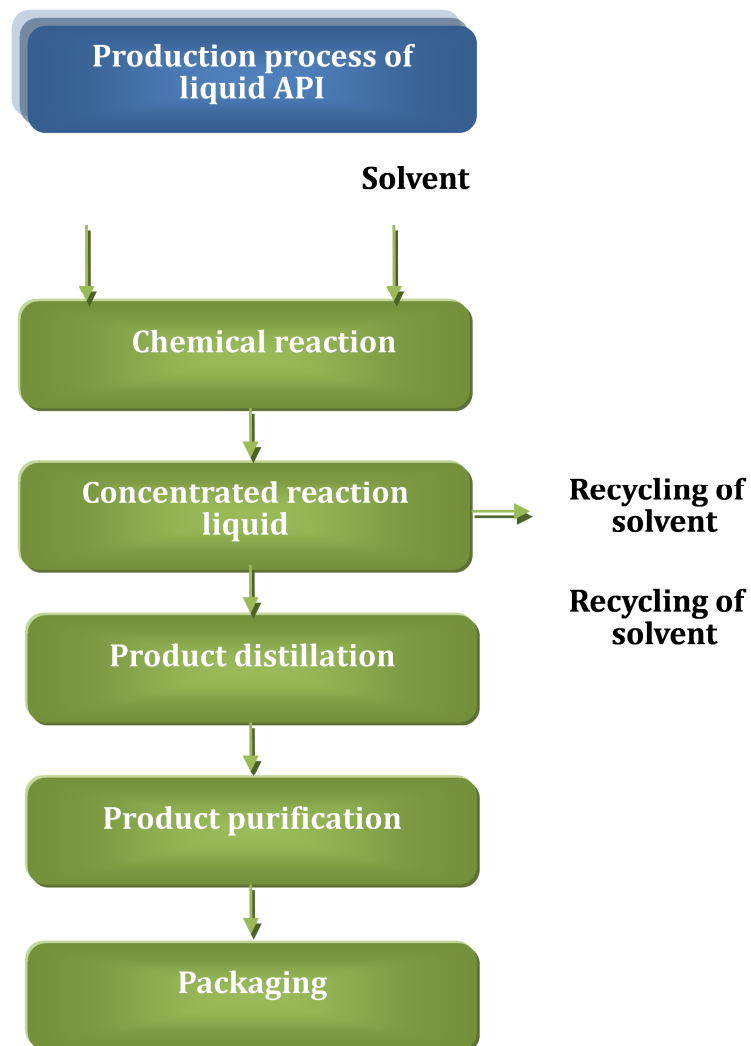
incorporated its Kunshan subsidiary in China's Jiangsu Province, set up in 2001, into ScinoPharm (Changshu) Pharmaceuticals in China, while recruiting excellent chemical and chemical-engineering specialists in China for R&D and operating pilot plant for producing key materials and intermediates. ScinoPharm (Changshu) Pharmaceuticals has not only helped ScinoPharm cut production cost but also integrated cross-Strait resources for R&D, production, and management, on top of enriching its international management experience. ScinoPharm (Changshu) will be positioned as international plant for active pharmaceutical ingredients and parent company's operating base in China, which will provide large volume of quality active pharmaceutical ingredients and all-round R&D and contract manufacturing service, giving ScinoPharm a strong backing in its effort to expand international service.

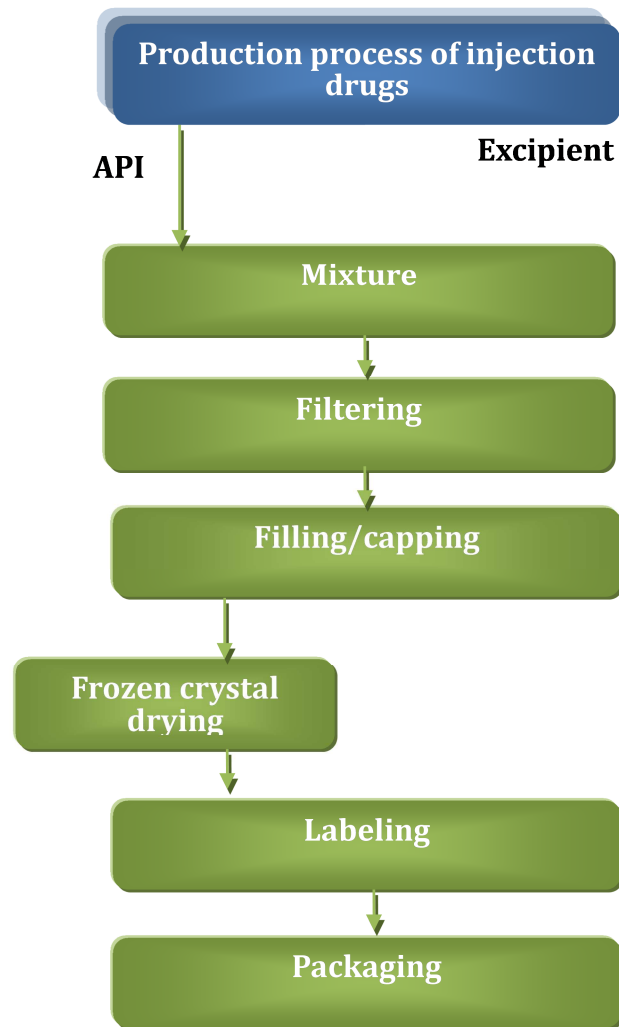
In view of the acute competition in the market of active pharmaceutical ingredients, the company chooses active pharmaceutical ingredients featuring high technological threshold and high prices for early development. The focus is on pharmaceutical ingredients featuring high activity for anti-cancer drugs,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



5.2.2.2. Production process of major products







5.2.2.3 Supply status of major raw materials

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

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

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

Unit: thousand NTD ; %

Item	2014				2015				2016 First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	S Supplier	398,875	32	None	S Supplier	427,639	43	None	H Supplier	112,621	32	None
2	H Supplier	188,159	15	None	H Supplier	88,565	9	None	S Supplier	80,472	23	None
	Other	666,312	53	None	Other	473,643	48	None	Other	153,696	45	None
	Net Supply	1,253,346	100		Net Supply	989,847	100		Net Supply	346,789	100	

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

Unit: NT\$ thousands ; %

Item	2014				2015				2016 First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Biddle Sawyer Pharma LLC	1,327,887	33	None	Biddle Sawyer Pharma LLC	1,427,493	37	None	Biddle Sawyer Pharma LLC	453,827	45	None
2	FIL	486,318	12	None	ZHOPL	509,992	13	None	AI	133,825	13	None
3	AI	342,814	8	None	AI	280,109	7	None	ZHOPL	6,007	1	None
4	ZHOPL	240,079	6	None	FIL	239,257	6	None	FIL	0	0	None
	Other	1,658,304	41	None	Other	1,364,694	37	None	Other	407,237	41	None
	Net Sales	4,055,402	100		Net Sales	3,821,545	100		Net Sales	1,000,896	100	

Explanation for change in sales in 2015 and 2014:

1. Sales for Biddle Sawyer Pharma LLT rose, due to increased demand for products used in the production of new drugs.
2. Sales for customer FIL and customer AI decreased, due to decline in demand.
3. Sales for customer ZHOPL increased, to inventory adjustment by the customer.
4. Customer FIL, customer AI, and customer ZHOPL are code names, adopted in line with the contracts of confidentiality signed by the

5.2.2.5 Production in the Last Two Years

Unit: Kilo / NT\$ thousands

Output Major Products	Year	2014			2015		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
API		56,507	42,077	3,095,090	34,477	20,800	2,195,271
Total		56,507	42,077	3,095,090	34,477	20,800	2,195,271

Note: The company capacity and output vary according to difference in the production of product lineup. Output volume was higher in 2014, due to the production of massive amount of lower-priced products.

5.2.2.6 Shipments and Sales in the Last Two Years

Unit: Kilo / NT\$ thousands

Shipment & Sales Major Products (or by department)	Year	2014				2015			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chemical		9,165	304	284,806	2,160	5,849	1,374	291,106	1,196
API		12,572	167,968	27,648	3,884,471	573	143,626	16,875	3,675,349
Technical Services		-	877	-	42,064	-	9,992	-	123,670
Total		21,737	169,149	27,648	3,928,695	6,422	154,992	307,981	3,800,215

1. Export of active pharmaceutical ingredients decreased in 2015, due to lower-than-expectation demand for weight-loss drugs and depression drugs.
2. Technological-service income increased. Such income hinges on the demand of customers for R&D and analysis, as customers often outsourced the works to the company. Therefore, the income would be affected by the timing of customers' assignment and the length of its execution, which would affect the timing for its listing in the books.

5.3 Human Resources

5.3.1 The Company

Year		2014	2015	4/30/2016
Number of Employees	Executive Officers	81	81	78
	Professionals	254	257	231
	Technical personnel	303	234	259
	Administration Personnel	36	30	33
	Total	674	602	601
Gender	male	73%	72%	73%
	Female	27%	28%	27%
Average Age		37	38	38
Average Years of Service		7.4	8.2	8.3
Education	Ph.D.	8.8%	9.0%	8.49%
	Masters	29.8%	30.7%	29.28%
	Bachelor's Degree	58.5%	56.0%	55.74%
	Senior High School	2.8%	4.2%	5.66%
	Below Senior High School	0.1%	0.1%	0.83%

5.3.2 As of April 30, 2016, the company and subsidiaries had 813 employees, compared with 828 in 2015 and 878 in 2014.

5.4 Environmental Protection Expenditure

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

(1)The company's status in meeting the requirement.

The company

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

Equity investment in China

Item	Explanation
Waste-water specialist	One primary-grade specialist, License No.: 1110021001510410
Waste-water specialist	One intermediary-grade specialist, license No.: 0603000297418150
Operational license for operating dangerous chemicals	Three specialists, license No. 20111193 、 20120288 、 20140109:

(2) Permit

The company

Items	Permit No.
Air pollution permit	
M01Production procedure for active pharmaceutical ingredients	Permit No. R0062-01
M03Production procedure for active pharmaceutical ingredients	Permit No. R0094-01
M04Production procedure for active pharmaceutical ingredients	Permit No.R0002-02
M05Production procedure for active pharmaceutical ingredients	Permit No.R0008-02
M06Production procedure for active pharmaceutical ingredients	Permit No R0018-02
M07Production procedure for active pharmaceutical ingredients	Permit No R0079-01
M08Production procedure for active pharmaceutical ingredients	Permit No R0080-01
Permit No	Permit No R0090-01
M12Production procedure for active pharmaceutical ingredients	Permit No D0137-00
Water-pollution permit	
Emission-pipe installation permit	B015-CH9-1041217
Water pollution-abatement measure	No. 1020008829
Waste permit	
Waste disposal plan	No. 1020027335, Oct. 30, 2013
Toxin operation permit	
(Aniline)	038-12-O0001
(Arsenic trioxide)	045-12-O0001
(Sodium cyanide)	046-21-O0001
(Potassium cyanide)	046-21-O0001
(Copper(I) cyanide)	046-21-O0001
(Zinc cyanide)	046-11-O0002
(Acrylamide)	050-21-O0001
(Acrylonitrile)	051-21-O0001
(Benzene)	052-21-O0001
(Carbon tetrachloride)	053-21-O0002
(Chloroform)	054-21-O0001

Items	Permit No.
(Potassium dichromate)	055-21-O0003
(Potassium chromate)	055-21-O0003
(Ethylene Dibromide)	060-21-O0001
(Ethylene oxide)	061-21-O0002
(Trichloroethylene)	064-21-O0001
(Formaldehyde)	Usage 066-21-11002 Stockpile 066-21-21002
(o-Dichlorobenzene 、 1,2-Dichloro benzene)	069-21-J0008
(2-Methoxyethanol)	071-21-O0001
(Epichlorohydrin)	072-21-21002
(Phthalic anhydride)	073-21-O0001
(1,2-Dichloroethane)	No. 075-O010030 075-O010030
(1,1-Dichloroethylene)	077-O010025
(1,2-Dichloroethylene)	077-O020019
(Dichloromethane)	079-O010010
(Cumene)	081-010004
(Cyclohexane)	082-010006
(Chloroacetic acid)	083-010001
(Ethyl chloroformate)	084-010001
(Dimethyl sulfate)	Usage 086-21-11004 、 Stockpile 086-21-21004
(Carbon disulfide)	089-21-O0001
(Chlorobenzene)	090-21-O0002
(1,4-Dioxane)	Usage 093-21-11001 、 Stockpile 093-21-21001
(Methyl Iodide)	095-21-O0001
(Pyridine)	Usage 097-21-11002 、 Stockpile 097-21-21002
(N,N-Dimethyl formamide)	Usage 098-21-11013 、 Stockpile 098-21-21013
(Formamide)	Usage 098-21-11006 、 Stockpile 098-21-21006 098-0001
(Acrolein)	100-21-O0001
(Allyl alcohol)	101-21-J0003
(Acetaldehyde)	104-010018
(Acetonitrile)	105-O010002
(Benzyl Chloride)	106-010005
(Butylaldehyde)	108-O010008
(m-Cresol)	112-O010009
(Diphenylamine)	115-010016
(Ethylbenzene)	116-010012
(Methyl iso-butyl Ketone)	117-010023
(Propane sultone)	120-010007

Items	Permit No.
(Triethylamine)	121-O010005
(Dibromomethane)	124-21-O0001
Bromoform (Tribromomethane)	125-21-O0001
(Chloroethane, Ethyl chloride	126-21-O0001
(Nitrobenzene)	129-21-O0001
(Hexamethylphosphoramide(HMPA))	132-21-O0001
(Crotonaldehyde (2-butenal))	143-J010001
(Thiourea)	144-010023
(Tributyltin oxide)(Bis(tributyltin)oxide)	148-21-O0001
(Tributyltin Chloride)	148-070008
(Tributyltin hydride)	148-O070009
(Dimethylcarbaryl chloride)	153-21-O0001
(Phosphorus trichloride)	158-21-O0001
(Thiosemicarbazide 1-amino-2-thiourea)	159-21-O0001
(Methyl tert-butyl ether)	160-O010001
(Hydrazine)	164-O010030
(Nonylphenol polyethylene glycol ether)	165-21-O0001

Company of equity investment in China

Item	Permit No.
Waste permit (Kunshan Deyuan Environmental Protection Development Co., Ltd.	JS0583OOD059-4
Waste disposal permit (Jiangsu Kangbo Industrial Solid Waste Disposal Co., Ltd.	JS0581OOI301-9

- (3)The company and affiliates deliver recyclable waste solvent to qualified firms for recycled use and entrust the park's resource regeneration center for disposal of the remaining waste.
- (4)The amount of waste for recycling and use: the company 46.7 tons/month, affiliates: 0 ton/month.
- (5)The company entrusts the park's resource regeneration center to handle common waste, while affiliates entrust the work to city administrative units in coastal developed areas.
- (6)Other wastes are delivered to qualified firms for processing.

Processing fees for the aforementioned wastes (common solvent, common wastes, and other wastes): the company NT\$2 million per month, total for affiliates NT\$500,000.

Air-pollution abatement fees: the company NT\$0 (amount of air-pollutant emission is lower than the threshold for fee collection) and affiliates NT\$0.

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

The company:

4/30/2016 ; Unit: NT\$ thousands

Name of equipment	Amount	Acquisition date	Investment cost	Balance of value after depreciation	Usage and expected benefit
MBR	2	2011/3/1~2014/3/1	11,763	6,447	Waste-water treatment system, in order to comply with the waste-water emission standard of Southern Taiwan Science Park
Strathtox active mud respiratory device	1	2015/05/01	1,048	1,048	Waste-water treatment system, monitoring the biological status of waste water, in order to assure that it can be effectively processed and meet the emission standard of Southern Taiwan Science Park.
Scrubber	18	2000/4/1~2015/1/1	32,407	9,415	For use in air-pollution abatement and reduction of emission of pollutants, in order to safeguard human health and cut air-pollution fee.

5.4.3. Describe the company's effort in improving environmental pollution in recent two years and as of the date of the publication of the annual report, as well as pollution-related disputes and their handling, if any: Nil.

5.4.4. Describe, in recent two years and as of the date of the publication of the annual report, the total amount of the company's loss (including compensation) and fines from environmental pollution, as well as its countermeasures (including improvement measures) and possible outlays (including estimated value of possible loss, fines, and compensations in the absence of countermeasures; make explanation, should the value be unable to be estimated reasonably): Nil.

5.4.5. Existing polluting status and the effect of its improvement on the company's earnings, competitiveness status, and capital outlay, as well as forecast on capital outlays for environmental protection in the coming two years:

(1) Existing polluting status: According to the kinds of pollutants, the major polluted sections of the company and affiliates can be classified into the three major categories of air pollution, waste water, and wastes.

A. Air pollution: nil.

B. Waste water: nil.

C. Waste: nil.

(2) Effect of improvement of environmental pollution on the company's earnings, competitive status, and capital outlay:

In an all-out effort for combating environmental pollution, the company has invested heavily in air pollution-abatement equipment, including condenser, scrubber, and activated carbon absorber, and waste-water treatment equipment, such as membrane bioreactor, steam stripper, waste-liquid distillation system, and Strathtox active mud respiratory device.

- (3) Planned major capital outlays for environmental protection in the coming two years:
The company plans to invest NT\$450,000 in improving the waste-air emission of steam stripper, while affiliates have no such capital-outlay plan.

5.5 Protective measures for workplace and personal safety of employees

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

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

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

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

*** Control of the hazard of active pharmaceutical ingredients**

For controlling the exposure to the hazard of active pharmaceutical ingredients, the company embraces common management mode among pharmaceutical firms worldwide. The mode calls for setup of exposure ceiling for active pharmaceutical ingredients and grading of hazards, planning for engineering protection for different grades of hazards, definition of the use and management of engineering-protective measures, and measurement of the effectiveness of the function and operating environment of engineering protection, the latest for ascertaining the sufficiency of engineering protection for different grades of hazards and the need for

improvement or upgrading. In order to correctly identify the grades of hazards of active pharmaceutical ingredients and determine the exposure ceiling for active pharmaceutical ingredients, the company has set up an evaluation panel consisting of in-house and external experts in pharmacy, toxicology, chemical, and industrial hygiene for the task. Meanwhile, in order to assure protective engineering measures attaining expected containment, the company has established method for air sampling for analysis, by its own or outsourcing, carried out sampling via ISPE practice guide, for evaluating the actual effect.

* Management of process safety

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

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

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

* Emergency response management

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

* Monitoring of operating environment

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

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

* Training for industrial safety, hygiene, and environmental protection

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

* Management of contractors

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

* Augmentation of employee health

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

* Establishment of safety culture

In order to establish a safety culture with rank-and-file basis, push all staffers conducting comprehensive internal safety observation, whose outcome is included in their performance evaluation. To facilitate staffers recording their observations, install on-site safety observation management system for instance response and tracking status of improvement. Push mechanism for observation of behavioral safety by basic-level superiors training them to conduct skillful and systematic observation of behavioral safety, so as to encourage safe behaviors and rectify unsafe behaviors of operators. Meanwhile, have on-site operators take part in the discussion for pushing safety risk evaluation or analysis of product/process hazard, to prevent increase of hazard risk resulting from discrepancy of recognition between the result of the discussion and actual operation.

In order to boost autonomous management capability, the mainland Chinese company invested by the company has conducted certification of standard corporate-safety management system

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

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

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

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

* Management of process safety

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

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

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

5.6 Labor Relations

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

1. Employee-caring measures:

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

- (1) Sound regulations and system: Formulate management regulations, according to the spirit of Labor Standards Law, governing promotion, award and punishment, performance evaluation, leave, and salaries.
- (2) In addition to year-end bonus equivalent to two months of pays, appropriate a portion of pretax net profit as performance bonus.
- (3) Issue bonus on the three major festivals of Spring Festival, Dragon-Boat Festival, and Mid-Autumn Festival.
- (4) Provide group insurance to every employee, including life insurance, injury insurance, medical insurance for accidental injuries, and major disease insurance.
- (5) Set up employee welfare committee, according to law, appropriate employee-welfare fund, push contracted stores and employee clubs, and hold annual domestic or overseas travels for employees, so as to enhance emotional bond among employees.
- (6) Provide employee physical exam, subsidy for employees' advanced study, scholarship for employee's offspring, subsidy for child birth, subsidy for children care, subsidy for gift money for wedding or funeral, and regular events of employee well-being month or family day, measures meant to have employees feel deeply the company's high regard and care for every employee in the ScinoPharm family.
- (7) Introduce "employee assistance program," providing professional mental assistance and counseling and counseling in other aspects, so as to help employees solve problems and pressure associated with job, life, or health, thereby calming their minds and boosting their work efficiency.
- (8) To help employees have a balanced diet, employees' restaurant designs light meals every week; set up simple in-house stores for the convenience of employees.

2. Advanced training

As an international pharmaceutical firm, ScinoPharm has been actively cultivating international talent. In addition to PMT courses focusing on enhancement of management capability and job efficacy, as well as encouragement of forward-looking mindset and innovation, provide subsidy for on-the-job study and training, so as to encourage employees making self-improvement constantly. In view of the need for strategic management of human resources and organizational development, introduced Professional Strength Development Series from the third quarter, giving, via workshops and coaching, intensive exercise and training for thinking power and brainpower to managerial staffers at various levels.

As for professional expertise and knowledge, conduct internal or external training on GMP quality system, environmental protection, industrial safety, and hygiene, whose

execution is also incorporated into ERP system for management and regular tracking:

(1) Business and management training:

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

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

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

(4) Language training and training on professional knowledge and skills: In addition to measures encouraging subsidizing employees for advanced study, appropriate annual budget for education and training for every employee, for him/her to attend job-related lecture/training or local or overseas seminars on professional technologies.

(5) Lectures for personal development: To assure mental and physical health of employees, the company holds mental and art/literature lectures regularly or irregularly, to help them relieve pressure.

ScinoPharm Taiwan conducted training sessions for 14,515 person/times totaling 32,975 hours in time, with training items and results listed below:

Items	Person/times	Total hours
Business and management	384	1,482
GMP training	961	1,922
Training on industrial safety, hygiene, and environmental protection	2,820	3,805
Training on professional skills	9,630	24,210
Language and others	720	1,556

3. Retirement system and status of execution

According to the company's measures for employee retirement, employees can apply for retirement at 55 with over 25 years of service or 60 with over 10 years of service. The company can demand employees turning 65 to retire, should they become unfit for their jobs. Retirement pay is determined by the number of retirees' service years in the company, amounting to two basis points a year for first 15 years of service. For the years beyond, those covered by the old system are entitled to one basis point a year. One basis point will be given for the balance which exceeds half a year or half a basis for the balance less than

half a year. The total is capped at 45 basis points. One basis point is equivalent to the average monthly pay in the six months before retirement, according to the Labor Standard Law. The company makes appropriation for retirement reserve fund every month, which is overseen by the retirement reserve fund supervisory committee.

4. Labor-management agreement

The company has high regard for a harmonious labor-management relationship. Consequently, the company has set up labor-management meeting as a platform for exchanges of opinions, notably on key issues such as work rules. In addition, the company holds employees' meeting every quarter to inform employees of the latest business development of the company and let them propose suggestions, thereby facilitating participation by employees in the company's affairs.

5. Various measures for upholding employees' rights and interests

In accordance with Labor Standards Law, the company has formulated work rules and complete management-related regulations, specifying employees' rights and obligations, in addition to regularly reviewing welfare measures for employees, so as to uphold their interests.

5.6.2 Estimated Losses from Labor Relation Conflicts during the Past Two years and the Future and our planned reaction: None.

5.7 Important Contracts

ScinoPharm Taiwan, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Customer Protection Agreement	A company in China	2010/10/26~2018/10/26	Agency for oncology	Secrecy Obligation
Development Agreement	A local organization	2011/02/08~until the work is completed	Manufacture of API for clinical trial and stability testing	Secrecy Obligation
Development Agreement	A local organization	2012/11/20~until the work is completed	Development for oncology API	Secrecy Obligation
Master Service Agreement	A company in the USA	2011/03/02~until the work is completed	Validation for the API and stability testing	Secrecy Obligation
Supply Agreement	A company in the USA	2010/08/19~7 th anniversary after commercial launch	Supply of API for depressive disorder	Secrecy Obligation
Supply Agreement	A company in the USA	2011/01/18~2 nd anniversary after commercial launch and will automatically renew unless either party terminates	Supply of API for diseases of central nervous system	Secrecy Obligation
Supply Agreement	A company in Jordan	2012/05/24~2019/05/24	Supply of API for cardiovascular diseases	Secrecy Obligation
Supply Agreement	B Company in China	2012/12/10~3 years after commercialization of finished product	Supply of API for Cardiovascular Disease	Secrecy Obligation

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Development Agreement	A company in China	2011/02/08~2026/02/08	Development of Oncology API	Secrecy Obligation
Patent License Agreement	C Company in Canada	2011/03/01~2025/05/26	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Patent License Agreement	S Company in India	2011/11/18~2025/06/30	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Collaboration Agreement	A company in the USA	2012/03/27 ~7 th anniversary after commercial launch	Supply of oncology API	Secrecy Obligation
Lease Agreement	Southern Taiwan Science Park Bureau	2011/06/01~2018/02/28	Land Renting for Building ScinoPharm Taiwan's Factory	1. Contract term is up to 20 years 2. Contract can be renewed after expiration
Supply Agreement	A company in the USA	2013/07/01~2016/06/30	Supply of API for bacteria infection	Secrecy Obligation
Development Agreement	A local Company	2013/05/01~2014/07/31	API development	Secrecy Obligation
Development, License and Supply Agreement	S Company in USA	2013/09/16 ~ 2015/01/15	Collaboration of Development and Supply of Anti-cancer API	Secrecy Obligation
Development Agreement	Two companies in China	2014/01/02~2024/01/01	Development of oncology drug	Non-competition & Secrecy Obligation
Non-Exclusive License Agreement	A local research institution and a local university	2013/12/10~expiration of the licensed patents	License of the patents for manufacture of API for Cardiovascular diseases	Royalties & Secrecy Obligation
Non-Exclusive License Agreement	A company in China	2013/07/20~	Technology license for manufacture of API for central nervous system	Royalties & Secrecy Obligation
Customer Protection Agreement	H Company in China	2013/01/01~2015/09/02	Protection of Sales Efforts in South America for ScinoPharm Taiwan	Secrecy Obligation
Supply Agreement	F Company in Germany	2014/01/01~2018/12/31	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	E Company in Ireland	2013/04/12~2018/04/12	Supply of Anti-viral API	Secrecy Obligation
Supply Agreement	A company in China	2014/06/03~ 5 th anniversary after commercial launch	Development and Supply of the API for Peripheral Nervous System	Exclusive Supply Obligation & Secrecy Obligation
Collaboration Agreement	A company in China	2014/11/06 ~ 10 th anniversary after commercial launch	Development, Manufacture and sale of the drug for Myocardial Perfusion Imaging.	Secrecy Obligation
Collaboration Agreement	A company in China	2014/09/26 ~ 20 th anniversary from commercial launch	Development and sales of Oncology drug	Non-Competition & Secrecy Obligation
Service Agreement	A local company	2014/07/30~2024/07/29	development of new drug for Stem cell	Non-Competition & Secrecy Obligation

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Collaboration Agreement	A company in China	2014/05/05 ~8 th anniversary from commercial launch	Development and sale of anticoagulant medication	Exclusive supply
Development and supply agreement	A company in the USA	2014/03/06 ~10 th anniversary after commercial launch	Development and Sales of drug for leukemia	Non-Competition & Secrecy Obligation
Development and Supply Agreement	A company in the USA	2015/01/19~7 th anniversary after commercial launch	Development and Supply of oncology drug	Secrecy Obligation
Service Agreement	A company in the USA	2015/04/10~10 years after the effective date, or all works in the project orders effective before the 10 th anniversary are completed, whichever is later.	API development	Secrecy Obligation
Development Agreement	A local medical device company	2015/07/29~	Development of certain medical device	Secrecy Obligation
Customer Protection Agreement	A Company in Jordan	2015/01/01~2015/12/31	Protection of Sales Efforts in Egypt for ScinoPharm Taiwan	Secrecy Obligation
Supply Agreement	F Company in Germany	2015/02/01~2019/01/31	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	E Company in Ireland	2015/04/28~2017/04/28	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	R Company in USA	2015/06/10~2018/06/10	Supply of Anti-cancer API	Secrecy Obligation
Customer Protection Agreement	C Company in Uruguay	2015/11/02~2018/11/02	Protection of Sales Efforts in South America for ScinoPharm Taiwan	Secrecy Obligation

ScinoPharm (Changshu) Pharmaceuticals, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
License Agreement	A company in China	2012/12/06~2013/12/11	License of the patents for manufacture of API for Cardiovascular diseases	Royalties & Secrecy Obligation
Collaboration Agreement	Two companies in China	2013/01/31 ~20 th anniversary after commercial launch	Development, manufacture and sales of oncology drug	Secrecy Obligation
Research agreement	A company in China	2013/08/06 till both parties' obligations are completed	Contract research service for oncology drug	Secrecy Obligation
Research agreement	A company in China	2014/02/24 till both parties' obligations are completed	Contract manufacturing for API	Secrecy Obligation
Supply Agreement	A company in China	2014/10/28 ~5 th anniversary after commercial launch	Supply of oncology API	Non-Competition & Secrecy Obligation
Service Agreement	A company in the USA	2015/07/15~2017/07/14 and will be automatically renewed for one year	Contract research service	Secrecy Obligation

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet Based on IFRS

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016
		2011	2012	2013	2014	2015	
Current assets			6,057,655	6,143,428	5,249,555	6,032,910	6,146,745
Property, Plant and Equipment			3,559,228	4,213,982	5,065,025	5,170,714	5,361,262
Intangible assets			17,521	28,709	23,554	22,918	21,893
Other assets			155,472	1,098,109	1,033,686	995,053	961,145
Total assets			10,339,876	11,484,228	11,371,820	12,221,595	12,491,045
Current liabilities	Before distribution		1,203,672	1,774,787	1,918,033	2,274,983	2,374,152
	After distribution		1,983,588	2,585,900	2,058,625	(Note 2)	(Note 2)
Non-current liabilities			65,462	66,187	73,516	89,619	89,802
Total liabilities	Before distribution		1,269,134	1,840,974	1,991,549	2,364,602	2,463,954
	After distribution		2,049,050	2,652,087	2,132,141	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent			9,069,139	9,643,254	9,380,271	9,856,993	10,027,091
Capital stock			6,499,300	6,759,272	7,029,643	7,310,829	7,310,829
Capital surplus			1,246,977	1,247,796	1,257,277	1,265,544	1,268,177
Retained earnings	Before distribution		1,357,902	1,591,831	992,677	1,211,525	1,383,447
	After distribution		318,014	510,347	570,899	(Note 2)	(Note 2)
Other equity interest			(35,040)	44,355	100,674	69,095	64,638
Treasury stock			-	-	-	-	-
Non-controlling interest			1,603	-	-	-	-
Total equity	Before distribution		9,070,742	9,643,254	9,380,271	9,856,993	10,027,091
	After distribution		8,290,826	8,832,141	9,239,679	(Note 2)	(Note 2)

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note 2: Proposal for allocation of the company's earnings in 2015 has yet to be approved by shareholders' meeting.

Parent Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016 (Note 3)
		2011	2012	2013	2014	2015	
Current assets			5,377,385	5,377,889	4,311,642	4,928,490	
Property, Plant and Equipment			2,869,977	3,153,292	3,736,412	3,718,257	
Intangible assets			1,538	7,906	7,013	12,656	
Other assets			1,707,619	2,167,083	1,940,707	1,766,228	
Total assets			9,956,519	10,706,170	9,995,774	10,425,631	
Current liabilities	Before distribution		821,918	996,729	541,987	479,019	
	After distribution		1,601,834	1,807,842	682,579	(Note 2)	
Non-current liabilities			65,462	66,187	73,516	89,619	
Total liabilities	Before distribution		887,380	1,062,916	615,503	568,638	
	After Distribution		1,667,296	1,874,029	756,095	(Note 2)	
Equity attributable to shareholders of the parent			-	-	-	-	
Capital stock			6,499,300	6,759,272	7,029,643	7,310,829	
Capital surplus			1,246,977	1,247,796	1,257,277	1,265,544	
Retained earnings	Before distribution		1,357,902	1,591,831	992,677	1,211,525	
	After distribution		318,014	510,347	570,899	(Note2)	
Other equity interest			(35,040)	44,355	100,674	69,095	
Treasury stock			-	-	-	-	
Non-controlling interest			-	-	-	-	
Total equity	Before distribution		9,069,139	9,643,254	9,380,271	9,856,993	
	After distribution		8,289,223	8,832,141	9,239,679	(Note2)	

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note 2: Proposal for allocation of the company's earnings in 2015 has yet to be approved by shareholders' meeting.

Note 3: According to the guidelines for the compilation of financial statement by securities issuers, individual financial report only has to be compiled at the end of a year.

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

A. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note1)					Financial Summary As of 3/31/2016 6 (Note2)
	2011	2012	2013	2014	2015	
Operating revenue		4,572,509	11,088,245	4,097,844	3,955,207	1,021,756
Gross profit		2,313,428	2,542,533	1,600,566	1,676,654	431,260
Income from operations		1,259,738	1,397,500	559,442	749,703	195,380
Non-operating expenses		112,419	11,013	42,767	53,181	(4,322)
Income before tax		1,372,157	1,408,513	602,209	802,884	191,058
Net income		1,170,829	1,273,404	484,143	634,965	171,922
Loss from discontinued operations		-	-	-	-	-
Net income (Loss)		1,170,829	1,273,404	484,143	634,965	171,922
Other comprehensive income (income after tax)		(36,107)	79,808	54,506	(25,918)	(4,457)
Total comprehensive income		1,134,722	1,353,212	538,649	609,047	167,465
Total comprehensive income		1,170,876	1,273,404	484,143	634,965	171,922
Net income attributable to non-controlling interest		(47)	-	-	-	-
Comprehensive income attributable to Shareholders of the parent		1,134,769	1,353,212	538,649	609,047	167,465
Comprehensive income attributable to non-controlling interest		(47)	-	-	-	-
Earnings per share		1.73	1.88	0.66	0.87	0.24

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note2: According to " Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

B. Consolidated Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016 (Note 2)
	2011	2012	2013	2014	2015	
Operating revenue		4,572,198	5,083,603	4,092,478	3,897,137	
Gross profit		2,225,123	2,569,998	1,664,368	1,665,688	
Income from operations		1,423,213	1,609,242	837,561	920,731	
Non-operating income/ expenses		22,329	94,496	232,213	150,622	
Income before tax		1,400,884	1,514,746	605,348	770,109	
Income from operations of continued segments - after tax		1,170,876	1,273,404	484,143	634,965	
Income from discontinued operations		-	-	-	-	
Income before tax		1,170,876	1,273,404	484,143	634,965	
Income from operations of continued segments - after tax		(36,107)	79,808	54,506	(25,918)	
Total comprehensive income		1,134,769	1,353,212	538,649	609,047	
Net income attributable to shareholders of the parent		-	-	-	-	
Net income attributable to non-controlling interest		-	-	-	-	
Comprehensive income attributable to Shareholders of the parent		-	-	-	-	
Comprehensive income attributable to non-controlling interest		-	-	-	-	
Earnings per share		1.80	1.88	0.66	0.87	

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note 2: According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

Consolidated Condensed balance sheet – Based on ROC GAAP

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016 (Note3)
		2011	2012	2013 (Note2)	2014 (Note2)	2015 (Note2)	
Current assets		5,862,503	6,058,509				
Funds & Long-term investments		195,924	188,924				
Fixed assets		3,227,233	3,790,318				
Intangible assets		114,447	107,539				
Other assets		80,081	167,691				
Total assets		9,480,188	10,312,981				
Current liabilities	Before distribution	842,949	1, Other assets,327				
	After distribution	1,473,949	1,967,243				
Long-term liabilities		-	-				
Other liability		27,959	30,179				
Total liabilities	Before distribution	870,908	1,217,506				
	After distribution	1,501,908	1,997,422				
Capital stock		6,310,000	6,499,300				
Capital surplus		1,246,977	1,246,977				
Retained Earnings	Before distribution	977,974	1,328,143				
	After distribution	157,674	288,255				
Unrealized gain or loss on financial instruments		-	-				
Capital Collected in advance		-	-				
Cumulative translation adjustments		72,610	19,452				
Net loss unrecognized as pension cost		-	-				
Total equity	Before distribution	8,609,280	9,095,475				
	After distribution	7,976,561	8,315,559				

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary

Note3: According to “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the parent company only financial reports should be prepared at end of year.

Parent Condensed balance sheet – Based on ROC GAAP

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016 (Note2)
		2011	2012	2013	2014 (Note2)	2015 (Note2)	
Current assets		5,597,998	5,378,239				
Funds & Long-term investments		1,151,393	1,431,239				
Fixed Assets		2,591,786	3,008,629				
Intangible assets		2,985	1,538				
Other assets		74,153	109,979				
Total assets		9,418,315	9,929,624				
Current liabilities	Before distribution	782,795	805,573				
	After distribution	1,413,795	1,585,489				
Long-term liabilities		-	-				
Other liabilities		27,959	30,179				
Total liabilities	Before distribution	810,754	835,752				
	After distribution	1,441,754	1,615,668				
Capital stock		6,310,000	6,499,300				
Capital surplus		1,246,977	1,246,977				
Retained Earnings	Before distribution	977,974	1,328,143				
	After distribution	157,674	288,255				
Unrealized gain or loss on financial instruments		-	-				
Collected Capital in advance		-	-				
Cumulative translation adjustments		72,610	19,452				
Net loss unrecognized as pension cost		-	-				
Total equity	Before distribution	8,607,561	9,093,872				
	After distribution	7,976,561	8,313,956				

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary.

Consolidated Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2016 (Note3)
	2011	2012	2013(Note2)	2014(Note2)	2015(Note2)	
Operating revenue	3,953,578	4,572,509				
Gross profit	1,984,418	2,313,428				
Income from operations	1,133,431	1,259,248				
Non-operating income	96,128	184,987				
Non-operating expenses	94,244	72,568				
Income from operations of continued segments - before tax	1,135,315	1,371,667				
Income from operations of continued segments-gain or loss	961,317	1,170,422				
Income from discontinued operations	-	-				
Extraordinary gain or loss	-	-				
Cumulative translation adjustments	-	-				
Net income	961,317	1,170,422				
Earnings per share	1.56	1.80				

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary.

Note3: According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

Consolidated Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					Financial Summary As of 3/31/2016 (Note2)
	2011	2012	2013 (Note2)	2014 (Note2)	2015 (Note2)	
Operating revenue	3,948,455	4,572,198				
Gross profit	1,885,154	2,225,123				
Income from operations	1,144,474	1,422,723				
Non-operating income	80,777	123,310				
Non-operating expenses	(101,116)	(145,639)				
Income from operations of continued segments - before tax	1,124,135	1,400,394				
Income from continued operations	959,355	1,170,469				
Income from discontinued operations	-	-				
Extraordinary gain or loss	-	-				
Cumulative translation adjustments	-	-				
Net income	959,355	1,170,469				
Earnings per share	1.56	1.80				

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary

6.1.3 Auditors' Opinions from 2011 to 2015

Year	Accounting Firm	CPA	Audit Opinion
2011	PricewaterhouseCoopers, Taiwan	Tzu-Meng Liu Tzu-Yu Lin	Unqualified
2012	PricewaterhouseCoopers, Taiwan	Tzu-Meng Liu Tzu-Yu Lin	Unqualified
2013	PricewaterhouseCoopers, Taiwan	Tzu-Meng Liu Tzu-Yu Lin	Unqualified
2014	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Tzu-Meng Liu	Unqualified
2015	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Ming-Hsien Lee	Unqualified

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Year Item(Note 4)		Financial Analysis for the Last Five Years (Note1)					Financial Analysis As of 3/31/2016 (Note2)
		2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio	N/A	12.27	16.03	17.51	19.35	19.73
	Ratio of long-term capital to property, plant and equipment		256.69	230.41	186.65	192.36	188.70
Solvency (%)	Current ratio		503.26	346.15	273.69	265.18	258.90
	Quick ratio		330.08	193.68	138.15	162.42	161.81
	Interest earned ratio (times)		47,316.76	178,93	146,50	90,03	25.36
Operating performance	Accounts receivable turnover (times)		10.87	5.62	5.49	5.50	5.29
	Average collection period		34	65	67	66	69
	Inventory turnover (times)		1.18	1.04	0.90	0.84	0.92
	Accounts payable turnover (times)		8.58	10.36	15.51	30.69	15.81
	Average days in sales		309	351	406	435	397
	Property, plant and equipment turnover (times)		1.42	1.31	0.88	0.75	0.76
	Total assets turnover (times)		0.46	0.47	0.36	0.36	0.32
Profitability	Return on total assets (%)		11.81	11.73	4.27	5.45	5.78
	Return on stockholders' equity (%)		13.28	13.61	5.09	6.60	6.92
	Pre-tax income to paid-in capital (%)		21.11	20.84	8.57	10.98	10.69
	Profit ratio (%)		25.61	25.03	11.81	16.05	16.83
	Earnings per share (NT\$) (Note3)		1.80	1.88	0.69	0.87	0.24
Cash flow	Cash flow ratio (%)		81.55	52.93	46.31	45.91	52.07
	Cash flow adequacy ratio (%)		129.04	99.98	75.24	60.63	66.61
	Cash reinvestment ratio (%)		2.87	1.22	0.58	6.39	8.57
Leverage	Operating leverage		1.30	1.34	1.88	1.67	1.62
	Financial leverage		1.00	1.01	1.01	1.01	1.04

Analysis of financial ratio differences for the last two years.

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

1. Decrease in the times for guaranteed interests, due to increased interest burden in 2015.
2. Increase in turnover rate of accounts payable, due to decrease in average accounts payable in 2015.
3. Returns rate on assets increased, due to increased net profit in 2015.
4. Equity returns rate increase, due to increased profit in 2015.
5. Pretax net profit/paid-in capital rate increased, due to increase in operating income in 2015.
6. Net profit rate increased, due to increased profit in 2015.
7. Earnings per share (EPS) increased, due to increased profit in 2015.
8. Rate of cash investments increased, due to lower cash dividend in 2015 than the previous year.

Note 1: According to "Regulations Governing Information to be published in Annual Reports of Public Company", Company's Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following pages for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance Analysis

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

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

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

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

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

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

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

4. Profitability Analysis

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

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

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

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

(5) Net income to net sales = Net Income / Net Sales

(6) Earnings per share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Share Outstanding

5. Cash Flow

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

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

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

6. Leverage

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

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

Parent Financial Analysis – Based on IFRS

<div style="display: flex; justify-content: space-between;"> Year Item(Note 4) </div>		Financial Analysis for the Last Five Years (Note1)					Financial Analysis As of 3/31/2016 (Note2)
		2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio		8.91	9.93	6.16	5.45	N/A
	Ratio of long-term capital to property, plant and equipment		318.28	307.91	253.02	267.51	
Solvency (%)	Current ratio		654.25	539.55	795.52	1,028.87	
	Quick ratio		418.42	290.47	356.36	593.56	
	Interest earned ratio (times)		48,307.34	1,514,747.00	302,675.00	27,504.89	
Operating performance	Accounts receivable turnover (times)		5.41	5.61	5.48	5.60	
	Average collection period		67	65	67	65	
	Inventory turnover (times)		1.29	1.11	0.95	0.91	
	Accounts payable turnover (times)		11.50	13.93	18.53	55.88	
	Average days in sales		283	329	384	401	
	Property, plant and equipment turnover (times)	N/A	1.69	1.69	1.19	1.02	
	Total assets turnover (times)		0.47	0.49	0.40	0.37	
Profitability	Return on total assets (%)		12.08	12.33	4.68	6.22	
	Return on stockholders' equity (%)		13.28	13.61	5.09	6.60	
	Pre-tax income to paid-in capital (%)		21.55	22.41	8.61	10.53	
	Profit ratio (%)		25.61	25.05	11.83	16.29	
	Earnings per share (NT\$) (Note 3)		1.80	1.88	0.69	0.87	
Cash flow	Cash flow ratio (%)		145.21	125.32	219.64	257.31	
	Cash flow adequacy ratio (%)		159.20	105.53	87.17	77.01	
	Cash reinvestment ratio (%)		4.63	3.61	2.90	7.86	
Leverage	Operating leverage		1.24	1.25	1.49	1.46	
	Financial leverage		1.00	1.00	1.00	1.00	

Analysis of financial ratio differences for the last two years.

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

1. Current ratio increased, due to decreased debt in 2015.
2. Quick ratio increased, due to decreased debt in 2015.
3. Times for guaranteed interest decreased, due to increased interest expense in 2015.
4. Turnover rate for accounts payable increased, due to decrease in average accounts payable in 2015.
5. Returns on assets increased, due to increased net profit in 2015.
6. Returns on equity increased, due to increased profit in 2015.
7. Pretax net profit/paid-in capital rate increased, due to increased operating income in 2015.
8. Net profit rate increased, due to increased profit in 2015.
9. Earnings per share (EPS) increased, due increased profit in 2015.
10. Cash investments increase, due to lower cash dividend in 2015 than the previous year.

Note 1: According to “Regulations Governing Information to be published in Annual Reports of Public Company”, Company’s Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following pages for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis
 - (1) Debt ratio = Total Liabilities / Total Assets
 - (2) Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties
2. Liquidity Analysis
 - (1) Current ratio = Current Assets / Current Liabilities
 - (2) Quick ratio = (Current Assets – Inventories - Prepaid Expenses) / Current Liabilities
 - (3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
 - (1) Average collection turnover = Net Sales / Average Trade Receivables
 - (2) Average collection days = 365 / Receivables Turnover rate
 - (3) Average inventory turnover = Cost of Sales / Average inventory
 - (4) Average inventory turnover days = 365 / Inventory Turnover rate
 - (5) Average payment turnover = Cost of Sales / Average Trade Payables
 - (6) Fixed assets turnover = Net Sales / Average Net Properties
 - (7) Total assets turnover = Net Sales / Average Total Assets
4. Profitability Analysis
 - (1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
 - (2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
 - (3) Operating income to paid-in capital = Operating Income / Capital
 - (4) Pre-tax income to paid-in capital = Income before tax/ Capital
 - (5) Net income to net sales = Net Income / Net Sales
 - (6) Earnings per share = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
5. Cash Flow
 - (1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio =Five-year sum of cash from operations / Five-year sum of capital expenditures , inventory additions , and cash dividends.
 - (3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
 - (1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Consolidated Financial Analysis – Based on ROC GAAP

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year(Note1)</div> <div style="flex: 1; text-align: center;">Item(Note 4)</div> </div>		Financial Analysis for the Past Five Years(Note 1)					Financial Analysis As of 3/31/2016 (Note2))
		2011	2012	2013(Note2)	2014 (Note2)	2015(Note2)	
Financial structure (%)	Debt Ratio	9.19	11.81	N/A	N/A	N/A	N/A
	Ratio of long-term capital to fixed assets	266.77	239.97				
Solvency (%)	Current ratio	695.48	510.26				
	Quick ratio	500.29	334.70				
	Interest earned ratio (times)	10,513.18	47,299.86				
Operating performance	Accounts receivable turnover (times)	4.90	5.37				
	Average collection period	75	68				
	Inventory turnover (times)	1.25	1.18				
	Accounts payable turnover (times)	8.85	8.63				
	Average days in sales	292	309				
	Fixed assets turnover (times)	1.29	1.29				
	Total assets turnover (times)	0.46	0.46				
Profitability	Return on total assets (%)	11.46	11.83				
	Return on stockholders' equity (%)	12.58	13.22				
	Ratio to issued capital (%)	17.99	21.10				
	Profit ratio (%)	24.70	25.81				
	Earnings per share (NT\$) (Note3)	1.52	1.80				
Cash flow	Cash flow ratio (%)	153.55	86.00				
	Cash flow adequacy ratio (%)	252.18	151.01				
	Cash reinvestment ratio (%)	10.99	3.25				
Leverage	Operating leverage	1.25	1.26				
	Financial leverage	1.00	1.00				

Note 1: According to “Regulations Governing Information to be published in Annual Reports of Public Company”, Company’s Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following pages for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis
 - (1)Debt ratio = Total Liabilities / Total Assets
 - (2)Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties
2. Liquidity Analysis
 - (1)Current ratio = Current Assets / Current Liabilities
 - (2)Quick ratio = (Current Assets — Inventories - Prepaid Expenses) / Current Liabilities
 - (3)Times interest earned = Earnings before Interest and Taxes / Interest Expenses
- 3.Operating Performance Analysis
 - (1)Average collection turnover = Net Sales / Average Trade Receivables
 - (3) Average collection days = 365 / Receivables Turnover rate
 - (4) Average inventory turnover = Cost of Sales / Average inventory
 - (5) Average inventory turnover days = 365 / Inventory Turnover rate
 - (6) Average payment turnover = Cost of Sales / Average Trade Payables
 - (7) Fixed assets turnover = Net Sales / Average Net Properties
 - (8) Total assets turnover = Net Sales / Average Total Assets
- 4.Profitability Analysis
 - (1)Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
 - (2)Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
 - (3)Operating income to paid-in capital = Operating Income / Capital
 - (4)Pre-tax income to paid-in capital = Income before tax/ Capital
 - (5)Net income to net sales = Net Income / Net Sales
 - (6)Earnings per share = (Net Income — Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
- 5.Cash Flow
 - (1)Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2)Cash Flow Adequacy Ratio =Five-year sum of cash from operations / Five-year sum of capital expenditures , inventory additions , and cash dividends.
 - (3)Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
 - (1)Operating leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2)Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Parent Financial Analysis – Based on IFRS

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year(Note 1)</div> <div style="flex: 1; text-align: center;">Financial Analysis for the Last Five Years (Note 1)</div> </div>							Financial Analysis As of 3/31/2016 (Note2)
		2011	2012	2013 (Note 2)	2014 (Note 2)	2015(Note 2)	
Item (Note 4)							
Financial structure (%)	Debt Ratio	8.61	8.42	N/A	N/A	N/A	N/A
	Ratio of long-term capital to property, plant and equipment	332.11	302.26				
Solvency (%)	Current ratio	715.13	667.63				
	Quick ratio	506.59	426.91				
	Interest earned ratio (times)	10,409.66	48,209.45				
Operating performance	Accounts receivable turnover (times)	4.97	5.41				
	Average collection period	73	67				
	Inventory turnover (times)	1.32	1.29				
	Accounts payable turnover (times)	10.26	11.57				
	Average days in sales	276	283				
	Property, plant and equipment turnover (times)	1.52	1.63				
	Total assets turnover (times)	0.47	0.47				
Profitability	Return on total assets (%)	11.49	12.10				
	Return on stockholders' equity (%)	12.55	13.22				
	Pre-tax income to paid-in capital (%)	17.82	21.55				
	Profit ratio (%)	24.30	25.60				
	Earnings per share (NT\$) (Note3)	1.56	1.80				
Cash flow	Cash flow ratio (%)	164.20	153.10				
	Cash flow adequacy ratio (%)	200.40	147.40				
	Cash reinvestment ratio (%)	10.84	4.99				
Leverage	Operating leverage	3.09	2.90				
	Financial leverage	1.00	1.00				

Note 1: According to “Regulations Governing Information to be published in Annual Reports of Public Company”, Company’s Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following pages for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1)Debt ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1)Current ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance Analysis

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

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

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

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

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

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

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

4. Profitability Analysis

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

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

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

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

(5)Net income to net sales = Net Income / Net Sales

(6)Earnings per share = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Share Outstanding

5. Cash Flow

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

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

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

6. Leverage

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

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

6.3 Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report

(Translated from Chinese)

I hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2015 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

ScinoPharm Taiwan, Ltd.

Chairman of the Audit Committee: Wei-te Ho

March 25, 2016

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

Please refer to page 194 ~ 261.

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

Please refer to page 262 ~ 313

6.6 Financial Difficulties

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

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

7.1 Analysis of Financial Status

Consolidated Financial statement

Unit: NT\$ thousands

Item \ Year	2015	2014	Difference	
			Amount	%
Current Assets	6,032,910	5,249,555	783,355	14.92
Property, Plant and Equipment	5,170,714	5,065,025	105,689	2.09
Intangible Assets	22,918	23,554	(636)	-2.70
Other Assets	995,053	1,033,686	(38,633)	-3.74
Total Assets	12,221,595	11,371,820	849,775	7.47
Current Liabilities	2,274,983	1,918,033	356,950	18.61
Other Liabilities	89,619	73,516	16,103	21.90
Total Liabilities	2,364,602	1,991,549	373,053	18.73
Total Stockholders' Equity	9,856,993	9,380,271	476,722	5.08

Parent Company Only Financial statement

Unit: NT\$ thousands

Item \ Year	2015	2014	Difference	
			Amount	%
Current Assets	4,928,490	4,311,642	616,848	14.31
Property, Plant and Equipment	3,718,257	3,736,412	(18,155)	-0.49
Intangible Assets	12,656	7,013	5,643	80.46
Other Assets	1,766,228	1,940,707	(174,479)	-8.99
Total Assets	10,425,631	9,995,774	429,857	4.30
Current Liabilities	479,019	541,987	(62,968)	-11.62
Non-current Liabilities	89,619	73,516	16,103	21.90
Total Liabilities	568,638	615,503	(46,865)	-7.61
Total Stockholders' Equity	9,856,993	9,380,271	476,722	5.08

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

- Consolidated Financial statement:
Other liabilities increased, mainly due to deposits for the construction of new injection-drug plant.
- Parent Company Only Financial statement:
Intangible assets increased, mainly due to addition of new quality system management software and digital management software.

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

7.1.3 Future response plans: Not applicable.

7.2 Analysis of Operation Results

Consolidated Financial statement

Unit: NT\$ thousands

Item	2015	2014	Difference	%
Net Operating Revenue	3,955,207	4,097,844	(142,637)	-3.48
Operating Costs	(2,278,553)	(2,497,278)	218,725	-8.76
Net Operating Margin	1,676,654	1,600,566	76,088	4.75
Operating Expenses	(926,951)	(1,041,124)	114,173	-10.97
Operating Profit	749,703	559,442	190,261	34.01
Non-operating Income And Expenses	53,181	42,767	10,414	24.35
Profit Before Income Tax	802,884	602,209	200,675	33.32
Income Tax Expense	(167,919)	(118,066)	(49,853)	42.22
Profit For the Year	634,965	484,143	150,822	31.15
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(25,918)	54,506	(80,424)	-147.55
Total Comprehensive Income For The Year	609,047	538,649	70,398	13.07

Parent Company Only Financial statement

Unit: NT\$ thousands

Item	2015	2014	Difference	%
Net Operating Revenue	3,897,137	4,092,478	(195,341)	-4.77
Operating Costs	(2,231,449)	(2,428,110)	196,661	-8.10
Net Operating Margin	1,665,688	1,664,368	1,320	0.08
Operating Expenses	(744,957)	(826,807)	81,850	-9.90
Operating Profit	920,731	837,561	83,170	9.93
Non-operating Income And Expenses	(150,622)	(232,213)	81,591	-35.14
Profit Before Income Tax	770,109	605,348	164,761	27.22
Income Tax Expense	(135,144)	(121,205)	(13,939)	11.50
Profit For the Year	634,965	484,143	150,822	31.15
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(25,918)	54,506	(80,424)	-147.55
Total Comprehensive Income For The Year	609,047	538,649	70,398	13.07

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

- Consolidated Financial statement:

- (1) Operating profit increased, due to decrease in operating expense than the previous year.
- (2) Non-operating Income increased, due to share swap with Foreseeacer in January 2015, which was then translated into cost-assessed financial assets and then listed as investment benefits, thereby generating benefits from disposal of investments, which led to decrease in long-term investments and increase in other benefits, according to the assessment with equity method.
- (3) Income Tax Expense increased, due to improvement of business than the previous year.
- (4) Total Other Comprehensive Income (Loss) For the Year (After Tax) decreased, due to increased loss from discrepancy of conversion by foreign operating units.

- Parent Company Only Financial statement:

- (1) Non-operating Expenses decreased, due to revenue growth of subsidiary ScinoPharm (Changshu), reducing after-tax net loss, and share swap with Foreseeacer in January 2015, which was then translated into cost-assessed financial assets and then listed as investment benefits, thereby generating benefits from disposal of investments and leading to decrease in long-term investments and increase in other benefits, according to the assessment with equity method.
- (2) Total Other Comprehensive Income (Loss) For the Year (After Tax) decreased, due to increased loss from discrepancy of conversion by foreign operating units.

7.2.2 Sales forecast and basis

A. Forecast of sales amount

Item	Amount(kg)
Generic API	15,928
CMO API	3,390
CRO API	3,619
Total	22,937

B. Basis of sales forecast:

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

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

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

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

7.2.4 Future response plans: Not applicable.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Parent Company Only Financial statement

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year(1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,382,159	1,232,583	(633,446)	1,981,296	-	-

- (1) Business activities: Business activities generated NT\$ 1,232,583 thousands dollars net cash inflow in 2015, attesting to the company's good business status.
- (2) Investment activities: Investment activities caused NT\$ 514,595 thousands dollars of net cash outflow in 2015, mainly for the construction of new injection-drug plant and substitution of new equipment for old one.
- (3) Funding activities: Funding activities caused NT\$118,851 thousands dollars of net cash outflow, mainly due to cash-dividend payout and increased deposits.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

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

7.3.3 Cash Flow Analysis for the Coming Year

Parent Company Only Financial statement

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,981,296	1,069,994	(950,242)	2,101,048	-	

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

- (1) Business activities: Business activities are expected to generate NT\$ 1,069,994 thousands dollars of net cash inflow, mainly from net profit from the company's operation and the need for inventory.
- (2) Investment activities: Investment activities are expected to cause NT\$ 730,917 thousands dollars of net cash outflow, mainly due to, on top of capital outlays for equipment updating and maintenance, continuing outlay for the construction of new injection-drug plant and development of preparations and new drugs under its long-term strategy.
- (3) Funding activities: Funding activities are expected to cause NT\$ 219,325 thousands dollars of net cash outflow, mainly for cash-dividend payout.

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

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Parent Company Only Financial statement

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Expected Capital Expenditure	Actual Capital Expenditure
Plant construction	Own fund	2016/12	2012/07/01~ 2016/04/30	1,502,910	Had invested NT\$1,215,878 as of April 30, 2016

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

7.4.2 Expected benefits

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

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

7.5.1. Equity investment policy

- (1) ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.: ScinoPharm's Kunshan plant stopped operation in 2013 and transferred its operation to the company's Changshu plant, while continuing to make shipment from its inventories.
- (2) ScinoPharm (Changshu) Pharmaceuticals Co., Ltd.: ScinoPharm's Changshu plant obtained production license for 11 active pharmaceutical ingredients from China's State Food and Drug Administration and passed inspection by several major customers in 2015, as well as inspection by the U.S. FDA at the end of the year. The plant is now dedicated to the development and production of new active pharmaceutical ingredients. In addition, equipment for second-stage production line had completed adjustment in mid-2016 and is ready for mass production.
- (3) ScinoPharm Shanghai Biochemical Technology Ltd.: The subsidiary is mainly meant for

tapping China's domestic market and service U.S. and European customers in Shanghai, on top of agency, sales, and import/export of active pharmaceutical ingredients and intermediates in China, as well as biotech R&D consulting service.

7.5.2 Reasons for profit or loss

- (1) ScinoPharm (Kunshan) Biochemical Technology: With termination of production, the subsidiary is only selling intermediates from inventory now and raked in increase profit in 2015, thanks to reduction in business expenses.
- (2) ScinoPharm (Changshu) Pharmaceuticals: The subsidiary was in the red in 2015, due to inadequate production efficiency, as the companies engaged mainly in the development and registration of active pharmaceutical ingredients in the year, resulting in much idled capacity.
- (3) ScinoPharm Shanghai Biochemical Technology Ltd.: The subsidiary was still in the red in 2015, as its business was still confined to assistance for the parent firm and ScinoPharm (Changshu) in applying for registration of pharmaceuticals in China and development of potential customers. The deficit decreased, though, thanks to increased income from management service.

7.5.3. Improvement plan

Having passed plant inspection by the U.S. FDA, ScinoPharm (Changshu) is striving to have China's State and Drug Administration inspect its plant and is stepping up tapping CRO(contract research organization) and CMO(contract manufacturing organization) businesses with promising potential, in order to enhance its capacity utilization rate and attain economy of scale.

7.5.4. Future investment plans

ScinoPharm (Changshu) Pharmaceuticals: The company's board of directors has resolved to increase the capital of 100%-owned offshore subsidiary SPT International Ltd. for investing US\$54.5 million in ScinoPharm (Changshu) Pharmaceuticals in stages. The investment had been completed at the end of 2015.

7.6 Analysis of Risk Management

7.6.1. Risk-management policy and organizational structure

7.6.1.1. Organizational structure for risk management

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

(1) Organizational structure for risk management and responsibilities

Names of organization	Responsibilities
Board of Directors and the Auditing Committee	Formulate risk-management culture and policy, in addition to overseeing the responses to and handling of major risks and assuring the effectiveness of risk-management mechanism.
Ranking managers (president, vice presidents)	Execute risk-management policies of the board of directors, conduct resources allocation, evaluation and notify existing and future risks in response to changes in environment, assess possible loss, propose countermeasures, make adjustments, and track effect.
Various centers and units	Abide by company policy and implement daily risk management-related operations, set up cross-section risk-management communications mechanism, and conduct own assessment of risk-management operation.
Auditing office	Assist management in conducting risk assessment and offer internal-control suggestion, formulate annual auditing plan according to the outcome of risk management, and carry out objective and independent auditing of key spots, so as to assure propriety in the design and execution of risk management and internal control.
Legal affairs Division	Take charge of legal affairs, patents, and intellectual properties, handle litigations and contracts, and assure abidance of government policy, so as minimize legal risk.

(2) Coverage of major risk-management units

Items	Major risks	Direct risk management unit	Risk review mechanism	Policy making and supervision
1.	Change in interest rate and exchange rate	Financial center	Management decision making meeting	The Board of Directors: The ultimate decision-making body for various risk countermeasures Auditing Office: Risk monitoring and tracking
2.	Risks associated with high-risk, high-leveraged investments, lending, endorsement/guarantee, and trading in derivatives	Financial center	Management decision making meeting	
3.	R&D investment risk	R&D center	Management decision making meeting	

4.	Risk associated with changes in domestic and foreign policies and laws	Legal Affairs Division	Management decision making meeting	
5.	Risk associated with change in technologies and industry	R&D center	Management decision making meeting	
6	Risk associated with change in corporate image	Financial center	Management decision making meeting	
7	M&A risk	Financial center	Investment Committee	
8	Risk of worse-than-expectation benefit for capacity expansion	Production Center	Management decision making meeting Investment Committee	
9.	Risk arising from concentration of supply and sale	Business Development	Management decision making meeting	
10	Risk of litigations and non-contentious cases	Legal Affairs Division	Management decision making meeting	
11	Risk associated with industrial safety, hygiene, and environmental protection	Production Center	Security Committee	
12	Product quality risk	Quality Control Center	Management decision making meeting	

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

(1) Effect of change in interest rate

Presently, the company doesn't face risk deriving from change in interest rates. As shown in the financial statement, the Taiwanese parent company raked in NT\$ 11,039 thousands dollars of net interest income in 2015, less than NT\$13,267 thousands dollars in 2014, accounting for 0.28% of operating revenue and 1.2% of operating profit, lower than corresponding rates of 0.32% and 1.58% in 2014, due to lower operating revenue in 2015 than the previous year and continuing outlays for machinery equipment for the injection-drug plant. Overall speaking, the company still has sufficient operating fund in hand. In addition, following advance repayment of entire syndicated loans in April 2010, the company has not incurred new debt up to now. As for allocation of assets, the company invests mainly in banking deposits and short-term fixed-yield financial products, such as commercial papers or bonds with repurchase agreement, for the sake of security and liquidity.

As shown in the consolidated financial statement, net interest income amounted to NT\$6,682 thousands dollars in 2015, lower than NT\$14,978 thousands dollars in 2014,

accounting for 0.17% of operating revenue and 0.89% of operating profit, compared with corresponding rates of 0.37% and 2.68% in 2014. In addition to the aforementioned causes of the parent company, Chinese subsidiary Changshu plant had higher short-term borrowings than 2014, due to the fund needed for initial operation. As for allocation of assets, subsidiaries focus on short-term principal-protection fixed-yield products, to safeguard principal and retain good liquidity.

Unit: NT\$ thousands

Item	2015 Parent Company Only Financial statement	2015 consolidated financial statement
Net interest income (expense) –(1)	11,039	6,682
Operating revenue-(2)	3,897,137	3,955,207
Operating profit -(3)	920,731	749,703
Share of interest income (expense) in operating revenue-(1)/(2)	0.28%	0.17%
Share of interest income (expense) in operating profit-(1)/(3)	1.20%	0.89%

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

- A. Funding from financial institutions: The company has maintained a good relationship in dealing with financial institutions, such as banks and bills finance companies, retained proper loan quota, and periodically evaluate the discrepancy between loan rate and average market rate, ready to secure most preferential interest rates when it needs to borrow from financial institutions.
- B. Taking advantage of the capital market: The company is ready, whenever necessary for business development, to float corporate bonds or convertible bonds for direct finance or carry out cash capital increment, to lower funding cost.
- C. Plural fund-raising channels: In line with the scale of capital expenditures, the company can also secure syndicated banking loan. It can also borrow foreign currency-denominated loans or float overseas convertible bonds, to meet the need of foreign currency-denominated funds, maintaining a flexible fund-funding method.

(2) The effect of change in foreign exchange rate

As shown in the financial statement, the Taiwanese parent company raked in NT\$17,220 thousands dollars of net currency exchange gain in 2015, less than 2014's NT\$25,021 thousands dollars, accounting for 0.44% of operating revenue and 1.87% of operating profit, lower than 2014's corresponding rates of 0.61% and 2.99%, due to higher swing in NT dollar's exchange rate against the U.S.dollar, increasing the difficulty for hedging operation. The consolidated financial statement shows NT\$65,734 thousands dollars of

net currency exchange loss, accounting for 0.64% of operating revenue and 4.69% of operating profit, mainly due to the adverse effect of sharp depreciation of Renminbi since August 2015 on the finance of subsidiaries.

Unit: NT\$ thousands

Item	2015 Parent Company Only Financial statement	2015 consolidated financial statement
Net currency exchange gain (loss)-(1)	17,220	(65,734)
Operating revenue-(2)	3,897,137	3,955,207
Operating profit-(3)	920,731	749,703
Share of net currency exchange gain (loss) in operating revenue-(1)/(2)	0.44%	(1.66%)
Share of net currency exchange gain (loss) in operating profit- (1)/(3)	1.87%	(8.77%)

For the Taiwanese parent company, due to its focus on export, thanks to trust of major U.S. and European pharmaceutical firms in the quality of its products, proceeds from its sales are mainly denominated in U.S. dollar, with a small part in Euro. On the other hand, its payment is mainly denominated in NT dollar, with U.S. dollar and Euro accounting for a small part. Therefore, depreciation of the NT dollar against U.S. dollar and Euro would benefit the company financially, and vice versa, with the extent of influence hinging on the scale in the fluctuation of the exchange rates. Meanwhile, the sharp depreciation of Renminbi against U.S. dollar since August 2015 augmented the debt position of Chinese subsidiaries, due to their increasing U.S.dollar loans. The adverse effect, however, will be offset later on by their U.S. dollar-denominated accounts payable, expected to be generated from their export business, their mainstay business. Anyway, to alleviate the exchange-rate risk caused by possible further depreciation of Renminbi in short and medium term, the subsidiaries plan to gradually adjust currency denomination for their debt positions.

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

- A. The financial unit keeps close contact with the foreign exchange departments of financial institutions, constantly collects information on change in exchange rate, and have firm grip on the international trend of exchange rates and political and economic development, as reference for engagement in foreign-exchange trading and counter the adverse effect of exchange-rate fluctuation.
- B. The financial unit engages in certain extent of forward forex trading for risk hedging and proposes evaluation report periodically, as reference for the management to make judgment.
- C. Make general evaluation of the effect of exchange/interest rates and adjust currency denominations for debt position properly, so as to ward off the adverse effect of exchange-rate fluctuation.
- D. Open foreign-currency deposit accounts and adjust the position of foreign-currency

assets properly, according to actual funding need and trend of exchange rates.

E. Make payment for procurements in currencies similar to the denominated currencies for proceeds from sales, so as to achieve a risk-hedging effect automatically.

F. Business or procurement units should consult financial unit on trend of exchange rates and other factors of influence before offering quotes, to facilitate overall consideration and evaluation.

(3) The effect of inflation

According to statistics of the Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS), consumer price index (CPI) and wholesale price index (WPI) in Taiwan dropped 0.31% and 8.82%, respectively, in 2015 from 2014. Meanwhile, according to the statistics of China's National Bureau of Statistics, China's CPI and producer price index (PPI) rose 1.4% and tumbled 5.2%, respectively, in 2015 from 2014, underscoring scant inflationary pressure, due mainly to plunge in oil prices which drove down international prices of raw materials further and overall price level. In addition, except the U.S. whose economy recovered steadily, most countries were still staggering in their pace of recovery and embraced quantitative loosening policy, different from the U.S. which started to hike interest rates at the end of 2015. Overall speaking, in 2015 there was neither inflationary pressure nor threat of deflation.

Along with the gradual recovery of the global economy, the company will continue monitoring trend in change of raw-material prices. Should inflation appear to boost procurement cost, the company will adjust product prices and inventory of raw materials properly, to offset the effect of inflation.

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

(1) High-risk and high-leveraged investment

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

(2) Lending, endorsement, and guarantee

In view of the need of the group's overall operation, the Taiwanese parent company and Chinese subsidiaries have formulated "Procedural Rules for Providing Lending to Other Persons" and "Procedural Rules for Providing Endorsements and Guarantees", according to the regulation of the regulator, and have dedicated unit undertake risk evaluation and effective control, to safeguard the company's utmost benefit.

In 2015, the Board of Directors of ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. resolved to lend loans to ScinoPharm (Changshu) Pharmaceuticals, Ltd.. There was no other case involving lending of loans or provision of endorsement or guarantee in the year.

As of the end of 2015, ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. had NT\$94,905 thousands dollars of outstanding loans provided to ScinoPharm (Changshu) Pharmaceuticals, Ltd. and the fund had been transferred to the latter entirely in January 2016.

(3) Trading in derivatives

The Taiwanese parent company and Chinese subsidiaries have formulated respective "Rules Governing the Procedure for Handling Acquisition and Disposal of Assets" to regulate trading in derivatives, restricting such trading to the purpose of hedging the market risk associated with the effect of fluctuation of exchange rates and interests rates on the net positions of foreign currency-denominated assets (liabilities). Trading for arbitrage and speculation is forbidden.

As shown in its financial statement, in 2015 the Taiwanese parent company incurred NT\$14,941 thousands dollars of loss from the evaluation of financial products, mainly from forward trading for hedging the risk of currency exchange rate fluctuation, and the net currency exchange gain is NT\$17,220 thousands dollars. In the consolidated financial statement, there was NT\$14,941 thousands dollars of loss from the evaluation of financial products, mainly due to the aforementioned loss of the parent company from exchange-rate risk hedging investment, and NT\$65,734 thousands dollars of net currency exchange loss, due mainly to the adverse effect of the sharp depreciation of Renminbi against the U.S. dollar since August 2015 on the debt positions of mainland Chinese subsidiaries. The company has planned to adjust the currencies for the denomination of debt positions, so as to lower the exchange-rate risk associated with possible further depreciation of Renminbi.

In the future, the company, including the Taiwanese parent company and mainland Chinese subsidiaries, will still invest in derivatives only for hedging risks associated with swing in exchange rates and interest rates and avoid possible loss from speculative trading. In compliance with the "Rules Governing the Procedure for Handling Acquisition and Disposal of Assets", periodically evaluate investment status and report to the management as reference, in addition to adjusting risk-hedging strategy timely, in accordance with the company's business status and market trend.

7.6.4 Future Research & Development Projects and Corresponding Budget

Despite the relatively longer product lifecycles in the pharmaceutical industry, early commitment to product development is critical in order to excel in the lengthy and competitive R&D-to-market process. ScinoPharm's business strategy leverages its sales and marketing strengths as well as its unique perspective on the dynamics of the industry. In order to bring products of great potential to the market and establish innovative platform technologies, we have invested substantially in R&D, enabling us to expand our established pipeline and techniques in order to deliver new APIs mainly in the oncology and CNS areas in the next five years. Development of new crystalline forms for APIs of new antiviral drugs and those for metabolic diseases will also be carefully assessed based on market potential, entry barrier, and our company's own technical advantages. A novel technology developed in the past 2-3 years may also be expected to bear fruit soon in the manufacture of a new class of diabetes medicine, treating the disease through a new mechanism of action. Our past investment in the development of peptide analytical and process R&D capabilities, along with our CGMP peptide manufacturing facilities, will allow us to take advantage of the rise of peptide drug products, with technically challenging peptide APIs to be a focus of R&D in the future.

To expand our leadership in oncology drugs, simultaneously with the continual delivery

of APIs in this therapeutic area, efforts in the development of formulation and drug product manufacturing of anti-cancer injectable products will also be launched in preparation for ANDA submissions in the US and EU. Meanwhile, we will enhance our proprietary techniques as well as product and patent portfolios through development of novel formulations in the areas of nano-technology and targeted delivery for oncology medicine.

To build our foundation in oncology medicine, we have recently created a new drug development team within R&D. The team's immediate tasks include in-licensing of third-party intellectual property or technology and in-house screening of anti-cancer targeted therapies. In the future, these innovations and technical competence should enable us to compete successfully in this rapidly advancing industry.

ScinoPharm previously budgeted approximately 7% of revenue for product research and development activities. With sales growth, we expect to increase our R&D budget to an estimated 800 million NTD in the next two years in order to enhance our capabilities and expand our range of product offerings.

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None

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

The company's R&D team leads the counterparts of peers in product-development capability. Our R&D, marketing, and planning staffers constantly monitor the development trend of pharmaceuticals and development status of new technologies, as the basis for medium- and long-term development. Since the company develops and produces active pharmaceutical ingredients by its own, in addition to avoidance of infringing existing patents in process development, it actively carries out technological innovation and develops patented processes, to assure the competitiveness of its products. The company has developed at least five new products a year, expanding its product lineup. Rapid development of new products has given the company a strong boost in tapping the global market. Presently, the company has been extending its reach from active pharmaceutical ingredients to preparations and new drugs, transforming into an all-round pharmaceutical firm. Due to its leading technological status and firm grip of industrial trend, the company has been able to keep up with the pace of industrial and technological development on the global market. Therefore, changes in technologies and the industry have no bearing on the company's finance.

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

The company has been adhering to the management principle of professionalism, integrity, and stability, having high regard for corporate image and risk management, on top of the setup of corporate website, spokesman, and investor-relationship window for provision of time explanation of key messages, which constitutes a communications channel featuring transparency, mutual trust, and rapid response, facilitating the upholding of a good corporate image. Therefore, there has yet to have cases in which major change in corporate image causes corporate crisis management.

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

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

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

In light of the capacity ScinoPharm has established in the supply chain of injectables all these years, and to cope with the changing dynamics of pharmaceutical industry as well as to serve existing customers, following meticulous assessment ScinoPharm had put up the plan to build a brand new injectable plant in Tainan campus, Taiwan. As a result, the injectable plant building license was issued by the end of 2015. With the completion of the capacity expansion ScinoPharm is ready to provide one-stop-shopping service, i.e., in addition to continuously offering customers with API, ScinoPharm extends the services to provide a variety of oncologic and sophisticated parenteral products with the advantages of facilitating short startup time and minimizing transfer costs. The benefits and risks/adaptive measures associated with the capacity expansion are detailed as follows.

(1) Benefits

With evolving global regulations on the manufacturing and quality for injectables, there have been factory shutdowns by authorities caused by the plant design and/or quality control that failed to meet cGMP requirements. The consequence of demand-supply imbalance leads to the drug shortage in the industry. In accordance with the most stringent global standards ScinoPharm has thus adopted the state-of-the-art plant design. On the aspect of manufacturing, isolator technology is employed to reduce contamination risk by minimizing aseptic operation area and limiting human interference. The new injectable plant combining with API capacity enables ScinoPharm to move a step further in the arena of injectables supply chain. There are two filling lines on-going in current plan. The first line targets high potency products in pre-filled syringe or cartridge format. The other one is dedicated to cytotoxic products including liquid and lyo in vial format. It is anticipated that the addition of injectables plant will bring in new business through contract manufacturing service and through diverse collaboration models incurred by vertical integration of API and drug manufacturing.

(2) Risks/Adaptive measures

The rationales of establishing parenteral drug capacity have been carefully examined so as the decision on the two filling lines in differentiation from peer competitors. Considering the great amount of capital investment, the risk remains when the capacity utilization rate stayed low. Idle facility and equipment would lead to less economies of scale and increase production cost. To reduce the risk ScinoPharm shall vigorously identify and partner up with generics supplier in the US and Europe, and also explore contract manufacturing opportunity on new drugs and biologics.

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

The company generated NT\$1,330,845 thousands dollars and NT\$1,447,914 thousands dollars of revenue, respectively, from Biddle Sawyer Pharma LLC in 2014 and 2015, for shares of 32.48% and 36.61%. Biddle Sawyer Pharma LLC is the company's sole agent for the North American market, the world's largest generic-drug market, having helped the company sell its active pharmaceutical ingredients of anti-cancer drugs to 60 generic-drug companies in the region. The heavy reliance on Biddle Sawyer Pharma LLD brings a concentration risk, which will impact the company's operation, should the former stop placing orders with the company.

Countermeasures:

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

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

(2) Keep close relationship with end customers

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

(3) Actively developing customers in other regions

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

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

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

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

7.6.13 Litigation or Non-litigation Matters:

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

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

7.6.14 Other Major Risks: None

7.7 Other Important Matters: None

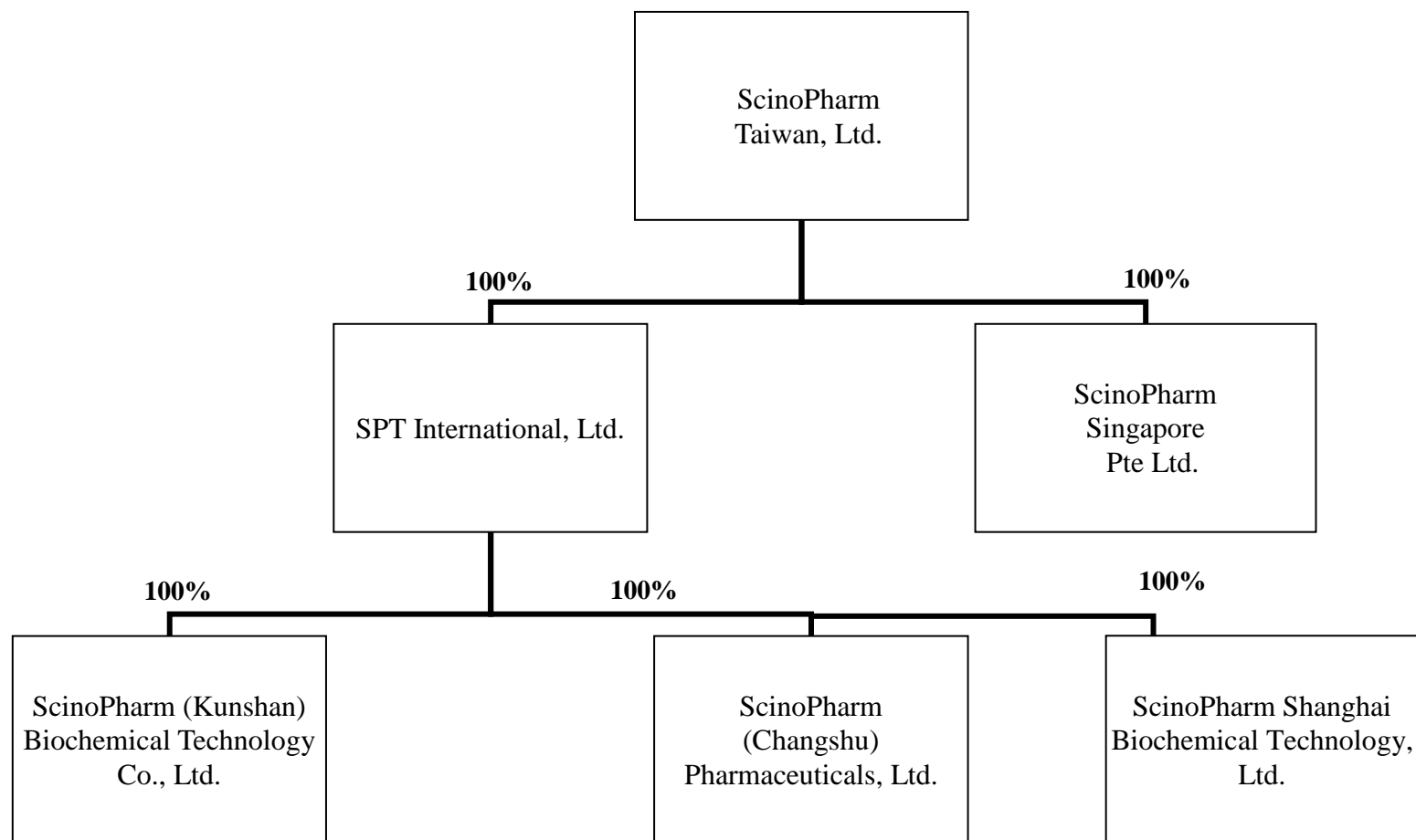
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Business Report of Affiliated Companies

8.1.1.1 Affiliated Companies Chart

Dec 31, 2015



8.1.1.2 of Affiliated Companies Information

Dec 31, 2015

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business Production Items
ScinoPharm Taiwan, Ltd.	1997.11.11	No.1, Nan-Ke 8th Road, Southern Taiwan Science Park, Shan-Hua, Tainan, 74144, Taiwan	NT\$7,310,828,600	Counseling, consulting, and technological services for active pharmaceutical ingredients, injection drugs, preparations, and other related products
SPT International, Ltd.	1998.10.22	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US\$60,524,644	Common investment business
ScinoPharm Singapore Pte Ltd.	1999.11.13	50 Raffles Place #06- 00 Singapore Land Tower, Singapore 068808	SG\$2	Common investment business
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	2001.02.13	No.88 Weiye Road, Business Incubator For Overseas Chinese Scholars, Kungshan, Jiangsu, China.	US\$4,000,000	Establish R&D center, develop new drugs, new process for active pharmaceutical ingredients, medical pharmaceutical technology, and provide consulting service for biotechnical R&D and others; produce and sell active pharmaceutical ingredients and intermediates
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	2009.08.18	No. 16, Dong Zhou Rd., Economic Development Zone, Changshu, Jiangsu, China	US\$54,500,000	Production of heterocyclic fluoride and other fluorine-containing highly active intermediates and preparations; R&D on recipe of active pharmaceutical and crafting, recipe of preparations, and consulting for on biotech R&D; sale of own products Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D
ScinoPharm Shanghai Biochemical Technology, Ltd.	2011.11.15	Room 209, Block B, Uni-President Building, NO.568 Tianshan west Road, Changning District, Shanghai, 200335, China	US\$1,200,000	Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D

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

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

8.1.1.5 Directors, Supervisors and Presidents of Affiliated Companies

Dec 31, 2015

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
ScinoPharm Taiwan, Ltd.	Chairman	Kao-Huei Cheng (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Chih-Hsien Lo (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Tsung-Ming Su (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Kun-Shun Tsai (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Tsung-Pin Wu (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Yung-Fa Chen (Representative of Uni-President Enterprises Corp.)	277,337,870	37.94%
	Director	Chien-Li Yin (Representative of Tainan Spinning Co., Ltd.)	21,825,001	2.99%
	Director	Po-Wu Gean (Representative of National Development Fund, Executive Yuan)	101,274,976	13.85%
	Director	Ming-Shi Chang (Representative of National Development Fund, Executive Yuan)	101,274,976	13.85%
	Director	Chiou-Ru Shih (Representative of President International Development Corp.)	26,510,191	3.63%
	Director	Shiow-Ling Kao (Representative of Kao Chyuan Investment Co., Ltd.)	13,713,697	1.88%
	Director	Chin-Jung Yang (Representative of Taiwan Sugar Corporation)	30,123,857	4.12%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
	Independent Director	Ih-Jen Su	0	0%
	Independent Director	Wei-Cheng Tian	94,436	0.013%
	Independent Director	Wei-Te Ho	0	0%
	CEO	Yung-Fa Chen	6,630	0.001%
SPT International, Ltd.	Director	Yung-Fa Chen (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
	Director	Kuo-Hsi Cheng (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
	Director	Chih-Hui Lin (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
ScinoPharm Singapore Pte Ltd	Director	Yung-Fa Chen (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Director	Pei-Fen Chou (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Independent Director	Krishnaveni D/O Sandanam	0	0%
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Director	Kuo-Hsi Cheng (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	General Manager	Yung-Fa Chen	0	0%
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Director	Kuo-Hsi Cheng	US\$54,500,000	100%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
		(Representative of SPT International, Ltd.)		
	Director	Pei-Fen Chou (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Supervisor	Chin-Lin Liu (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	General Manager	Kuo-Hsi Cheng	0	0%
ScinoPharm Shanghai Biochemical Technology, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Kuo-Hsi Cheng (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Pei-Fen Chou (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	General Manager	Ching-Wen Lin	0	0%

Note: Shareholding column lists either shares or amounts.

8.1.1.6 Summarized Operation Results of Affiliated Enterprises

Dec.31, 2015; Unit: NT\$ thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income (After Tax)	Earning Per Share (NT\$) (After Tax)
ScinoPharm Taiwan, Ltd.	7,310,829	10,425,631	568,638	9,856,993	3,897,137	920,731	634,965	0.87
SPT International, Ltd.	1,833,304	1,200,818	0	1,200,818	0	-47	-269,541	-4.45
ScinoPharm Singapore Pte Ltd	0	97	47	50	370	17	15	7,579
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	131,300	479,028	4,386	474,642	67,600	-1,380	13,387	NA
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1,788,963	2,502,495	1,802,264	700,231	258,130	-164,327	-282,814	NA
ScinoPharm Shanghai Biochemical Technology, Ltd.	39,390	22,361	1,005	21,356	12,249	-334	-235	NA

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

(1) Figures in balance sheet are based on the spot exchange rates on Dec. 31, 2015:

RMB:NTD = 1:4.995 USD:NTD = 1:32.825

(2) Figures in income statement are based on average exchange rates in 2015

RMB:NTD = 1: 5.033206 USD:NTD = 1:31.755665

8.1.2 Statement on Affiliates Report

ScinoPharm Taiwan, Ltd.
Statement on Affiliates Report

March 25, 2016

The company's 2015 affiliates report (Jan. 1 through Dec. 31, 2015) was compiled according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

Company name: ScinoPharm Taiwan, Ltd.

Chairman: Cheng Kao-huei

March 25, 2016



ScinoPharm Taiwan, Ltd.

Re-auditing report by Certified Public Accountant on Affiliates Report

No. 15008513

To ScinoPharm Taiwan, Ltd. :

ScinoPharm's 2015 affiliates report (Jan. 1 through Dec. 31, 2015) was compiled on March 25, 2015 according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

The certified public account didn't find any major deviation from the aforementioned statement after comparing the affiliates report and notes in ScinoPharm Taiwan's 2015 financial statement.

PricewaterhouseCoopers, Taiwan

Tzu-Yu Lin

Independent Accountants

Ming-Hsien Lee

Former Securities Management Committee, the
Ministry of Finance

Approval of certifications

No. (82) Taiwan-Finance-Securities-(VI)-44927

No. (78) Taiwan-Finance-Securities-(I)-30934

March 25, 2015

ScinoPharm Taiwan, Ltd.

1. Status of relationship between affiliated companies and controlling company

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

Unit: Share ; %

Controlling company	Controlling reason	Shareholding of controlling company and status of mortgage			Directors, Supervisors, or Managers representing the controlling company	
		Number of shares owned	Share of stake	Amount of mortgaged shares	Title	Name
Uni-President Enterprises Corp.	That company owns, directly and indirectly, seven seats on the board of directors of the company, directly controlling the company's personnel, finance, and business management.	Uni-President Enterprises Corp. 277,337,870 shares	37.94%	—	Director Director Director Director Director Director	Kao-Huei Cheng Chih-Hsien Lo Tsong-Ming Su Kun-Shun Tsai Tsong-Pin Wu Yung-Fa Chen
		President International Development Corp. (Note 1) 26,510,191 shares	3.63%	—	Director	Chiou-Ru Shih
		Tong Yu Investment Corp. (Note 2) 16,016,816 shares	2.19%	—	—	—
		Kai Yu Investment Co. , Ltd.(Note 3) 13,649,376 shares	1.87%	—	—	—
		Kai Nan Investment Co. , Ltd.(Note 3) 12,897,617 shares	1.76%	—	—	—

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

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

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

Chairman : Kao-Huei Cheng

CEO : Yung-Fa Chen

Director of Accounting : Chih-Hui Lin

ScinoPharm Taiwan, Ltd.

2. Dealings between subordinated companies and controlling company:

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

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

Chairman : Kao-Huei Cheng CEO : Yung-Fa Chen Director of Accounting : Chih-Hui Lin

8.2 Private Placement Securities in the Most Recent Years: None

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

8.4 Other Necessary Supplement

8.4.1 Obtaining of related licenses by staffers associated with financial transparency

Dec 31, 2015

Name of licenses	Number of staffers		Total
	Financial and accounting staffers	Other	
ROC certified public accountant	2		2
U.S. certified public accountant	1		1
PRC certified public accountant	1		1
staffer of trust business	2		2
wealth management planning staffer	1		1
banking internal-control staffer	2	1	3
securities business staffer	2		2
senior securities salesperson	2	1	3
Investment trust and consulting salesperson	2		2
life insurance salesperson	2		2
non-life insurance salesperson	1		1
investment-type insurance products salesperson	1		1
bond staffer	1		1
stock affairs staffer	3		3
futures business salesperson	1		1
primary credit-extension staffer	1		1
primary forex trader	1		1
C-grade accounting specialist		1	1

8.4.2 The company's key performance index (KPI)

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

As the number of product registration parallels the number of products developed by a pharmaceutical company, the number of DMF has been used to embody a company's R&D strength. The company aims to apply for four to five DMF registrations in major countries each a year. In 2015, the company applied for 43 DMF registrations worldwide, including five in the U.S. As of April 2016, the company had 738 DMF registrations worldwide.

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

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

Evaluation criteria: Measures for analyzing debt amount and debt length

Evaluation basis: Percentages of provisions according to debt length

Customer debts are classified into two kinds:

- For customers which are leading enterprises of a specific industry with good record of dealings with the company over the past three years and over 5% share in the company's sales, there are no provisions for bad debts.
- For other customers, bad-debt provisions are appropriated according to the length of overdue debt, as shown in the following:

Overdue length of debts	Percentage of provisions
1~30 days	0.1%
31~60 days	0.2%
61~90 days	0.5%
91~180 days	10%
over 180 days	100%

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

(2) Provisions for loss in inventories from price drop

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

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

8.4.4. Evaluation of financial products

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

- (1) In the short term, due to little different in discounting value, paper value is used in gauging fair value. The method applies to cash, cash equivalent, accounts receivable, other accounts receivable, other financial assets-liquidity, notes payable and debt, expense payable, other expenses payable, and rentals payable-liquidity.

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

8.5 Other Supplementary Disclosure

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

ScinoPharm Taiwan, Ltd.

Statement on Consolidated Financial Statement

The company doesn't compile extra consolidated financial statement, as it has compiled consolidated financial statement according to the "guidelines for compilation of consolidated business report, consolidated financial statement, and affiliates report, with coverage of companies similar to requirement of IRFS 10 (International Financial Reporting Standards 10), which has been sanctioned by the Financial Supervisory Commission.

Company name: ScinoPharm Taiwan, Ltd.

Chairman: Kao-Huei Cheng

Mar 25, 2016

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of ScinoPharm Taiwan, Ltd. as of and for the years ended December 31, 2015 and 2014, and have expressed an unqualified opinion on those financial statements.

PricewaterhouseCoopers, Taiwan
Republic of China
March 25, 2016

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets			December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,335,697	19	\$ 1,927,603	17
1150	Notes receivable, net		-	-	27	-
1170	Accounts receivable, net	6(2) and 7	867,231	7	522,990	5
1200	Other receivables		207,955	2	199,174	2
130X	Inventory	5(2) and 6(3)	2,169,208	18	2,449,296	21
1410	Prepayments		168,603	1	150,465	1
1476	Other financial assets - current		284,216	2	-	-
11XX	Total current assets		6,032,910	49	5,249,555	46
Non-current assets						
1543	Financial assets measured at cost -	6(4)(26)				
	non-current		338,907	3	167,673	1
1550	Investments accounted for under	6(4)(5)(26)				
	equity method		-	-	79,923	1
1600	Property, plant and equipment	6(6)(8)(26) and 7	5,170,714	43	5,065,025	45
1780	Intangible assets		22,918	-	23,554	-
1840	Deferred income tax assets	5(2) and 6(24)	372,644	3	364,381	3
1915	Prepayments for equipment	6(6)(26)	157,961	1	285,167	3
1980	Other financial assets -	8				
	non-current		24,734	-	24,734	-
1985	Long-term prepaid rent	6(7)	90,359	1	94,189	1
1990	Other non-current assets		10,448	-	17,619	-
15XX	Total non-current assets		6,188,685	51	6,122,265	54
1XXX	Total assets		\$ 12,221,595	100	\$ 11,371,820	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 1,702,306	14	\$ 1,277,476	11
2120	Financial liabilities at fair value through profit or loss - current	6(10)	145	-	3,669	-
2150	Notes payable		995	-	1,153	
2170	Accounts payable		91,060	-	53,813	1
2200	Other payables	6(11)(26) and 7	336,932	3	516,228	5
2230	Current income tax liabilities	6(24)	100,009	1	27,738	-
2310	Advance receipts		43,536	-	37,956	-
21XX	Total current liabilities		2,274,983	18	1,918,033	17
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	3,368	-	3,156	-
2640	Net defined benefit liabilities	6(12)	62,854	1	68,704	1
2645	Guarantee deposits received		23,397	-	1,656	-
25XX	Total non-current liabilities		89,619	1	73,516	1
2XXX	Total liabilities		2,364,602	19	1,991,549	18
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(13)(16)	7,310,829	60	7,029,643	62
3200	Capital surplus	6(14)(15)	1,265,544	10	1,257,277	11
	Retained earnings	6(13)(16)(23)(24)				
3310	Legal reserve		396,699	3	348,285	3
3320	Special reserve		22,829	-	22,829	-
3350	Undistributed earnings		791,997	7	621,563	5
3400	Other equity interest	6(17)	69,095	1	100,674	1
3XXX	Total equity		9,856,993	81	9,380,271	82
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	Total liabilities and equity		\$ 12,221,595	100	\$ 11,371,820	100

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

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

		Year ended December 31			
		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 3,955,207	100	\$ 4,097,844	100
5000 Operating costs	6(3)(12)(22)(23) and 9	(2,278,553)	(58)	(2,497,278)	(61)
5900 Net operating margin		<u>1,676,654</u>	<u>42</u>	<u>1,600,566</u>	<u>39</u>
Operating expenses	6(7)(12)(22)(23), 7 and 9				
6100 Selling expenses		(157,036)	(4)	(177,695)	(4)
6200 General and administrative expenses		(445,701)	(11)	(447,541)	(11)
6300 Research and development expenses		(324,214)	(8)	(415,888)	(10)
6000 Total operating expenses		<u>(926,951)</u>	<u>(23)</u>	<u>(1,041,124)</u>	<u>(25)</u>
6900 Operating profit		<u>749,703</u>	<u>19</u>	<u>559,442</u>	<u>14</u>
Non-operating income and expenses					
7010 Other income	6(19)	47,751	1	55,872	1
7020 Other gains and losses	6(4)(6)(8)(10)(20) and 12	13,694	-	6,532	-
7050 Finance costs	6(6)(21)(26)	(9,018)	-	(4,139)	-
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	<u>754</u>	<u>-</u>	<u>(15,498)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>53,181</u>	<u>1</u>	<u>42,767</u>	<u>1</u>
7900 Profit before income tax		<u>802,884</u>	<u>20</u>	<u>602,209</u>	<u>15</u>
7950 Income tax expense	6(24)	(167,919)	(4)	(118,066)	(3)
8200 Profit for the year		<u>\$ 634,965</u>	<u>16</u>	<u>\$ 484,143</u>	<u>12</u>
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
8311 Actuarial gain (loss) on defined benefit plan	6(12)	\$ 6,821	-	(\$ 2,184)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(1,160)	-	371	-
Items that may be reclassified subsequently to profit or loss					
8361 Financial statements translation differences of foreign operations	6(17)	(31,579)	(1)	56,319	1
8300 Total other comprehensive (loss) income for the year		<u>(\$ 25,918)</u>	<u>(1)</u>	<u>\$ 54,506</u>	<u>1</u>
8500 Total comprehensive income for the year		<u>\$ 609,047</u>	<u>15</u>	<u>\$ 538,649</u>	<u>13</u>
Profit attributable to:					
8610 Owners of the parent		<u>\$ 634,965</u>	<u>16</u>	<u>\$ 484,143</u>	<u>12</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 609,047</u>	<u>15</u>	<u>\$ 538,649</u>	<u>13</u>
Basic earnings per share					
9750 Net income	6(25)	<u>\$ 0.87</u>		<u>\$ 0.66</u>	
Diluted earnings per share					
9850 Net income	6(25)	<u>\$ 0.87</u>		<u>\$ 0.66</u>	

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

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

	Notes	Equity attributable to owners of the parent					Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings		
<u>For the year ended December 31, 2014</u>								
Balance at January 1, 2014		\$ 6,759,272	\$ 1,247,796	\$ 220,944	\$ 22,829	\$ 1,348,058	\$ 44,355	\$ 9,643,254
Distribution of 2013 net income:								
Legal reserve		-	-	127,341	-	(127,341)	-	-
Cash dividends	6(16)	-	-	-	-	(811,113)	-	(811,113)
Stock dividends	6(13)(16)	270,371	-	-	-	(270,371)	-	-
Employee stock option compensation cost	6(14)(15)	-	9,481	-	-	-	-	9,481
Net income for the year ended December 31, 2014		-	-	-	-	484,143	-	484,143
Other comprehensive income for the year ended December 31, 2014	6(17)	-	-	-	-	(1,813)	56,319	54,506
Balance at December 31, 2014		<u>\$ 7,029,643</u>	<u>\$ 1,257,277</u>	<u>\$ 348,285</u>	<u>\$ 22,829</u>	<u>\$ 621,563</u>	<u>\$ 100,674</u>	<u>\$ 9,380,271</u>
<u>For the year ended December 31, 2015</u>								
Balance at January 1, 2015		\$ 7,029,643	\$ 1,257,277	\$ 348,285	\$ 22,829	\$ 621,563	\$ 100,674	\$ 9,380,271
Distribution of 2014 net income:								
Legal reserve		-	-	48,414	-	(48,414)	-	-
Cash dividends	6(16)	-	-	-	-	(140,592)	-	(140,592)
Stock dividends	6(13)(16)	281,186	-	-	-	(281,186)	-	-
Employee stock option compensation cost	6(14)(15)	-	8,267	-	-	-	-	8,267
Net income for the year ended December 31, 2015		-	-	-	-	634,965	-	634,965
Other comprehensive loss for the year ended December 31, 2015	6(17)	-	-	-	-	5,661	(31,579)	(25,918)
Balance at December 31, 2015		<u>\$ 7,310,829</u>	<u>\$ 1,265,544</u>	<u>\$ 396,699</u>	<u>\$ 22,829</u>	<u>\$ 791,997</u>	<u>\$ 69,095</u>	<u>\$ 9,856,993</u>

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

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

	Notes	For the years ended December 31,	
		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 802,884	\$ 602,209
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal)/provision for doubtful accounts	6(2)	(43)	66
Loss on inventory market price decline	6(3)	68,569	71,954
Provision for obsolescence of supplies		7,531	6,887
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(5)	(754)	15,498
Gain on disposal of investments accounted for under the equity method	6(4)(20)	(95,381)	-
Depreciation	6(6)(22)	471,133	458,019
Loss on disposal of property, plant and equipment	6(20)	843	4,077
Gain on reversal of impairment loss	6(6)(8)(20)	(4,193)	(140)
Amortization	6(22)	11,386	11,007
Amortization of long-term prepaid rent	6(7)	2,051	2,075
(Gain)/loss on valuation of financial liabilities		(3,524)	2,531
Employee stock option compensation cost	6(14)(15)	8,267	9,481
Interest income	6(19)	(30,689)	(32,308)
Interest expense	6(21)	9,018	4,139
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		27	203
Accounts receivable		(344,198)	447,585
Other receivables		(8,631)	(37,801)
Inventories		211,519	(740)
Prepayments		(26,074)	36,411
Changes in operating liabilities			
Notes payable		(158)	73
Accounts payable		37,247	(210,624)
Other payables		2,750	(206,068)
Advance receipts		5,580	(37,856)
Net defined benefit liabilities		971	972
Cash inflow generated from operations		1,126,131	1,147,650
Interest received		30,539	32,431
Interest paid		(9,018)	(4,139)
Income tax paid		(103,122)	(287,647)
Net cash flows from operating activities		1,044,530	888,295

(Continued)

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

	Notes	For the years ended December 31,	
		2015	2014
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other financial assets-current		(\$ 284,216)	\$ -
Decrease in pledged deposits		-	15,485
Cash paid for acquisition of property, plant and equipment	6(26)	(631,840)	(829,051)
Interest paid for acquisition of property, plant and equipment	6(6)(21)(26)	(14,989)	(13,191)
Proceeds from disposal of property, plant and equipment		451	1,426
Cash paid for acquisition of intangible assets		(11,020)	(5,358)
Increase in prepayment for equipment		(9,729)	(176,131)
Decrease in other non-current assets		<u>7,171</u>	<u>306</u>
Net cash flows used in investing activities		(<u>944,172</u>)	(<u>1,006,514</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		424,830	587,691
Increase in guarantee deposits received		21,741	1,656
Payment of cash dividends	6(16)	(<u>140,592</u>)	(<u>811,113</u>)
Net cash flows from (used in) financing activities		<u>305,979</u>	(<u>221,766</u>)
Effect of foreign exchange rate changes on cash and cash equivalents		<u>1,757</u>	(<u>21,840</u>)
Net increase (decrease) in cash and cash equivalents		408,094	(361,825)
Cash and cash equivalents at beginning of year	6(1)	<u>1,927,603</u>	<u>2,289,428</u>
Cash and cash equivalents at end of year	6(1)	\$ 2,335,697	\$ 1,927,603

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. HISTORY AND ORGANIZATION

- (1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (“API”), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services. The Company’s investment plan for the manufacturing of API 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 March 25, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

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. Also, the Group will 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 from market participants’ perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. 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.

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

None.

(3) IFRSs issued by International Accounting Standard Board (“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 IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by IASB
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by IASB

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”)

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less

present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed

of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company		Note
			December 31, 2015	December 31, 2014	
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 API and intermediates, etc.	100.00	100.00	—

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

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

- a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized within twelve months from the balance sheet date;
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(7) 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.

(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) 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.

(10) Derecognition of financial assets

The Group derecognizes 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, and the Group has not retained control of the financial asset.

(11) 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.

(12) 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. Unrealized 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.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings	2 ~ 35 years
Machinery and equipment	1 ~ 12 years
Transportation equipment	2 ~ 6 years
Office equipment	1 ~ 9 years
Other equipment	2 ~ 19 years

(14) Intangible assets

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

(15) Leased assets/ lessee

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

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

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

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

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

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved

amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing market price at the previous day of the board meeting resolution.

(23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. 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 utilized.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

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

have been satisfied.

B. Sales of services

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

(28) Operating segments

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

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

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

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

Financial assets – impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

- a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the 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 December 31, 2015, the carrying amount of inventories was \$2,169,208. .

B. 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 utilized. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

b) As of December 31, 2015, the Group recognized deferred income tax assets amounting to \$372,644.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash:		
Cash on hand	\$ 237	\$ 209
Checking accounts and demand deposits	<u>471, 545</u>	<u>564, 915</u>
	<u>471, 782</u>	<u>565, 124</u>
Cash Equivalents:		
Time deposits	1, 564, 003	1, 075, 432
Bill under repurchase agreements	<u>299, 912</u>	<u>287, 047</u>
	<u>1, 863, 915</u>	<u>1, 362, 479</u>
	<u>\$ 2, 335, 697</u>	<u>\$ 1, 927, 603</u>

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

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets-non-current") as of December 31, 2015 and 2014 are provided in Note 8.

(2) ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable	\$ 867, 284	\$ 523, 086
Less: Allowance for doubtful accounts	(53)	(96)
	<u>\$ 867, 231</u>	<u>\$ 522, 990</u>

A. As of December 31, 2015 and 2014, 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:

	<u>2015</u>	<u>2014</u>
	<u>Individual provision</u>	<u>Individual provision</u>
At January 1	\$ 96	\$ 30
(Reversal) provision for impairment	(43)	66
At December 31	<u>\$ 53</u>	<u>\$ 96</u>

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. As of December 31, 2015 and 2014, the Group does not hold any collateral as security.

(3) INVENTORIES

	<u>December 31, 2015</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 254, 846	(\$ 64, 664)	\$ 190, 182
Supplies	16, 340	(836)	15, 504
Work in process	1, 116, 241	(58, 672)	1, 057, 569
Finished goods	1, 177, 921	(271, 968)	905, 953
	<u>\$ 2, 565, 348</u>	<u>(\$ 396, 140)</u>	<u>\$ 2, 169, 208</u>
	<u>December 31, 2014</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 425, 862	(\$ 38, 186)	\$ 387, 676
Supplies	24, 408	(1, 105)	23, 303
Work in process	1, 021, 688	(75, 293)	946, 395
Finished goods	1, 304, 909	(212, 987)	1, 091, 922
	<u>\$ 2, 776, 867</u>	<u>(\$ 327, 571)</u>	<u>\$ 2, 449, 296</u>

Expense and losses of inventories for the year:

	For the years ended December 31,	
	2015	2014
Cost of goods sold	\$ 1, 897, 611	\$ 2, 169, 900
Provision for inventory market price decline	68, 569	71, 954
Loss on inventory scrap	15, 956	50, 991
Loss on physical inventory	6, 724	11, 893
Loss on production stoppages	46, 700	65, 905
Under applied manufacturing overhead	220, 313	114, 225
	<u>\$ 2, 255, 873</u>	<u>\$ 2, 484, 868</u>

(4) FINANCIAL ASSETS MEASURED AT COST – NON – CURRENT

	December 31, 2015	December 31, 2014
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167, 673	\$ 167, 673
SYNGEN, INC.	4, 620	4, 620
Foresee Pharmaceuticals Co., Ltd.	171, 234	–
	343, 527	172, 293
Less: Accumulated impairment	(4, 620)	(4, 620)
	<u>\$ 338, 907</u>	<u>\$ 167, 673</u>

- 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. Foreseeacer Pharmaceuticals, Inc. (hereafter, "Foreseeacer"), an associate of the Group accounted for under the equity method, entered into a share swap transaction with its controlling shareholder, Foresee Pharmaceuticals, Inc. (hereafter, "Foresee Cayman") during the fourth quarter of 2014, whereby Foresee Cayman issued new shares to swap and recall the outstanding shares of Foreseeacer. The Group obtained approval of such transaction during the board of directors' meeting on November 7, 2014, and the related share swap was completed on January 15, 2015. After the swap, the Group obtained 5,400 thousand preferred shares of Foresee Cayman, consisting of 6.12% of its outstanding preferred shares. However, Foresee Cayman announced its second phase of re-organization plan (the Phase II Plan) during February 2015, in which, one of its fully owned subsidiaries, Foresee Pharmaceuticals Co., Ltd. (hereafter, "Foresee") will issue new shares to swap and recall all outstanding shares of Foresee Cayman. After engaging in the swap, the Company obtained 4,072 thousand common shares, consisting of

6.12% of its outstanding common shares. Based on the guidance and accounting policies of the Group, such share swap transaction should be deemed as disposal of associates accounted for under the equity method, and the new investment will be measured at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. Any amounts previously recognized as capital surplus or as other comprehensive income in relation to the associate are transferred to profit or loss. However, as the Phase II Plan was completed as of June 30, 2015, the uncertainties regarding the fair value of the final share interests received in the swap has been eliminated. The related gain of \$95,381 from the share swap transaction has been recognized upon completion of the Phase II Plan. After a comprehensive assessment, the Group does not have the right to exercise significant influence on the investee company, Foresee Cayman, and accordingly, the related share of interest is classified as “available-for-sale financial assets”. In addition, as the shares of Foresee Cayman are not publicly traded in an active market, its fair value cannot be measured reliably. Thus, the Group classified those shares as “financial assets measured at cost-non-current”.

B. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Group were pledged to others.

(5) INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

<u>Investee Company</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foreseeacer Pharmaceuticals, Inc.	<u>\$ –</u>	<u>\$ 79,923</u>

A. Associates

As of December 31, 2015 and 2014, the Group does not have material associate investments. The Group’s share of operating results in the associate is as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Profit (loss) for the year from continuing operations	<u>\$ 754</u>	<u>(\$ 15,498)</u>
Total comprehensive income	<u>\$ 754</u>	<u>(\$ 15,498)</u>

B. The Group lost significant influence in the associate investment after a share swap transaction with the controlling shareholder of the associate. Please refer to Note 6(4) for details.

C. For the years ended December 31, 2015 and 2014, the profit and loss from the associate accounted for under the equity method was \$754 and (\$15,498), respectively.

(6) PROPERTY, PLANT AND EQUIPMENT

January 1, 2015	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Cost	\$ 2,230,902	\$ 4,575,686	\$ 30,389	\$ 192,813	\$ 141,186	\$ 1,685,329	\$ 8,856,305
Accumulated depreciation	(633,158)	(2,958,764)	(16,896)	(102,501)	(62,017)	–	(3,773,336)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,597,744</u>	<u>\$ 1,598,978</u>	<u>\$ 13,493</u>	<u>\$ 90,312</u>	<u>\$ 79,169</u>	<u>\$ 1,685,329</u>	<u>\$ 5,065,025</u>
<u>For the year ended December 31, 2015</u>							
At January 1, 2015	\$ 1,597,744	\$ 1,598,978	\$ 13,493	\$ 90,312	\$ 79,169	\$ 1,685,329	\$ 5,065,025
Additions	–	–	–	150	–	464,633	464,783
Reclassified from prepayments for equipment	–	–	–	–	–	136,935	136,935
Reclassified upon completion	275,351	172,118	–	15,585	5,932	(468,986)	–
Depreciation charge	(90,766)	(320,156)	(4,309)	(31,509)	(24,393)	–	(471,133)
Disposals—Cost	–	(52,992)	(503)	(4,767)	(3,231)	–	(61,493)
— Accumulated depreciation	–	51,882	412	4,744	3,161	–	60,199
Reversal of impairment loss	–	4,193	–	–	–	–	4,193
Net currency exchange differences	(6,416)	(4,727)	(80)	(390)	(1,317)	(14,865)	(27,795)
At December 31, 2015	<u>\$ 1,775,913</u>	<u>\$ 1,449,296</u>	<u>\$ 9,013</u>	<u>\$ 74,125</u>	<u>\$ 59,321</u>	<u>\$ 1,803,046</u>	<u>\$ 5,170,714</u>
<u>December 31, 2015</u>							
Cost	\$ 2,499,181	\$ 4,689,690	\$ 29,690	\$ 202,695	\$ 141,302	\$ 1,803,046	\$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	–	(4,181,139)
Accumulated impairment	–	(13,751)	–	–	–	–	(13,751)
	<u>\$ 1,775,913</u>	<u>\$ 1,449,296</u>	<u>\$ 9,013</u>	<u>\$ 74,125</u>	<u>\$ 59,321</u>	<u>\$ 1,803,046</u>	<u>\$ 5,170,714</u>

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)
	<u>\$ 1,636,388</u>	<u>\$ 1,575,012</u>	<u>\$ 15,710</u>	<u>\$ 70,176</u>	<u>\$ 92,351</u>	<u>\$ 824,345</u>	<u>\$ 4,213,982</u>
For the year ended December 31, 2014							
At January 1, 2014	\$ 1,636,388	\$ 1,575,012	\$ 15,710	\$ 70,176	\$ 92,351	\$ 824,345	\$ 4,213,982
Additions	–	–	–	577	–	969,161	969,738
Reclassified from prepayments for equipment	–	–	–	–	–	299,645	299,645
Reclassified upon completion	39,599	335,147	2,220	69,981	(13,164)	(433,783)	–
Depreciation charge	(86,487)	(314,661)	(4,607)	(29,255)	(23,009)	–	(458,019)
Disposals—Cost	–	(51,269)	(277)	(1,219)	(4,572)	–	(57,337)
— Accumulated depreciation	–	47,353	277	1,137	3,067	–	51,834
Reversal of impairment loss	–	140	–	–	–	–	140
Net currency exchange differences	<u>8,244</u>	<u>7,256</u>	<u>170</u>	<u>(21,085)</u>	<u>24,496</u>	<u>25,961</u>	<u>45,042</u>
At December 31, 2014	<u>\$ 1,597,744</u>	<u>\$ 1,598,978</u>	<u>\$ 13,493</u>	<u>\$ 90,312</u>	<u>\$ 79,169</u>	<u>\$ 1,685,329</u>	<u>\$ 5,065,025</u>
December 31, 2014							
Cost	\$ 2,230,902	\$ 4,575,686	\$ 30,389	\$ 192,813	\$ 141,186	\$ 1,685,329	\$ 8,856,305
Accumulated depreciation	(633,158)	(2,958,764)	(16,896)	(102,501)	(62,017)	–	(3,773,336)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,597,744</u>	<u>\$ 1,598,978</u>	<u>\$ 13,493</u>	<u>\$ 90,312</u>	<u>\$ 79,169</u>	<u>\$ 1,685,329</u>	<u>\$ 5,065,025</u>

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

	December 31, 2015	December 31, 2014
Amount capitalized	\$ 14,989	\$ 13,191
Interest rate	1.16%~4.35%	1.16%~2.66%

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

- C. As of December 31, 2015 and 2014, the Group has not pledge any property, plant and equipment.

(7) LONG-TERM PREPAID RENT

	December 31, 2015	December 31, 2014
Long-term prepaid rent	\$ 90,359	\$ 94,189

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 \$2,051 and \$2,075 for the years ended December 31, 2015 and 2014, respectively (listed as "General and administrative expenses").

(8) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Group reversed the impairment loss recognized in prior years amounting to \$4,193 and \$140 for the years ended December 31, 2015 and 2014, respectively (listed as "other gains and losses"), as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(6).

1. The gain on reversal of impairment reported by operating segment is as follows:

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm				
Taiwan	\$ 4,193	\$ -	\$ 140	\$ -

(9) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 1,702,306</u>	1.18%~4.35%	None

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 1,277,476</u>	1.16%~2.66%	None

(10) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 145</u>	<u>\$ 3,669</u>

A. The Group recognized net loss of \$14,941 and \$21,248 on financial liabilities held for trading (recorded as 'other gains and losses') for the years ended December 31, 2015 and 2014, respectively.

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

<u>Items</u>	<u>December 31, 2015</u>	
	<u>Contract Amount</u>	<u>Contract Period</u>
Forward foreign exchange contracts	USD 5,400,000	11.2015~2.2016

<u>Items</u>	<u>December 31, 2014</u>	
	<u>Contract Amount</u>	<u>Contract Period</u>
Forward foreign exchange contracts	USD 4,950,000	11.2014~2.2015

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

(11) OTHER PAYABLES

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accrued payroll	\$ 130,958	\$ 115,230
Payables on equipment	44,817	226,863
Others	<u>161,157</u>	<u>174,135</u>
	<u>\$ 336,932</u>	<u>\$ 516,228</u>

(12) PENSIONS

A. (a)The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the

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

(b) The amounts recognized in the balance sheets are determined as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ 111,292	\$ 113,369
Fair value of plan assets	(48,438)	(44,665)
Net liability in the balance sheets	<u>\$ 62,854</u>	<u>\$ 68,704</u>

(c) Changes in present value of funded obligations are as follows:

<u>Year ended December 31, 2015</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 113,369	(\$ 44,665)	\$ 68,704
Current service cost	2,634	–	2,634
Interest expense (income)	<u>2,267</u>	<u>(893)</u>	<u>1,374</u>
	<u>118,270</u>	<u>(45,558)</u>	<u>72,712</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(283)	(283)
Change in financial assumptions	3,764	–	3,764
Experience adjustments	<u>(10,302)</u>	<u>–</u>	<u>(10,302)</u>
	<u>(6,538)</u>	<u>(283)</u>	<u>(6,821)</u>
Pension fund contribution	–	(3,037)	(3,037)
Paid pension	<u>(440)</u>	<u>440</u>	<u>–</u>
At December 31	<u>\$ 111,292</u>	<u>(\$ 48,438)</u>	<u>\$ 62,854</u>
<u>Year ended December 31, 2014</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 107,309	(\$ 40,966)	\$ 66,343
Current service cost	2,006	–	2,006
Interest expense (income)	<u>2,146</u>	<u>(819)</u>	<u>1,327</u>
	<u>111,461</u>	<u>(41,785)</u>	<u>69,676</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(373)	(373)
Experience adjustments	<u>2,557</u>	<u>–</u>	<u>2,557</u>
	<u>2,557</u>	<u>(373)</u>	<u>2,184</u>
Pension fund contribution	–	(3,156)	(3,156)
Paid pension	<u>(649)</u>	<u>649</u>	<u>–</u>
At December 31	<u>\$ 113,369</u>	<u>(\$ 44,665)</u>	<u>\$ 68,704</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2015	2014
Discount rate	1.70%	2.00%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2015 and 2014. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 11,881)	\$ 13,971	\$ 12,435	(\$ 10,874)
<u>December 31, 2014</u>				
Effect on present value of defined benefit obligation	(\$ 12,971)	\$ 15,388	\$ 13,862	(\$ 12,019)

The sensitivity analysis above was arrived at based on one assumption which changed with the other conditions remain unchanged. In practice, more than one assumption may change all at

once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contribution to the defined benefit pension plans of the Company and domestic subsidiaries for 2016 is \$2,994.
- (g) As of December 31, 2015, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 4,852
2~5 years	21,953
Over 5 years	135,304
	<u>\$ 162,109</u>

- B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., and ScinoPharm (Shanghai) Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the years ended December 31, 2015 and 2014, the pension costs recognized under the aforementioned defined contribution pension plans were \$30,453 and \$35,182, respectively.

(13) SHARE CAPITAL

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

	For the years ended December 31,	
	2015	2014
At January 1	702, 964	675, 927
Capitalization of retained earnings	28, 119	27, 037
At December 31	<u>731, 083</u>	<u>702, 964</u>

- B. 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 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.

C. On June 23, 2015, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$281,186 and obtained approval from the SFC. The effective date of capitalization was set on August 14, 2015. After the capitalization mentioned above, the Company's authorized capital was \$10,000,000 and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share.

D. As of December 31, 2015, the Company's authorized capital was \$10,000,000 and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) 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 year ended December 31, 2015		
	Share premium	Stock options	Total
At January 1	\$ 1,233,286	\$ 23,991	\$ 1,257,277
Employee stock options cost			
- Company	-	7,844	7,844
- Subsidiaries	-	423	423
At December 31	<u>\$ 1,233,286</u>	<u>\$ 32,258</u>	<u>\$ 1,265,544</u>

	For the year ended December 31, 2014		
	Share premium	Stock options	Total
At January 1	\$ 1,233,286	\$ 14,510	\$ 1,247,796
Employee stock options cost			
- Company	-	8,842	8,842
- Subsidiaries	-	639	639
At December 31	<u>\$ 1,233,286</u>	<u>\$ 23,991</u>	<u>\$ 1,257,277</u>

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units and 1.5 million units of employee stock options on December 3, 2013 and November 6, 2015, respectively (the 'Grant Date'). The exercise price

of the options was set at \$91.7 dollars and \$41.65 dollars, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of December 31, 2015, for the issued 1 million units and 1.5 million units of employee stock options, the exercise price adjusted based on the specific formula was \$83.4 per share and \$41.65 per share, respectively.) Contract period of the employee stock option plans are 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 \$8,267 and \$9,481 for the years ended December 31, 2015 and 2014, respectively.

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

	For the year ended December 31, 2015	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1, 000	\$ 91. 7
Options granted	1, 500	41. 65
Options forfeited	(152)	80. 4
Options outstanding at end of the year	2, 348	56. 92
Options exercisable at end of the year	430	83. 4
	For the year ended December 31, 2014	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1, 000	\$ 91. 7
Options granted	-	-
Options outstanding at end of the year	1, 000	91. 7
Options exercisable at end of the year	-	-

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

Grant date	Expire date	December 31, 2015		December 31, 2014	
		No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	859	\$ 83.4	1,000	\$ 91.7
11.6.2015	11.5.2025	1,489	41.65	-	-

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
Employee stock options	11. 6. 2015	41. 65	41. 65	37. 63% (Note)	10 years	1. 5%	1. 2936%	13. 799

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.5% and 37.63%, respectively.

(16) RETAINED EARNINGS

- A. Pursuant to the R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognized cash dividends and stock dividends distributed to owners amounting to \$140,592 (\$0.20 (in dollars) per share) and \$281,186 (\$0.40 (in dollars) per share) for the year ended December 31, 2014, and \$811,113 (\$1.20 (in dollars) per share) and \$270,371 (\$0.40 (in dollars) per share) for the year ended December 31, 2015, respectively. On March 25, 2016, the Board of Directors during its meeting proposed cash dividends and stock dividends of \$219,325 (\$0.30 (in dollars) per share) and \$292,433 (\$0.40 (in dollars) per share), respectively.

E. For the employees' bonus and directors' and supervisors' remuneration, please refer to Note 6(23) for details.

(17) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2015	2014
At January 1	\$ 100, 674	\$ 44, 355
Currency translation differences — group	(26, 755)	56, 319
Disposal (Note)	(4, 824)	—
At December 31	<u>\$ 69, 095</u>	<u>\$ 100, 674</u>

Note: The Group lost significant influence in the associate investment after a share swap transaction with the controlling shareholder of the associate. Such share swap transaction was deemed as disposal of associates accounted for under the equity method and amounts previously recognized as other equity items were derecognized accordingly. Please refer to Note 6 (4) for details.

(18) OPERATING REVENUE

	For the years ended December 31,	
	2015	2014
Sales revenue	\$ 3, 871, 442	\$ 4, 106, 275
Less: Sales returns	(18, 348)	(41, 570)
Sales discounts	(31, 549)	(9, 802)
Technical service revenue	133, 662	42, 941
	<u>\$ 3, 955, 207</u>	<u>\$ 4, 097, 844</u>

(19) OTHER INCOME

	For the years ended December 31,	
	2015	2014
Interest income from bank deposits	\$ 30, 689	\$ 32, 308
Compensation income	9, 741	13, 537
Others	7, 321	10, 027
	<u>\$ 47, 751</u>	<u>\$ 55, 872</u>

(20) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2015	2014
Net gain on disposal of investmenets	\$ 95,381	\$ –
Reversal of impairment loss	4,193	140
Loss on disposal of property, plant, and equipment	(843)	(4,077)
Net loss on financial assets/liabilities at fair value through profit or loss	(14,941)	(21,248)
Net currency exchange (loss) gain	(50,793)	47,498
Miscellaneous	(19,303)	(15,781)
	<u>\$ 13,694</u>	<u>\$ 6,532</u>

(21) FINANCE COSTS

	For the years ended December 31,	
	2015	2014
Interest expense:		
Bank loans	\$ 24,007	\$ 17,330
Less: capitalization of qualifying assets	(14,989)	(13,191)
	<u>\$ 9,018</u>	<u>\$ 4,139</u>

(22) EXPENSES BY NATURE

	For the year ended December 31, 2015		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 443,529	\$ 318,593	\$ 762,122
Depreciation	365,205	105,928	471,133
Amortization	2,571	8,815	11,386
	<u>\$ 811,305</u>	<u>\$ 433,336</u>	<u>\$ 1,244,641</u>

	For the year ended December 31, 2014		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 504,688	\$ 335,734	\$ 840,422
Depreciation	354,465	103,554	458,019
Amortization	1,383	9,624	11,007
	<u>\$ 860,536</u>	<u>\$ 448,912</u>	<u>\$ 1,309,448</u>

(23) EMPLOYEE BENEFIT EXPENSE

For the year ended December 31, 2015			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 376, 723	\$ 268, 893	\$ 645, 616
Labor and health insurance expenses	32, 832	18, 572	51, 404
Pension costs	21, 273	13, 188	34, 461
Other personnel expenses	12, 701	17, 940	30, 641
	<u>\$ 443, 529</u>	<u>\$ 318, 593</u>	<u>\$ 762, 122</u>

For the year ended December 31, 2014			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 425, 081	\$ 288, 102	\$ 713, 183
Labor and health insurance expenses	40, 985	20, 521	61, 506
Pension costs	23, 638	14, 877	38, 515
Other personnel expenses	14, 984	12, 234	27, 218
	<u>\$ 504, 688</u>	<u>\$ 335, 734</u>	<u>\$ 840, 422</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors that account for 0.2% and 2%, respectively, of the total distributed amount. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported during the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 18, 2015. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. For the years ended December 31, 2015 and 2014, the employees' compensation (bonus) was accrued at \$67,511 and \$871, respectively, while the directors' remuneration (bonus) was accrued at \$11,429 and \$8,715, respectively. The aforementioned amounts were recognized in

salary expenses. The expenses recognized for 2014 were accrued based on the earnings of current year; the expenses recognized for 2014 were accrued based on the earnings for 2015 and the percentage specified in the Articles of Incorporation of the Company, taking into account other factors such as legal reserve. The employees' compensation and directors' remuneration resolved by the board of directors were \$77,011 and \$11,543, and the employees' compensation will be distributed in cash.

The actual amount approved at the shareholders' meeting for employees' bonus and directors' remuneration for 2014 was \$9,546, which was different from the estimated amount of \$9,586 recognized in the 2014 financial statements by (\$40). Such difference was recognized in profit or loss for the year ended December 31, 2015.

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

(24) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2015	2014
Current income tax:		
Income tax occurred in current year	\$ 178,599	\$ 162,518
10% tax on unappropriated retained earnings	1,214	6,499
(Over) under provision of prior year's income tax	(2,683)	5,453
Total current income tax	<u>177,130</u>	<u>174,470</u>
Deferred income tax:		
Origination and reversal of temporary differences	(9,211)	(56,404)
Income tax expense	<u>\$ 167,919</u>	<u>\$ 118,066</u>

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

	For the years ended December 31,	
	2015	2014
Actuarial gains/losses on defined benefit obligations	<u>\$ 1,160</u>	<u>(\$ 371)</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2015	2014
Income tax at statutory tax rate	\$ 135,598	\$ 104,150
Effect of items disallowed by tax regulation	3,116	5,856
Effect of tax-exempt income	– (3,176)
Effect of net operating loss carryforward	29,553 (216)
Effect of investment tax credits	1,121 (500)
10% tax on unappropriated retained earnings	1,214	6,499
(Over) under provision of prior year's income tax	(2,683)	5,453
Income tax expense	<u>\$ 167,919</u>	<u>\$ 118,066</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carry forward and investment tax credits are as follows:

	For the year ended December 31, 2015			
		Recognized in	Recognized in other comprehensive	
	January 1	profit or loss	income	December 31
Deferred tax assets:				
Temporary differences				
Investment loss	\$155,012	\$ 45,503	\$ –	\$ 200,515
Technology know-how	25,268	(3,698)	–	21,570
Pensions	11,680	165	(1,160)	10,685
Impairment of assets	3,050	(713)	–	2,337
Employee benefits-unused compensated absences	3,085	(197)	–	2,888
Unrealized gain on financial assets	624	(599)	–	25
Loss carryforward	155,919	(29,553)	–	126,366
Investment tax credits	<u>9,743</u>	<u>(1,485)</u>	<u>–</u>	<u>8,258</u>
	<u>\$364,381</u>	<u>\$ 9,423</u>	<u>(\$ 1,160)</u>	<u>\$ 372,644</u>
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	<u>(\$ 3,156)</u>	<u>(\$ 212)</u>	<u>\$ –</u>	<u>(\$ 3,368)</u>
	<u>\$361,225</u>	<u>\$ 9,211</u>	<u>(\$ 1,160)</u>	<u>\$ 369,276</u>

For the year ended December 31, 2014				
			Recognized in other comprehensive income	
	January 1	Recognized in profit or loss		December 31
Deferred tax assets:				
Temporary differences				
Investment loss	\$102,844	\$ 52,168	\$ –	\$ 155,012
Technology know-how	28,966	(3,698)	–	25,268
Pensions	11,143	166	371	11,680
Impairment of assets	3,074	(24)	–	3,050
Employee benefits-unused compensated absences	3,165	(80)	–	3,085
Unrealized gain on financial assets	194	430	–	624
Loss carryforward	155,703	216	–	155,919
Investment tax credits	–	9,743	–	9,743
	<u>\$305,089</u>	<u>\$ 58,921</u>	<u>\$ 371</u>	<u>\$ 364,381</u>
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	(\$ 639)	(\$ 2,517)	\$ –	(\$ 3,156)
	<u>\$304,450</u>	<u>\$ 56,404</u>	<u>\$ 371</u>	<u>\$ 361,225</u>

D. According to “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China”, details of investment tax credits and unrecognized deferred tax assets are as follows:

December 31, 2015			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Year of expiry
Research and development expenditures	<u>\$ 8,258</u>	<u>\$ –</u>	2018

December 31, 2014			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Year of expiry
Research and development expenditures	<u>\$ 9,743</u>	<u>\$ –</u>	2018

- E. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2015				
<u>Year incurred</u>	<u>Amount assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Year of expiry</u>
2011~2015	\$ 862, 662	<u>\$ 862, 662</u>	<u>\$ 358, 530</u>	2016~2020

December 31, 2014				
<u>Year incurred</u>	<u>Amount assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Year of expiry</u>
2011~2014	\$ 601, 976	<u>\$ 601, 976</u>	<u>\$ -</u>	2016~2019

- F. The Company's raw materials for medicine and API qualified the definition under the "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" and is entitled to a tax exemption period of 5 years (expired in December 2014)
- G. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 25, 2016.
- H. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2015 and 2014 were all generated after the year 1998.
- I. As of December 31, 2015 and 2014, the balance of the Company's imputation tax credit account was \$180,052 and \$187,332, respectively. The earnings distribution for 2014 and 2013 were approved at the stockholders' meeting on June 23, 2015 and June 18, 2014, respectively, and the dates of dividend distribution were set by the Board of Directors on August 14, 2015 and August 15, 2014, respectively. The creditable tax rates were 23.48% and 21.15%, respectively. The creditable tax rate for 2015 is expected to be 23.13%. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2015; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(25) EARNINGS PER SHARE ("EPS")

For the year ended December 31, 2015			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 634, 965	731, 083	\$ 0. 87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 634, 965	731, 083	
Assumed conversion of all dilutive potential ordinary shares			
Employee's stock option	—	1, 322	
Employees' bonus	—	20	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 634, 965	732, 425	\$ 0. 87
For the year ended December 31, 2014			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 484, 143	731, 083	\$ 0. 66
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 484, 143	731, 083	
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	\$ 484, 143	731, 089	\$ 0. 66

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

B. As employees' bonus (compensation) could be distributed in the form of stock, the diluted EPS

computation shall include those estimated shares that would increase from employees' stock bonus (compensation) issuance in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus (compensation) 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 (compensation) 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 years presented shall not be adjusted retrospectively.

- C. The above mentioned weighted average numbers of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2014.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2015	2014
Purchase of property, plant and	\$ 464, 783	\$ 969, 738
Add: Beginning balance of payable on equipment	226, 863	99, 367
Less: Ending balance of payable on equipment	(44, 817)	(226, 863)
Capitalization of interest	(14, 989)	(13, 191)
Cash paid for acquisition of property, plant and equipment	<u>\$ 631, 840</u>	<u>\$ 829, 051</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2015	2014
a. Investment accounted for under the equity method reclassified to financial assets measured at cost	<u>\$ 171, 234</u>	<u>\$ -</u>

	For the years ended December 31,	
	2015	2014
b. Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 136, 935</u>	<u>\$ 299, 645</u>

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. For names and relations of other related parties with substantive control, please refer to Note 13. (2)

(2) Significant transactions and balances with related parties

A. Sales revenues

	For the years ended December 31,	
	2015	2014
Sales of services:		
— Associates	\$ —	\$ 3,153

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. Property transaction

	For the years ended December 31,	
	2015	2014
Purchase of property, plant and equipment:		
— An entity controlled by key management individuals	\$ 1,656	\$ —

C. Other expenses

	For the years ended December 31,	
	2015	2014
Rental expense:		
— An entity controlled by key management individuals	\$ 1,663	\$ 744
Repairs and maintenance expense:		
— An entity controlled by key management individuals	\$ 3,697	\$ 3,114
Management consultancy fees:		
— Ultimate parent company	4,755	5,480
— Associate of ultimate parent company	2,040	1,809
	\$ 6,795	\$ 7,289

D. Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from related parties:		
— Associates	<u>\$ —</u>	<u>\$ 1,187</u>

E. Other payables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from related parties:		
— An entity controlled by key management individuals	<u>\$ 2,231</u>	<u>\$ 65</u>

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	<u>\$ 65,227</u>	<u>\$ 82,637</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Purpose of collateral</u>
Time deposits (Note)	<u>\$ 24,734</u>	<u>\$ 24,734</u>	Customs duty and performance guarantee

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2015 and 2014, the Group's unused letters of credit amounted to \$7,508 and \$ —, respectively.
- (2) As of December 31, 2015 and 2014, the Group's remaining balance due for construction in progress and prepayments for equipment was \$547,190 and \$172,048, respectively.
- (3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of \$21,291 (recorded as "operating cost" and "operating expense") was recognized in profit or loss for the year ended December 31, 2015. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Within one year	\$ 21, 291	\$ 21, 291
Later than one year but not exceeding five years	24, 840	46, 131
	<u>\$ 46, 131</u>	<u>\$ 67, 422</u>

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, other financial assets-current, other financial assets-non-current, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received) is approximate to their fair value. Please refer to Note 12 (3) for details of fair value information of financial instruments measured at fair value.

B. Financial risk management policies

- a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, 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:

December 31, 2015			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 34,821	32.83	\$1,143,173
EUR:NTD	1,664	35.88	59,704
CNY:NTD	2,723	4.995	13,601
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	644	32.83	21,143
EUR:NTD	16	35.88	574

December 31, 2014			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,130	31.65	\$ 605,465
CNY:NTD	4,848	5.092	24,686
EUR:NTD	103	38.47	3,962
<u>Investment accounted for under the equity method</u>			
USD:NTD	2,527	31.65	79,980
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,426	31.65	45,133
EUR:NTD	337	38.47	12,964

iv)As of December 31, 2015 and 2014, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$56,101 and \$32,015, respectively. If the NTD:EUR exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$2,957 and \$450, respectively. If the NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$680 and \$1,234, respectively.

v)Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014 amounted to (\$50,793) and \$47,498, 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 years ended December 31, 2015 and 2014.
- 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.

December 31, 2015	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	\$ 1,711,850	\$ –	\$ –	\$ –
Notes payable	995	–	–	–
Accounts payable	91,060	–	–	–
Other payables	336,932	–	–	–
Guarantee deposits	23,397	–	–	–
Derivative financial liabilities:				
Forward exchange contracts	145	–	–	–
December 31, 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	\$ 1,286,682	\$ –	\$ –	\$ –
Notes payable	1,153	–	–	–
Accounts payable	53,813	–	–	–
Other payables	516,228	–	–	–
Deposit in	1,656			
Derivative financial liabilities:				
Forward exchange contracts	3,669	–	–	–

(3) Fair value estimation

- A. Details of the fair value of the Group's financial liabilities not measured at fair value are provided in Note 12(2) A.
- B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

included in Level 2.

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

- C. The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2015 and 2014.

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign contracts	<u>\$ –</u>	<u>\$ 145</u>	<u>\$ –</u>	<u>\$ 145</u>
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign contracts	<u>\$ –</u>	<u>\$ 3,669</u>	<u>\$ –</u>	<u>\$ 3,669</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:
- Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - Forward exchange contracts are usually valued based on the current forward exchange rate.
- E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.
- F. The Group did not have financial instruments that meet the definition of level 3 instruments as of December 31, 2015 and 2014.

13. SUPPLEMENTARY DISCLOSURES

(According to the policies, only the financial information of the investee for 2015 is supposed to be disclosed based on the financial statements prepared by the same-period auditors. Instead of the adjustments taking into account the consolidation, the financial information is presented in every consolidated entity.)

(4) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(10).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(5) Information on investees

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

(6) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

development and investment management functions, and combines its segments that meet the disclosure threshold as “Others”.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income. For details of operating segments’ accounting policies, please refer to Note 4.

(3) Segment information

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

	For the year ended December 31, 2015		
	ScinoPharm Taiwan, Ltd	Others	Total
Segment revenue	\$ 3, 897, 137	\$ 294, 942	\$ 4, 192, 079
Revenue from internal customers	–	236, 872	236, 872
Revenue from external customers	3, 897, 137	58, 070	3, 955, 207
Interest income	11, 067	19, 622	30, 689
Depreciation and amortization	400, 485	82, 034	482, 519
Interest expense	28	8, 990	9, 018
Income (Loss) from segment before income tax	770, 109	(236, 751)	533, 358
Segment assets	10, 425, 631	3, 008, 492	13, 434, 123
Other acquisition of non-current assets	392, 835	92, 697	485, 532
Segment liabilities	568, 638	1, 807, 622	2, 376, 260

	For the year ended December 31, 2014		
	ScinoPharm Taiwan, Ltd	Others	Total
Segment revenue	\$ 4, 092, 479	\$ 194, 608	\$ 4, 287, 087
Revenue from internal customers	–	189, 244	189, 244
Revenue from external customers	4, 092, 479	5, 365	4, 097, 844
Interest income	13, 269	19, 039	32, 308
Depreciation and amortization	389, 576	79, 450	469, 026
Interest expense	2	4, 137	4, 139
Income (Loss) from segment before income tax	605, 348	(310, 951)	294, 397
Segment assets	9, 995, 774	2, 885, 039	12, 880, 813
Other acquisition of non-current assets	842, 557	308, 670	1, 151, 227
Segment liabilities	615, 503	1, 388, 312	2, 003, 815

(4) Reconciliation for segment

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

	For the years ended December 31,	
	2015	2014
Reportable segments profit before income tax	\$ 770,109	\$ 605,348
Other segments loss before income tax	(236,751)	(310,951)
Inter segments profit	269,526	307,812
Profit before income tax	<u>\$ 802,884</u>	<u>\$ 602,209</u>

B. A reconciliation of assets of reportable segments and total assets is as follows:

	December 31, 2015	December 31, 2014
Assets of reportable segments	\$ 10,425,631	\$ 9,995,774
Assets of other operating segments	3,008,492	2,885,039
Internal segment transaction elimination	(1,212,528)	(1,508,993)
Total assets	<u>\$ 12,221,595</u>	<u>\$ 11,371,820</u>

C. A reconciliation of liabilities of reportable segments and total liabilities is as follows:

	December 31, 2015	December 31, 2014
Liabilities of reportable segments	\$ 568,638	\$ 615,503
Liabilities of other operating segments	1,807,622	1,388,312
Internal segment transaction elimination	(11,658)	(12,266)
Total liabilities	<u>\$ 2,364,602</u>	<u>\$ 1,991,549</u>

(5) Information on product and service

The Group is engaged in the research and development and manufacture of API, as well as the provision of related consulting and technical services. The reconciliations of total segment and operating revenue were as follows:

	For the years ended December 31,	
	2015	2014
Revenue from sales of products	\$ 3,871,561	\$ 3,966,632
Revenue from technical services	82,272	42,941
Others	1,374	88,271
	<u>\$ 3,955,207</u>	<u>\$ 4,097,844</u>

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 154,991	\$ 3,749,464	\$ 169,196	\$3,754,175
USA	1,639,640	–	1,679,352	–
India	700,044	–	598,207	–
Ireland	300,439	–	547,511	–
Italy	300,693	–	354,557	–
Others	859,400	1,702,936	749,021	1,731,379
	<u>\$ 3,955,207</u>	<u>\$ 5,452,400</u>	<u>\$ 4,097,844</u>	<u>\$5,485,554</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2015 and 2014 is as follows:

	For the year ended and as at December 31, 2015		For the year ended and as at December 31, 2014	
	Revenue	Segment	Revenue	Segment
A	\$ 1,447,914	Whole	\$1,330,845	Whole
B	512,150		240,436	
C	239,261		486,318	

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying parent company only balance sheets of ScinoPharm Taiwan, Ltd. as of December 31, 2015 and 2014, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

PricewaterhouseCoopers, Taiwan

Republic of China

March 25, 2016

The accompanying 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 financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets			December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,981,296	19	\$ 1,382,159	14
1150	Notes receivable, net		-	-	27	-
1170	Accounts receivable, net	6(2) and 7	840,479	8	522,964	5
1200	Other receivables		16,235	-	15,181	-
1210	Other receivables - related parties	7	5,268	-	11,071	-
130X	Inventories	5(2) and 6(3)	1,942,181	19	2,247,555	23
1410	Prepayments		143,031	1	132,685	1
11XX	Total current assets		4,928,490	47	4,311,642	43
Non-current assets						
1543	Financial assets measured at cost -	6(4)(24)				
	non-current		338,907	3	167,673	2
1550	Investments accounted for under	6(4)(5)(24)				
	equity method		1,146,016	11	1,538,831	16
1600	Property, plant and equipment	6(6)(7)(24) and 7	3,718,257	36	3,736,412	37
1780	Intangible assets		12,656	-	7,013	-
1840	Deferred income tax assets	5(2) and 6(22)	238,020	3	198,719	2
1915	Prepayments for equipment	6(6)(24)	17,438	-	9,186	-
1920	Guarantee deposits paid		1,113	-	1,564	-
1980	Other financial assets -	8				
	non-current		24,734	-	24,734	-
15XX	Total non-current assets		5,497,141	53	5,684,132	57
1XXX	Total assets		\$ 10,425,631	100	\$ 9,995,774	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2120	Financial liabilities at fair value	6(8)				
	through profit or loss - current		\$	145	-	\$ 3,669 -
2150	Notes payable			995	-	1,153 -
2170	Accounts payable			32,639	-	44,268 1
2200	Other payables	6(9)(24) and 7		314,035	3	427,203 4
2230	Current income tax liabilities	6(22)		100,009	1	27,738 -
2310	Advance receipts			31,196	-	37,956 -
21XX	Total current liabilities			479,019	4	541,987 5
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)		3,368	-	3,156 -
2640	Net defined benefit liabilities	6(10)		62,854	1	68,704 1
2645	Guarentee deposits received			23,397	-	1,656 -
25XX	Total non-current liabilities			89,619	1	73,516 1
2XXX	Total Liabilities			568,638	5	615,503 6
Equity						
Share capital						
3110	Share capital - common stock	6(11)(14)		7,310,829	70	7,029,643 70
3200	Capital surplus	6(12)(13)		1,265,544	12	1,257,277 13
Retained earnings		6(11)(14)(21)(22)				
3310	Legal reserve			396,699	4	348,285 4
3320	Special reserve			22,829	-	22,829 -
3350	Undistributed earnings			791,997	8	621,563 6
3400	Other equity interest	6(15)		69,095	1	100,674 1
3XXX	Total equity			9,856,993	95	9,380,271 94
Significant contingent liabilities 9						
and unrecognized contract						
commitments						
3X2X	Total liabilities and equity		\$	10,425,631	100	\$ 9,995,774 100

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

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2015		2014	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 3,897,137	100	\$ 4,092,478	100
5000	Operating costs	6(3)(10)(20)(21), 7 and 9	(2,231,449)	(57)	(2,428,110)	(59)
5900	Net operating margin		<u>1,665,688</u>	<u>43</u>	<u>1,664,368</u>	<u>41</u>
	Operating expenses	6(10)(20)(21), 7 and 9				
6100	Selling expenses		(164,464)	(4)	(172,955)	(4)
6200	General and administrative expenses		(346,991)	(9)	(356,189)	(9)
6300	Research and development expenses		(233,502)	(6)	(297,663)	(7)
6000	Total operating expenses		<u>(744,957)</u>	<u>(19)</u>	<u>(826,807)</u>	<u>(20)</u>
6900	Operating profit		<u>920,731</u>	<u>24</u>	<u>837,561</u>	<u>21</u>
	Non-operating income and expenses					
7010	Other income	6(17) and 7	38,972	1	65,136	2
7020	Other gains and losses	6(4)(7)(8)(18) and 12	96,240	2	8,932	-
7050	Finance costs	6(19)	(28)	-	(2)	-
7070	Share of profit/(loss) of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	(285,806)	(7)	(306,279)	(8)
7000	Total non-operating income and expenses		<u>(150,622)</u>	<u>(4)</u>	<u>(232,213)</u>	<u>(6)</u>
7900	Profit before income tax		<u>770,109</u>	<u>20</u>	<u>605,348</u>	<u>15</u>
7950	Income tax expense	6(22)	(135,144)	(4)	(121,205)	(3)
8200	Profit for the year		<u>\$ 634,965</u>	<u>16</u>	<u>\$ 484,143</u>	<u>12</u>
	Other comprehensive income					
	Items that may not be reclassified subsequently to profit or loss					
8311	Other comprehensive income, before tax, actuarial gain (loss) on defined benefit plan	6(10)	\$ 6,821	-	(\$ 2,184)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(1,160)	-	371	-
	Items that may be reclassified subsequently to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	(31,579)	-	56,319	1
8300	Other comprehensive (loss) income for the year		<u>(\$ 25,918)</u>	<u>-</u>	<u>\$ 54,506</u>	<u>1</u>
8500	Total comprehensive income for the year		<u>\$ 609,047</u>	<u>16</u>	<u>\$ 538,649</u>	<u>13</u>
	Basic earnings per share (in dollars)					
9750	Net income	6(23)	<u>\$ 0.87</u>		<u>\$ 0.66</u>	
	Diluted earnings per share (in dollars)					
9850	Net income	6(23)	<u>\$ 0.87</u>		<u>\$ 0.66</u>	

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

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

		Capital Reserves					Financial statements translation differences of foreign operations	Total
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings		
<u>For the year ended December 31, 2014</u>								
Balance at January 1, 2014		\$ 6,759,272	\$ 1,247,796	\$ 220,944	\$ 22,829	\$ 1,348,058	\$ 44,355	\$ 9,643,254
Distribution of 2013 net income (Note):								
Legal reserve		-	-	127,341	-	(127,341)	-	-
Cash dividends	6(14)	-	-	-	-	(811,113)	-	(811,113)
Stock dividends	6(11)(14)	270,371	-	-	-	(270,371)	-	-
Employee stock option compensation cost	6(12)(13)	-	9,481	-	-	-	-	9,481
Net income for the year ended December 31, 2014		-	-	-	-	484,143	-	484,143
Other comprehensive income for the year ended December 31, 2014	6(15)	-	-	-	-	(1,813)	56,319	54,506
Balance at December 31, 2014		<u>\$ 7,029,643</u>	<u>\$ 1,257,277</u>	<u>\$ 348,285</u>	<u>\$ 22,829</u>	<u>\$ 621,563</u>	<u>\$ 100,674</u>	<u>\$ 9,380,271</u>
<u>For the year ended December 31, 2015</u>								
Balance at January 1, 2015		\$ 7,029,643	\$ 1,257,277	\$ 348,285	\$ 22,829	\$ 621,563	\$ 100,674	\$ 9,380,271
Distribution of 2014 net income (Note):								
Legal reserve		-	-	48,414	-	(48,414)	-	-
Cash dividends	6(14)	-	-	-	-	(140,592)	-	(140,592)
Stock dividends	6(11)(14)	281,186	-	-	-	(281,186)	-	-
Employee stock option compensation cost	6(12)(13)	-	8,267	-	-	-	-	8,267
Net income for the year ended December 31, 2015		-	-	-	-	634,965	-	634,965
Other comprehensive loss for the year ended December 31, 2015	6(15)	-	-	-	-	5,661	(31,579)	(25,918)
Balance at December 31, 2015		<u>\$ 7,310,829</u>	<u>\$ 1,265,544</u>	<u>\$ 396,699</u>	<u>\$ 22,829</u>	<u>\$ 791,997</u>	<u>\$ 69,095</u>	<u>\$ 9,856,993</u>

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

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

	Notes	<u>For the years ended December 31,</u>	
		<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 770,109	\$ 605,348
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain)/loss on valuation of financial assets and liabilities		(3,524)	2,531
(Reversal)/provision for doubtful accounts	6(2)	(43)	66
Loss on inventory market price decline	6(3)	48,270	53,231
Provision for obsolescence of supplies		9,119	4,113
Share of loss of associates and joint ventures accounted for under equity method	6(5)	285,806	306,279
Gain on disposal of long-term investments	6(4)(18)	(95,381)	-
Depreciation	6(6)(20)	395,861	385,861
Loss on disposal of property, plant and equipment	6(18)	503	1,392
Gain on reversal of impairment loss	6(6)(7)(18)	(4,193)	(140)
Amortization	6(20)	4,624	3,715
Employee stock option compensation costs	6(12)(13)	7,844	8,842
Interest income	6(17)	(11,067)	(13,269)
Interest expense	6(19)	28	2
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		27	203
Accounts receivable		(317,472)	447,205
Other receivables		(904)	3,388
Other receivables-related parties		5,803	15,049
Inventories		257,104	(9,173)
Prepayment		(19,465)	54,297
Changes in operating liabilities			
Notes payable		(158)	73
Accounts payable		(11,629)	(116,111)
Accounts payable-related parties		-	(53,868)
Other payables		9,343	(198,725)
Advance receipts		(6,760)	(36,606)
Net defined benefit liabilities		971	972
Cash inflow generated from operations		1,324,816	1,464,675
Interest received		10,917	13,392
Interest paid		(28)	(2)
Income tax paid		(103,122)	(287,647)
Net cash flows from operating activities		<u>1,232,583</u>	<u>1,190,418</u>

(Continued)

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

	<u>Notes</u>	<u>For the years ended December 31,</u> <u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in pledged deposits		\$ -	\$ 15,485
Acquisition of investments accounted for under the equity method - subsidiaries		-	(105,437)
Cash paid for acquisition of property, plant and equipment	6(24)	(479,227)	(630,241)
Proceeds from disposal of property, plant and equipment		300	730
Cash paid for acquisition of intangible assets		(10,267)	(2,822)
Increase in prepayment for equipment		(25,852)	(141,533)
Decrease in guarantee deposits paid		<u>451</u>	<u>664</u>
Net cash flows used in investing activities		(<u>514,595</u>)	(<u>863,154</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in guarantee deposits received		21,741	1,656
Payment of cash dividends	6(14)	(<u>140,592</u>)	(<u>811,113</u>)
Net cash flows used in financing activities		(<u>118,851</u>)	(<u>809,457</u>)
Net increase (decrease) in cash and cash equivalents		599,137	(482,193)
Cash and cash equivalents at beginning of year	6(1)	<u>1,382,159</u>	<u>1,864,352</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,981,296</u>	<u>\$ 1,382,159</u>

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

SCINOPHARM TAIWAN, LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

15. 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 is primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of API (Active Pharmaceutical Ingredients), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services. The Company's investment plan for the manufacturing of API 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.

16. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 25, 2016.

17. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as "the 2013 version of IFRS") in preparing the parent Company only financial statements. The impact of adopting the 2013 version of IFRS is listed below:

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 Company 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. Also, the Company will 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 from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Company's assessment, the adoption of the standard has no significant impact on its parent Company only financial statements, and the Company will disclose additional information about fair value measurements accordingly.

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

None.

(29) IFRSs issued by International Accounting Standards Board ("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 IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by IASB

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the parent Company only financial statements will be disclosed when the assessment is complete.

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

- (a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b)Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent Company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional

currency”). The parent company only financial statements are presented in NTD, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

- A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) 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.

(7) 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'.

(8) Impairment of financial assets

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

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.

(9) Derecognition of financial assets

The Company derecognizes 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 Company 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, and the Company has not retained control of the financial asset.

(10) 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.

(11) Investments accounted for under the equity method / subsidiaries and associates

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. Associates are all entities over which the Company 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 per cent 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.
- E. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. 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 Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in "capital reserves" in proportion to its ownership.

- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' 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 Company'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.
- I. Upon loss of significant influence over an associate, the Company 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.
- J. When the Company 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, then 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.
- K. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent Company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings	2 ~ 35 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	2 ~ 6 years
Office equipment	1 ~ 9 years
Other equipment	2 ~ 19 years

(13) Intangible assets

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

(14) Leased assets/ lessee

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

(15) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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 exceed the depreciated or amortized historical cost if the impairment had not been recognized.

(16) 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.

(17) 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.

(18) Derecognition of financial liabilities

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

(19) 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.

(20) 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 plan

For defined contribution plan, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. 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 plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount

of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability 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 Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement 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.

C. Employees' compensation and directors' and supervisors' remuneration

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

(21) 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.

(22) 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 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. Deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) Share capital

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

(24) 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.

(25) Revenue recognition

A. Sales of goods

The Company 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 Company activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Company provides 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.

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

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

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

Financial assets — impairment of equity investments. The Company 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 Company 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 Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material change to the evaluation.
- b) As of December 31, 2015, the carrying amount of inventories was \$1,942,181.

B. Realizability of deferred income tax assets

- a) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realizability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.
- b) As of December 31, 2015, the Company recognized deferred income tax assets amounting to \$238,020.

20. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash:		
Cash on hand	\$ 180	\$ 166
Checking accounts and demand deposits	<u>117,201</u>	<u>19,514</u>
	<u>117,381</u>	<u>19,680</u>
Cash Equivalents:		
Time deposits	1,564,003	1,075,432
Bill under repurchase agreements	<u>299,912</u>	<u>287,047</u>
	<u>1,863,915</u>	<u>1,362,479</u>
	<u>\$ 1,981,296</u>	<u>\$ 1,382,159</u>

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

B. Details of the Company's time deposits pledged to others as collateral (listed as "Other financial assets - non-current") as of December 31, 2015 and 2014 are provided in Note 8.

(2) ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable	\$ 840,532	\$ 523,060
Less: Allowance for doubtful accounts	(<u>53</u>)	(<u>96</u>)
	<u>\$ 840,479</u>	<u>\$ 522,964</u>

A. As of December 31, 2015 and 2014, the Company had no accounts receivable classified as "past due but not impaired".

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

	<u>2015</u>	<u>2014</u>
	<u>Individual provision</u>	<u>Individual provision</u>
At January 1	\$ 96	\$ 30
(Reversal)/ provision for impairment	(<u>43</u>)	<u>66</u>
At December 31	<u>\$ 53</u>	<u>\$ 96</u>

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

D. The Company does not hold any collateral as security for accounts receivable as of December 31, 2015 and 2014.

(3) INVENTORIES, NET

December 31, 2015			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 214,680	(\$ 52,413)	\$ 162,267
Supplies	11,213	(603)	10,610
Work in process	992,976	(56,161)	936,815
Finished goods	1,071,717	(239,228)	832,489
	<u>\$ 2,290,586</u>	<u>(\$ 348,405)</u>	<u>\$ 1,942,181</u>
December 31, 2014			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 401,527	(\$ 30,020)	\$ 371,507
Supplies	18,082	(1,105)	16,977
Work in process	911,853	(72,733)	839,120
Finished goods	1,216,228	(196,277)	1,019,951
	<u>\$ 2,547,690</u>	<u>(\$ 300,135)</u>	<u>\$ 2,247,555</u>

The Company recognized expense and losses of inventories for the year:

	2015	2014
Cost of goods sold	\$ 1,964,054	\$ 2,189,284
Provision for inventory market price decline	48,270	53,231
Loss on inventory scrap	15,956	48,063
Loss on physical inventory	6,724	11,893
Loss on production stoppages	46,700	65,905
Under applied manufacturing overhead	127,065	47,324
	<u>\$ 2,208,769</u>	<u>\$ 2,415,700</u>

(4) FINANCIAL ASSETS MEASURED AT COST – NON – CURRENT

	December 31, 2015	December 31, 2014
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167,673	\$ 167,673
Syngen, Inc.	4,620	4,620
Foresee Pharmaceuticals Co., Ltd.	171,234	–
	<u>343,527</u>	<u>172,293</u>
	(4,620)	(4,620)
Less: Accumulated impairment	<u>\$ 338,907</u>	<u>\$ 167,673</u>

- A. Based on the Company's intension, 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 Company classified those stocks as ‘financial assets measured at cost’.

- B. Foreseeacer Pharmaceuticals, Inc. (hereafter,“Foreseeacer”), an associate of the Company accounted for under the equity method, entered into a share swap transaction with its controlling shareholder, Foresee Pharmaceuticals, Inc. (hereafter,“Foresee Cayman”) during the fourth quarter of 2014, whereby Foresee Cayman issued new shares to swap and recall the outstanding shares of Foreseeacer. The Company obtained approval of such transaction during the board of directors’ meeting on November 7, 2014, and the related share swap was completed on January 15, 2015. After the swap, the Company obtained 5,400 thousand preferred shares of Foresee Cayman, consisting of 6.12% of its outstanding preferred shares. However, Foresee Cayman announced its second phase of re-organization plan (the Phase II Plan), in which, one of its fully owned subsidiaries, Foresee Pharmaceuticals Co., Ltd. (hereafter,“Foresee”) will issue new shares to swap and recall all outstanding shares of Foresee Cayman. After engaging in the swap, the Company obtained 4,072 thousand common shares, comprise 6.12% of its outstanding common shares. Based on the guidance and accounting policies of the Company, such share swap transaction should be deemed as disposal of associates accounted for under the equity method, and the new investment will be measured at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. Any amounts previously recognized as capital surplus or as other comprehensive income in relation to the associate are transferred to profit or loss. However, as the Phase II Plan was completed as of June 30, 2015, the uncertainties regarding the fair value of the final share interests received in the swap has been eliminated. The related gain of \$95,381 from the share swap transaction has been recognized upon completion of the Phase II Plan. After a comprehensive assessment, the Company does not have the right to exercise significant influence on the investee company, Foresee Cayman, and accordingly, the related share of interest is classified as “available-for-sale financial assets”. In addition, the shares of Foresee Cayman are not publicly traded in an active market and its fair value cannot be measured reliably. Thus, the Company classified those shares as “financial assets measured at cost-non-current”.
- C. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Company were pledged to others.

(5) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
SPT International, Ltd.	\$ 1, 145, 966	\$ 1, 458, 873
ScinoPharm Singapore Pte Ltd.	50	35
Foreseeacer Pharmaceuticals, Inc.	—	79, 923
	<u>\$ 1, 146, 016</u>	<u>\$ 1, 538, 831</u>

A. Subsidiaries

For information relating to the Company's subsidiaries, please refer to Note 4(3), 'Basis of consolidation' of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2015.

B. Associates

For the years ended December 31, 2015 and 2014, the company has no significant associate investments, other relevant investment which has effect on Financial performance is as follows:

	<u>2015</u>	<u>2014</u>
Profit (loss) for the year from continuing operations	<u>\$ 754</u>	<u>(\$ 15,498)</u>
Total comprehensive income (loss)	<u>\$ 754</u>	<u>(\$ 15,498)</u>

- C. The company involved in swap exchange with controlling shareholders of an investment accounted for under the equity method. Consequently, the Company lost the significant influence over the investee. For relevant information, please refer to Note 6(4).
- D. The share of loss of subsidiaries, associates and joint ventures accounted for under the equity method amounted to (\$285,806) and (\$306,279) for the years ended December 31, 2015 and 2014, respectively.
- E. The Company does not hold any investment accounted for under the equity method as collateral for the years ended December 31, 2015 and 2014.

(6) PROPERTY, PLANT AND EQUIPMENT

January 1, 2015	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Cost	\$ 1,959,937	\$ 4,305,887	\$ 19,962	\$ 136,667	\$ 7,693	\$ 919,307	\$ 7,349,453
Accumulated depreciation	(604,736)	(2,903,815)	(11,440)	(69,952)	(5,154)	–	(3,595,097)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,355,201</u>	<u>\$ 1,384,128</u>	<u>\$ 8,522</u>	<u>\$ 66,715</u>	<u>\$ 2,539</u>	<u>\$ 919,307</u>	<u>\$ 3,736,412</u>
<u>Year ended December 31, 2015</u>							
January 1, 2015	\$ 1,355,201	\$ 1,384,128	\$ 8,522	\$ 66,715	\$ 2,539	\$ 919,307	\$ 3,736,412
Additions	–	–	–	–	–	356,716	356,716
Reclassified from prepayment for equipment	–	–	–	–	–	17,600	17,600
Reclassified upon completion	23,600	61,918	–	13,269	226	(99,013)	–
Depreciation charge	(75,605)	(296,450)	(2,342)	(21,277)	(187)	–	(395,861)
Disposals – Cost	–	(52,883)	–	(4,568)	(3,087)	–	(60,538)
– Accumulated depreciation	–	52,080	–	4,568	3,087	–	59,735
Reversal of impairment loss	–	4,193	–	–	–	–	4,193
December 31, 2015	<u>\$ 1,303,196</u>	<u>\$ 1,152,986</u>	<u>\$ 6,180</u>	<u>\$ 58,707</u>	<u>\$ 2,578</u>	<u>\$ 1,194,610</u>	<u>\$ 3,718,257</u>
<u>December 31, 2015</u>							
Cost	\$ 1,983,537	\$ 4,314,922	\$ 19,962	\$ 145,368	\$ 4,832	\$ 1,194,610	\$ 7,663,231
Accumulated depreciation	(680,341)	(3,148,185)	(13,782)	(86,661)	(2,254)	–	(3,931,223)
Accumulated impairment	–	(13,751)	–	–	–	–	(13,751)
	<u>\$ 1,303,196</u>	<u>\$ 1,152,986</u>	<u>\$ 6,180</u>	<u>\$ 58,707</u>	<u>\$ 2,578</u>	<u>\$ 1,194,610</u>	<u>\$ 3,718,257</u>

January 1, 2014	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Cost	\$ 1,920,338	\$ 4,043,188	\$ 20,239	\$ 93,633	\$ 5,410	\$ 347,685	\$ 6,430,493
Accumulated depreciation	(530,034)	(2,660,043)	(9,168)	(54,810)	(5,062)	–	(3,259,117)
Accumulated impairment	–	(18,084)	–	–	–	–	(18,084)
	<u>\$ 1,390,304</u>	<u>\$ 1,365,061</u>	<u>\$ 11,071</u>	<u>\$ 38,823</u>	<u>\$ 348</u>	<u>\$ 347,685</u>	<u>\$ 3,153,292</u>
<u>Year ended December 31, 2014</u>							
January 1, 2014	\$ 1,390,304	\$ 1,365,061	\$ 11,071	\$ 38,823	\$ 348	\$ 347,685	\$ 3,153,292
Additions	–	–	–	–	–	698,202	698,202
Reclassified from prepayment for equipment	–	–	–	–	–	272,761	272,761
Reclassified upon completion	39,599	313,608	–	43,851	2,283	(399,341)	–
Depreciation charge	(74,702)	(292,559)	(2,549)	(15,959)	(92)	–	(385,861)
Disposals – Cost	–	(50,909)	(277)	(817)	–	–	(52,003)
– Accumulated depreciation	–	48,787	277	817	–	–	49,881
Reversal of impairment loss	–	140	–	–	–	–	140
December 31, 2014	<u>\$ 1,355,201</u>	<u>\$ 1,384,128</u>	<u>\$ 8,522</u>	<u>\$ 66,715</u>	<u>\$ 2,539</u>	<u>\$ 919,307</u>	<u>\$ 3,736,412</u>
<u>December 31, 2014</u>							
Cost	\$ 1,959,937	\$ 4,305,887	\$ 19,962	\$ 136,667	\$ 7,693	\$ 919,307	\$ 7,349,453
Accumulated depreciation	(604,736)	(2,903,815)	(11,440)	(69,952)	(5,154)	–	(3,595,097)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,355,201</u>	<u>\$ 1,384,128</u>	<u>\$ 8,522</u>	<u>\$ 66,715</u>	<u>\$ 2,539</u>	<u>\$ 919,307</u>	<u>\$ 3,736,412</u>

A. As of and for the years ended December 31, 2015 and 2014, the Company has not capitalized any interest.

B. Please refer to Note 6 (7) for details of prior years' impairment provision and reversal of impairment on property, plant and equipment.

C. As of December 31, 2015 and 2014, no property, plant and equipment were pledged to others as collateral.

(7) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. The Company reversed the impairment loss recognized in prior period amounting to \$4,193 and \$140 for the years ended December 31, 2015 and 2014, respectively, (listed as “other gains and losses”) as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(6) Property, plant and equipment.
- B. The impairment loss reported by operating segments is as follows:

<u>Department</u>	<u>For the year ended December 31, 2015</u>		<u>For the year ended December 31, 2014</u>	
	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>
Company	<u>\$ 4,193</u>	<u>\$ –</u>	<u>\$ 140</u>	<u>\$ –</u>

(8) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<u>Liabilities</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 145</u>	<u>\$ 3,669</u>

- A. The Company recognized net loss on financial liabilities held for trading amounting to \$14,941 and \$21,248 for the years ended December 31, 2015 and 2014, respectively (listed as “other gains and losses”).
- B. The contract information of non-hedging derivative instrument transactions is as follows:

<u>Derivative Instruments</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Contract amount</u>	<u>Contract period</u>	<u>Contract amount</u>	<u>Contract period</u>
Forward exchange contracts	USD5,400,000	11.2015~2.2016	USD4,950,000	11.2014 2.2015

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

(9) OTHER PAYABLES

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accrued salaries and bonuses	<u>\$ 114,164</u>	<u>\$ 101,791</u>
Payables on equipment	<u>44,817</u>	<u>167,328</u>
Others	<u>155,054</u>	<u>158,084</u>
	<u>\$ 314,035</u>	<u>\$ 427,203</u>

(10) PENSIONS

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

(b) The amounts recognized in the balance sheets are determined as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ 111,292	\$ 113,369
Fair value of plan assets	(48,438)	(44,665)
Net liability in the balance sheets	<u>\$ 62,854</u>	<u>\$ 68,704</u>

(c) Changes in present value of funded obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
At January 1	\$ 113,369	(\$ 44,665)	\$ 68,704
Current service cost	2,634	–	2,634
Interest expense (income)	2,267	(893)	1,374
	<u>118,270</u>	<u>(45,558)</u>	<u>72,712</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(283)	(283)
Change in financial assumptions	3,764	–	3,764
Experience adjustments	(10,302)	–	(10,302)
	<u>(6,538)</u>	<u>(283)</u>	<u>(6,821)</u>
Pension fund contribution	–	(3,037)	(3,037)
Paid pension	(440)	440	–
At December 31	<u>\$ 111,292</u>	<u>(\$ 48,438)</u>	<u>\$ 62,854</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2014</u>			
At January 1	\$ 107,309	(\$ 40,966)	\$ 66,343
Current service cost	2,006	–	2,006
Interest expense (income)	2,146	(819)	1,327
	<u>111,461</u>	<u>(41,785)</u>	<u>69,676</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(373)	(373)
Experience adjustments	2,557	–	2,557
	<u>2,557</u>	<u>(373)</u>	<u>2,184</u>
Pension fund contribution	–	(3,156)	(3,156)
Paid pension	(649)	649	–
At December 31	<u>\$ 113,369</u>	<u>(\$ 44,665)</u>	<u>\$ 68,704</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	<u>1.70%</u>	<u>2.00%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance industry 5th Mortality Table for the years ended December 31, 2015 and 2014.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>	<u>Future salary increases</u>
	<u>Increase 1% Decrease 1%</u>	<u>Increase 1% Decrease 1%</u>
<u>December 31, 2015</u>		
Effect on present value of defined benefit obligation	(\$ 11,881) \$ 13,971	\$ 12,435 (\$ 10,874)
<u>December 31, 2014</u>		
Effect on present value of defined benefit obligation	(\$ 12,971) \$ 15,388	\$ 13,862 (\$ 12,019)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contribution to the defined benefit pension plans of the Company within 2016 is \$2,994.

(g) As of December 31, 2015, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 4,852
2~5 years	21,953
Over 6 years	<u>135,304</u>
	<u>\$ 162,109</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognized under the defined contribution plan were \$21,849 and \$26,032 for the years ended December 31, 2015 and 2014, respectively.

(11) SHARE CAPITAL

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

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
At January 1	702,964	675,927
Issuance of shares through capitalisation of retained earnings	<u>28,119</u>	<u>27,037</u>
At December 31	<u>731,083</u>	<u>702,964</u>

B. 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 total authorized 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.

C. On June 23, 2015, the Company’s shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$281,186 and obtained approval from the SFC. The effective date of capitalization was set on August 14, 2015. After the event of capitalization mentioned above, the Company’s total authorized capital was \$10,000,000, and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share.

D. On December 31, 2015, the Company’s authorized capital was \$10,000,000 and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(12) CAPITAL RESERVE

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be 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 year ended December 31, 2015			
	Share premium	Stock options	Total
At January 1	\$ 1, 233, 286	\$ 23, 991	\$ 1, 257, 277
Employee Stock Options			
— Company	—	7, 844	7, 844
— Subsidiaries	—	423	423
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 32, 258</u>	<u>\$ 1, 265, 544</u>
For the year ended December 31, 2014			
	Share premium	Stock options	Total
At January 1	\$ 1, 233, 286	\$ 14, 510	\$ 1, 247, 796
Employee Stock Options			
— Company	—	8, 842	8, 842
— Subsidiaries	—	639	639
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 23, 991</u>	<u>\$ 1, 257, 277</u>

(13) SHARE-BASED PAYMENT

A. The Company issued 1 million units and 1.5 million units of employee stock options on December 3, 2013 and November 6, 2015, respectively (the Grant Date). The exercise prices of the options were set at \$91.7 dollars and 41.65 dollars, respectively, 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 share numbers of the Company's common stocks after the Grant Date. Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognized compensation cost relating to the employee stock options plan of \$7,844 and \$8,842 for the years ended December 31, 2015 and 2014, respectively.

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

For the year ended December 31, 2015		
	No. of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1, 000	\$ 91. 7
Options granted	1, 500	41. 65
Options forfeited	(152)	80. 4
Options outstanding at end of the year	2, 348	56. 92
Options exercisable at end of the year	430	83. 4
For the year ended December 31, 2014		
	No. of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1, 000	\$ 91. 7
Options granted	–	–
Options outstanding at end of the year	1, 000	91. 7
Options exercisable at end of the year	–	–

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

		December 31, 2015		December 31, 2014	
Grant date	Expiry date	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	859	\$ 83. 4	1, 000	91. 70
11.6.2015	11.5.2025	1, 489	41. 65	–	–

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	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
Employee stock options	11. 6. 2015	\$ 41. 65	\$ 41. 65	37. 63% (Note)	10 years	1. 5%	1. 2936%	\$13. 799

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.5% and 37.63%, respectively.

(14) 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.
- C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company recognized cash dividends and stock dividends distributed to owners amounting to \$140,592 (\$0.20 (in dollars) per share), \$281,186 (\$0.40 (in dollars) per share) for the year ended December 31, 2015 and \$811,113 (\$1.20 (in dollars)), \$270,371 (\$0.40 (in dollars) per share) for the year ended December 31, 2014, respectively. On March 25, 2016, the Board of Directors during its meeting proposed cash dividends and stock dividends for 2015 constituting \$219,325 (\$0.30 (in dollars) per share) and \$292,433 (\$0.40 (in dollars) per share), respectively.
- E. For the employees' bonus and directors' and supervisors' remuneration, please refer to Note 6(21) for details.

(15) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2015	2014
At January 1	\$ 100,674	\$ 44,355
Currency translation differences-group	(26,755)	56,319
Disposal transfer (Note)	(4,824)	—
At December 31	<u>\$ 69,095</u>	<u>\$ 100,674</u>

Note: The Company has lost significant influence due to adaption of equity evaluation of investees and stock swap transactions between the controlling shareholders, treated as disposal adapts investment under equity method and be removed original stake holding percentage be listed as other related equity item, please refer to 6(4) Financial assets measured at cost-non-current.

(16) OPERATING REVENUE

	For the years ended December 31,	
	2015	2014
Sales revenue	\$ 3,865,958	\$ 4,102,871
Less: Sales returns	(18,348)	(41,570)
Sales discounts	(31,549)	(9,802)
Technical service revenue	81,076	40,979
	<u>\$ 3,897,137</u>	<u>\$ 4,092,478</u>

(17) OTHER INCOME

	For the years ended December 31,	
	2015	2014
Interest income from bank deposits	\$ 11,067	\$ 13,269
Management service revenue	11,843	28,886
Compensation revenue	9,741	13,537
Others	6,321	9,444
	<u>\$ 38,972</u>	<u>\$ 65,136</u>

(18) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2015	2014
Net gain on disposal of investments	\$ 95,381	\$ –
Reversal of impairment loss	4,193	140
Net currency exchange gain	32,161	46,269
Loss on disposal of property, plant, and equipment	(503)	(1,392)
Net loss on financial assets/liabilities at fair value through profit or loss	(14,941)	(21,248)
Miscellaneous	(20,051)	(14,837)
	<u>\$ 96,240</u>	<u>\$ 8,932</u>

(19) FINANCE COSTS

	For the years ended December 31,	
	2015	2014
Interest expense:		
Bank loans	<u>\$ 28</u>	<u>\$ 2</u>

(20) EXPENSES BY NATURE

	For the year ended December 31, 2015		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 371,090	\$ 264,618	\$ 635,708
Depreciation	319,960	75,901	395,861
Amortization	1,749	2,875	4,624
	<u>\$ 692,799</u>	<u>\$ 343,394</u>	<u>\$ 1,036,193</u>

	For the year ended December 31, 2014		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 434,938	\$ 285,554	\$ 720,492
Depreciation	312,113	73,748	385,861
Amortization	907	2,808	3,715
	<u>\$ 747,958</u>	<u>\$ 362,110</u>	<u>\$ 1,110,068</u>

(21) EMPLOYEE BENEFIT EXPENSE

	For the year ended December 31, 2015		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 319, 585	\$ 227, 250	\$ 546, 835
Labor and health insurance expenses	26, 783	15, 066	41, 849
Pension costs	15, 424	10, 433	25, 857
Other personnel expenses	9, 298	11, 869	21, 167
	<u>\$ 371, 090</u>	<u>\$ 264, 618</u>	<u>\$ 635, 708</u>

	For the year ended December 31, 2014		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 370, 058	\$ 252, 650	\$ 622, 708
Labor and health insurance expenses	34, 964	17, 064	52, 028
Pension costs	18, 051	11, 314	29, 365
Other personnel expenses	11, 070	4, 526	15, 596
	<u>\$ 434, 143</u>	<u>\$ 285, 554</u>	<u>\$ 719, 697</u>

- A. As of December 31, 2015 and 2014, the Company had 602 and 674 employees, respectively.
- B. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors that account for 0.2% and 2%, respectively, of the total distributed amount. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported during the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 18, 2015. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- C. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$67,511 and \$871, respectively, while the directors' remuneration was accrued at

\$11,429 and \$8,715 for the years ended December 31, 2015 and 2014, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized for 2015 were accrued based on the earnings of current year; the expenses recognized for 2014 were accrued based on the net income for 2014 and the percentage specified in the Articles of Incorporation of the Company, taking into account other factors such as legal reserve. The employees' compensation and directors' remuneration resolved by the board of directors were \$77,011 and \$11,543, and the employees' compensation will be distributed in the form of cash. The actual amount approved at the shareholders' meeting for employees' bonus and directors' remuneration for 2014 was \$9,546, which was different from the estimated amount of \$9,586 recognized in the 2014 financial statements by (\$40). Such difference was recognized in profit or loss for the year ended December 31, 2015. Information about the appropriation of employees' bonus and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2015	2014
Current income tax:		
Current tax on profits for the year	\$ 176,862	\$ 155,698
10% tax on unappropriated retained earnings	1,214	6,499
(Over) under provision of prior year's income tax	(2,683)	5,453
Total current tax	<u>175,393</u>	<u>167,650</u>
Deferred income tax:		
Origination and reversal of temporary differences	(40,249)	(46,445)
Income tax expense	<u>\$ 135,144</u>	<u>\$ 121,205</u>

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

	For the years ended December 31,	
	2015	2014
Actuarial gain/loss on defined benefit obligation	<u>\$ 1,160</u>	<u>(\$ 371)</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2015	2014
Income tax at statutory tax rate	\$ 130,919	\$ 102,909
Effect of items disallowed by tax regulation	6,058	10,020
Effect of tax-exempt income	– (3,176)
Effect of investment tax credits	(364) (500)
10% tax on unappropriated retained earnings	1,214	6,499
(Over) under provision of prior year's income tax	(2,683)	5,453
Income tax expense	<u>\$ 135,144</u>	<u>\$ 121,205</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Investment loss	\$ 155,012	\$ 45,503	\$ –	\$ 200,515
Technology know-how	25,268	(3,698)	–	21,570
Pensions	11,680	165	(1,160)	10,685
Impairment of assets	3,050	(713)	–	2,337
Employee benefits-unused compensated absences	3,085	(197)	–	2,888
Unrealized loss on financial assets	624	(599)	–	25
	<u>\$ 198,719</u>	<u>\$ 40,461</u>	<u>(\$ 1,160)</u>	<u>\$ 238,020</u>
Deferred tax liabilities:				
Unrealized gain on currency exchange	(\$ 3,156)	(\$ 212)	\$ –	(\$ 3,368)
	<u>\$ 195,563</u>	<u>\$ 40,249</u>	<u>(\$ 1,160)</u>	<u>\$ 234,652</u>

For the year ended December 31, 2014				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Investment loss	\$ 102,844	\$ 52,168	\$ –	\$ 155,012
Technology know-how	28,966	(3,698)	–	25,268
Pensions	11,143	166	371	11,680
Impairment of assets	3,074	(24)	–	3,050
Employee benefits-unused compensated absences	3,165	(80)	–	3,085
Unrealized loss on financial assets	<u>194</u>	<u>430</u>	<u>–</u>	<u>624</u>
	<u>\$ 149,386</u>	<u>\$ 48,962</u>	<u>\$ 371</u>	<u>\$ 198,719</u>
Deferred tax liabilities				
Unrealized gain on currency exchange	<u>(\$ 639)</u>	<u>(\$ 2,517)</u>	<u>\$ –</u>	<u>(\$ 3,156)</u>
	<u>\$ 148,747</u>	<u>\$ 46,445</u>	<u>\$ 371</u>	<u>\$ 195,563</u>

- D. The Company's raw materials for medicine and API qualified the definition in "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" and is entitled to a tax exemption period of 5 years (expired in December 2014).
- E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 25, 2016.
- F. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2015 and 2014 were all generated after the year 1998.
- G. As of December 31, 2015 and 2014, the balance of the Company's imputation tax credit account was \$180,052 and \$187,332, respectively. The earnings distribution for 2014 and 2013 were approved at the stockholders' meeting on June 23, 2015 and June 18, 2014, respectively, and the date of dividend distribution were set on August 14, 2015 and August 15, 2014, respectively, by the Board of Directors. The creditable tax rate were 23.48% and 21.15%, respectively. The creditable tax rate for 2015 is expected to be 23.13%. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2015, thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(23) EARNINGS PER SHARE (“EPS”)

For the year ended December 31, 2015			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 634, 965	731, 083	\$ 0. 87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 634, 965	731, 083	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	–	1, 322	
Employees' bonus	–	20	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 634, 965	732, 425	\$ 0. 87

For the year ended December 31, 2014			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 484, 143	731, 083	\$ 0. 66
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 484, 143	731, 083	
Assumed conversion of all dilutive potential ordinary shares	–	–	
Employees' bonus	–	6	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 484, 143	731, 089	\$ 0. 66

A. The abovementioned stock options issued in 2013 are anti-dilutive, and were not included in the EPS calculation.

B. As employees’ bonus (compensation) could be distributed in the form of stock, the diluted EPS

computation shall include those estimated shares that would increase from employees' stock bonus (compensation) issuance in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects 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 (compensation) 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 (compensation) 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 years presented shall not be adjusted retrospectively.

- C. The abovementioned weighted average number of ordinary shares outstanding are of anti-dilutive; therefore will not affect the EPS calculation for the year ended December 31, 2014.

(24) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2015	2014
Purchase of property, plant and equipment	\$ 356, 716	\$ 698, 202
Add : Beginning balance of payable on equipment	167, 328	99, 367
Less : Ending balance of payable on equipment	(44, 817)	(167, 328)
Cash paid for purchase of property, plant and equipment	<u>\$ 479, 227</u>	<u>\$ 630, 241</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2015	2014
Investment for accounted for under the equity method reclassified to financial assets measured at cost	\$ 171, 234	\$ -
Prepayment for equipment reclassified to property, plant and equipment	<u>\$ 17, 600</u>	<u>\$ 272, 761</u>

21. 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. Names and relationship of other related parties with substantive controls, please refer to Note 13.B

(2) Significant transactions and balances with related parties

A.Sales

	For the years ended December 31,	
	2015	2014
Sales of goods:		
— Subsidiaries	\$ —	\$ 6,862
Sales of services:		
— Associates	—	3,153
	<u>\$ —</u>	<u>\$ 10,015</u>

(a) The terms of sales to and receivables from related parties were the same as regular customers. The above related parties close its accounts 90 days from the end of each month and make payment by telegraphic transfer.

(b) The terms of providing technical services to and receivables from related parties were the same with regular customers, remittances are made in 60 days.

B.Purchases

	For the years ended December 31,	
	2015	2014
Purchase of goods:		
— Subsidiaries	<u>\$ 234,851</u>	<u>\$ 177,820</u>

Purchase prices and terms for related parties are the same as that of regular suppliers. Payments are made in 90 days after receipt of goods.

C.Property transactions

Purchase of property:

	For the years ended December 31,	
	2015	2014
Purchase of property, plant and equipment:		
— An entity controlled by key management individuals	<u>\$ 1,656</u>	<u>\$ —</u>

D. Other expenses

	For the years ended December 31,	
	2015	2014
Rental expenses:		
— Entities controlled by key management	\$ 1,663	\$ 774
Repairs and maintenance fees:		
— Entities controlled by key management individuals	\$ 3,697	\$ 3,114
Management service fees:		
— Subsidiaries	\$ 10,945	\$ 2,598
— Ultimate parent company	4,755	5,480
— Associates of ultimate parent company	2,040	1,809
	\$ 17,740	\$ 9,887

E. Management consultancy revenue

	For the years ended December 31,	
	2015	2014
Technical consultancy revenue:		
— Subsidiaries	\$ 11,843	\$ 28,886

F. Accounts receivable

	December 31, 2015	December 31, 2014
Receivables from related parties:		
— Associates	\$ —	\$ 1,187

G. Other receivables

	December 31, 2015	December 31, 2014
Other receivables from related parties:		
— Subsidiaries	\$ 5,268	\$ 11,071

H. Other payables

	December 31, 2015	December 31, 2014
Other payables to related parties:		
— Subsidiaries	\$ 5,563	\$ 1,195
— Entities controlled by key management	2,231	65
	\$ 7,794	\$ 1,260

(3) Key management compensation

	For the years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	\$ 59,808	\$ 77,368

22. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Purpose</u>
Time deposits (Note)	\$ <u>24,734</u>	\$ <u>24,734</u>	Customs duty and performance guarantee

Note: Shown as "other financial assets - non-current."

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2015 and 2014, the Company's unused letters of credit amounted to \$7,508 and \$—, respectively.
- (2) As of December 31, 2015 and 2014, the Company's remaining balance due for construction in progress and prepayments for equipment was \$463,663 and \$954, respectively.
- (3) The Company entered into a non-cancellable operating lease agreement from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, with a lease term of less than twenty years. 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 \$21,291 (recorded as "operating cost" and "operating expense") was recognized in profit or loss for the years ended December 31, 2015 and 2014. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within one year	\$ 21,291	\$ 21,291
Later than one year but not exceeding five years	<u>24,840</u>	<u>46,131</u>
	<u>\$ 46,131</u>	<u>\$ 67,422</u>

24. SIGNIFICANT DISASTER LOSS: None.

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

26. OTHERS

(7) Capital risk management

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

(8) Financial instruments

A. Fair value information of financial instruments

The Company's financial instruments which are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), notes payable, accounts payable (including related parties) 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.

B. Financial risk management policies

(a) The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Company treasury identifies, evaluates and hedges financial risks closely with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as 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 Company 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 the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company is required to hedge the 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 Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 35,002	32.83	\$1,148,941
EUR:NTD	1,664	35.88	59,704
CNY:NTD	2,723	4.995	13,601
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	732	32.83	24,028
CNY:NTD	562	4.995	2,807
EUR:NTD	16	35.88	574

December 31, 2014			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,480	31.65	\$ 616,542
CNY:NTD	4,848	5.092	24,686
EUR:NTD	103	38.47	3,962
<u>Investments accounted for under the equity method</u>			
USD:NTD	2,527	31.65	79,980
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,426	31.65	45,133
EUR:NTD	337	38.47	12,964
CNY:NTD	235	5.092	1,197

- (iv) As of December 31, 2015 and 2014, if the USD:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$56,254 and \$32,569, respectively. If the EUR:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$2,957 and \$450, respectively. If the CNY:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2015 and 2014 would increase/decrease by \$540 and \$1,175, respectively.
- (v) Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2015 and 2014 amounted \$32,161 and \$46,269, respectively.

II. Price risk

The Company 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 Company is exposed to price risk on equity instruments investments. To manage this risk, the Company has set stop-loss amounts for these instruments. The Company expects no significant market risk.

III. Interest rate risk

For the years ended December 31, 2015 and 2014, the Company's liabilities bear little significance and a small range of interest rate, thus, the Company does not bear significant interest rate risk.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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 Company also transacts with many different banks and financial institutions to diversify risk.

II. No credit limits were exceeded during the years ended December 31, 2015 and 2014.

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

(c). Liquidity risk

- I. Cash flow forecasting is performed by the Company's treasury department which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. The following table comprises the Company's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are 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.

<u>December 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 995	\$ –	\$ –	\$ –
Accounts payable	32,639	–	–	–
Other payables	314,035	–	–	–
Guarantee deposits	23,397			
Derivative financial liabilities:				
Forward exchange contracts	145	–	–	–
<u>December 31, 2014</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 1,153	\$ –	\$ –	\$ –
Accounts payable	44,268	–	–	–
Other payables	427,203	–	–	–
Guarantee deposits	1,656			
Derivative financial liabilities:				
Forward exchange contracts	3,669	–	–	–

(9) Fair value estimation

- A. Details of the fair value of the Group's financial liabilities not measured at fair value are provided in Note 12(2)A.
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a

market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

C. The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2015 and 2014.

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign exchange contracts	<u>\$ –</u>	<u>\$ 145</u>	<u>\$ –</u>	<u>\$ 145</u>
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign exchange contracts	<u>\$ –</u>	<u>\$ 3,669</u>	<u>\$ –</u>	<u>\$ 3,669</u>

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

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

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

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

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. The Company did not have financial instruments that meet the definition of level 3 instruments as of and for the years ended December 31, 2015 and 2014.

27. SUPPLEMENTARY DISCLOSURES

(According to the policies, only the financial information of the investee for 2015 is supposed to be disclosed based on the financial statements prepared by the same-period auditors. Instead of the adjustments taking into account the consolidation, the financial information is presented in every consolidated entity.)

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(8).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

28. SEGMENT INFORMATION

Not applicable.

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