SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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

SCINOPHARM TAIWAN, LTD.

Declaration of Consolidated Financial Statement of Affiliated Enterprises

For the year ended December 31, 2016, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

SCINOPHARM TAIWAN, LTD.
March 28, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standard, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Cutoff of export revenue

Description

Please refer to Note 4(28) to the consolidated financial statements for accounting policy on revenue recognition.

The Group’s sales revenue mainly arose from manufacture and sale of generic drugs and primarily are export sales. The Group recognizes export sales revenue based on the terms and conditions of transactions which vary with different customers. For sales transactions in a certain period around balance sheet date, it is essential to ensure whether the significant risks and rewards of ownership have been transferred to the customers. As revenue recognition of export sales is subject to management’s judgement on whether risks and rewards has been properly transferred, and contains the risk of inappropriate recognition timing, we consider the cutoff of export revenue a key audit matter.

<u>How our audit addressed the matter</u>

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

1. We obtained understanding and assessed the effectiveness of internal controls over cutoff of sales revenue, and tested the effectiveness of internal controls on shipment and billing.
2. We checked the completeness and performed cutoff tests on a random basis on the export sales details in a certain period around balance sheet date, which includes checking the terms and conditions of transaction, verifying against supporting documents, and checking whether inventory changes records and sales cost had been recognized in the proper period.

Inventory valuation

<u>Description</u>

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(3) for detailed items of inventories. As of December 31, 2016, the balances of inventory and allowance for inventory valuation losses were $ 2,330,847 thousand and $ 501,137 thousand, respectively.

The Group is primarily engaged in antineoplastic drug and advanced generic drugs. As the manufacturing process is long and complex, causing longer materials lead time, in addition, the waiting period for product registration is long, and customers’ product launch time might be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold in regular way, the Group measures inventories at the lower of cost and net realisable value. For inventories age over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turn-over. Since the calculation of net realisable value involves subjective judgement and uncertainty and the ending balance of inventory was material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

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

1. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the historical data of inventory turn-over and judgement of obsolete inventory.
2. We checked the accuracy of inventory aging report, and recalculated the reasonableness of allowance for inventory valuation losses to ensure the report is consistent with the Group's policies.
3. We selected inventory part numbers on a random basis and verified its net realizable value to evaluate the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ScinoPharm Taiwan, Ltd. as at and for the years ended December 31, 2016 and 2015.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 28, 2017

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

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

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

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,707,151	29	$ 2,335,697	19
1170	Accounts receivable, net	6(2)	638,405	5	867,231	7
1200	Other receivables		197,897	2	207,955	2
130X	Inventory	5(2) and 6(3)	1,829,710	14	2,169,208	18
1410	Prepayments		212,212	2	168,603	1
1476	Other financial assets - current		-	-	284,216	2
11XX	**Total current assets**		6,585,375	52	6,032,910	49
	Non-current assets					
1543	Financial assets measured at cost- non-current	6(4)(17)(26)	364,089	3	338,907	3
1600	Property, plant and equipment	6(5)(7)(26) and 7	5,208,898	41	5,170,714	43
1780	Intangible assets		24,078	-	22,918	-
1840	Deferred income tax assets	5(2) and 6(24)	414,414	3	372,644	3
1915	Prepayments for equipment	6(5)(26)	65,466	-	157,961	1
1920	Guarantee deposits paid		9,739	-	10,448	-
1980	Other financial assets - non-current	8	28,831	-	24,734	-
1985	Long-term prepaid rent	6(6)	82,110	1	90,359	1
15XX	**Total non-current assets**		6,197,625	48	6,188,685	51
1XXX	**Total assets**		$ 12,783,000	100	$ 12,221,595	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ 982,705	8	$ 1,702,306	14
2120	Financial liabilities at fair value through profit or loss - current	6(9)	2,822	-	145	-
2150	Notes payable		1,001	-	995	-
2170	Accounts payable		69,730	1	91,060	-
2200	Other payables	6(10)(26) and 7	430,020	3	336,932	3
2230	Current income tax liabilities	6(24)	110,911	1	100,009	1
2310	Advance receipts		62,384	-	43,536	-
2320	Long-term liabilities, current portion	6(11) and 9	32,120	-	-	-
21XX	**Total current liabilities**		1,691,693	13	2,274,983	18
	Non-current liabilities					
2540	Long-term borrowings	6(11) and 9	770,873	6	-	-
2570	Deferred income tax liabilities	6(24)	877	-	3,368	-
2640	Net defined benefit liabilities - non-current	6(12)	70,053	1	62,854	1
2645	Guarantee deposits received		21,711	-	23,397	-
25XX	**Total non-current liabilities**		863,514	7	89,619	1
2XXX	**Total liabilities**		2,555,207	20	2,364,602	19
	Equity attributable to owners of the parent					
	Share capital	6(13)(16)				
3110	Share capital - common stock		7,603,262	59	7,310,829	60
3200	**Capital surplus**	6(14)(15)	1,275,660	10	1,265,544	10
	Retained earnings	6(13)(16)(24)				
3310	Legal reserve		460,196	4	396,699	3
3320	Special reserve		22,829	-	22,829	-
3350	Undistributed earnings		869,300	7	791,997	7
3400	**Other equity interest**	6(17)	(3,454)	-	69,095	1
3XXX	**Total equity**		10,227,793	80	9,856,993	81
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total liabilities and equity**		$ 12,783,000	100	$ 12,221,595	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 amounts)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(18)	$ 4,030,921	100	$ 3,955,207	100
5000	**Operating costs**	6(3)(12)(22)(23) and 9	(2,224,960)	(55)	(2,278,553)	(58)
5900	**Net operating margin**		1,805,961	45	1,676,654	42
	Operating expenses	6(2)(6)(12)(22)(23), 7 and 9				
6100	Selling expenses		(169,971)	(4)	(157,036)	(4)
6200	General and administrative expenses		(488,139)	(12)	(445,701)	(11)
6300	Research and development expenses		(279,575)	(7)	(324,214)	(8)
6000	**Total operating expenses**		(937,685)	(23)	(926,951)	(23)
6900	**Operating profit**		868,276	22	749,703	19
	Non-operating income and expenses					
7010	Other income	6(2)(19)	40,705	1	47,751	1
7020	Other gains and losses	6(4)(5)(7)(9)(20) and 12	(62,265)	(1)	13,694	-
7050	Finance costs	6(5)(21)(26)	(36,116)	(1)	(9,018)	-
7060	Share of profit of associates and joint ventures accounted for under equity method		-	-	754	-
7000	**Total non-operating income and expenses**		(57,676)	(1)	53,181	1
7900	**Profit before income tax**		810,600	21	802,884	20
7950	Income tax expense	6(24)	(151,907)	(4)	(167,919)	(4)
8200	**Profit for the year**		$ 658,693	17	$ 634,965	16
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains	6(12)	($ 7,393)	-	$ 6,821	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	1,258	-	(1,160)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(17)	(72,549)	(2)	(31,579)	(1)
8300	**Other comprehensive loss for the year**		($ 78,684)	(2)	($ 25,918)	(1)
8500	**Total comprehensive income for the year**		$ 580,009	15	$ 609,047	15
	Profit attributable to:					
8610	Owners of the parent		$ 658,693	17	$ 634,965	16
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 580,009	15	$ 609,047	15
	Earnings per share (in dollars)					
9750	**Basic**	6(25)	$	0.87	$	0.84
9850	**Diluted**	6(25)	$	0.86	$	0.83

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

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

		Equity attributable to owners of the parent						
				Retained Earnings			Other Equity	
	Notes	Share capital - common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Total equity
For the year ended December 31, 2015								
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		-	-	-	-	5,661	(31,579)	(25,918)
Balance at December 31, 2015		$ 7,310,829	$ 1,265,544	$ 396,699	$ 22,829	$ 791,997	$ 69,095	$ 9,856,993
For the year ended December 31, 2016								
Balance at January 1, 2016		$ 7,310,829	$ 1,265,544	$ 396,699	$ 22,829	$ 791,997	$ 69,095	$ 9,856,993
Distribution of 2015 net income:								
Legal reserve		-	-	63,497	-	(63,497)	-	-
Cash dividends	6(16)	-	-	-	-	(219,325)	-	(219,325)
Stock dividends	6(13)(16)	292,433	-	-	-	(292,433)	-	-
Employee stock option compensation cost	6(14)(15)	-	10,116	-	-	-	-	10,116
Net income for the year ended December 31, 2016		-	-	-	-	658,693	-	658,693
Other comprehensive loss for the year ended December 31, 2016		-	-	-	-	(6,135)	(72,549)	(78,684)
Balance at December 31, 2016		$ 7,603,262	$ 1,275,660	$ 460,196	$ 22,829	$ 869,300	($ 3,454)	$10,227,793

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, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 810,600	$ 802,884
Adjustments			
Adjustments to reconcile profit (loss)			
Provision/(reversal) for doubtful accounts	6(2)	596	(43)
Loss on inventory market price decline	6(3)	110,571	68,569
Provision for obsolescence of supplies		11,167	7,531
Share of profit of associates and joint ventures accounted for under the equity method		-	(754)
Gain on disposal of investments accounted for under the equity method	6(4)(20)	-	(95,381)
Depreciation	6(5)(22)	435,391	471,133
Loss on disposal of property, plant and equipment	6(20)	626	843
Impairment loss (gain on reversal)	6(5)(7)(20)	889	(4,193)
Amortization	6(22)	9,450	11,386
Amortization of long-term prepaid rent	6(6)	1,977	2,051
Loss (gain) on valuation of financial liabilities		2,677	(3,524)
Employee stock option compensation cost	6(14)(15)	10,116	8,267
Interest income	6(19)	(27,844)	(30,689)
Interest expense	6(21)	36,116	9,018
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	27
Accounts receivable		228,232	(344,198)
Other receivables		10,058	(8,631)
Inventories		234,501	211,519
Prepayments		(54,776)	(26,074)
Changes in operating liabilities			
Notes payable		6	(158)
Accounts payable		(21,330)	37,247
Other payables		34,117	2,750
Advance receipts		18,848	5,580
Net defined benefit liabilities - non-current		(194)	971
Cash inflow generated from operations		1,851,794	1,126,131
Interest received		27,844	30,539
Interest paid		(21,337)	(9,018)
Income tax paid		(193,277)	(103,122)
Net cash flows from operating activities		1,665,024	1,044,530

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

	Notes	For the years ended December 31, 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other financial assets - current		$ 284,216	($ 284,216)
Increase in financial assets measured at cost - non-current		(25,182)	-
Cash paid for acquisition of property, plant and equipment	6(26)	(395,633)	(631,840)
Interest paid for acquisition of property, plant and equipment	6(5)(21)(26)	(22,847)	(14,989)
Proceeds from disposal of property, plant and equipment		555	451
Acquisition of intangible assets		(11,416)	(11,020)
Increase in prepayments for equipment		(28,623)	(9,729)
Decrease in pledged deposits		709	7,171
Increase in other financial assets - non-current		(4,097)	-
Net cash flows used in investing activities		(202,318)	(944,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(719,601)	424,830
Increase in long-term borrowings		802,993	-
(Decrease) increase in guarantee deposits received		(1,686)	21,741
Payment of cash dividends	6(16)	(219,325)	(140,592)
Net cash flows (used in) from financing activities		(137,619)	305,979
Effect of foreign exchange rate changes on cash and cash equivalents		46,367	1,757
Net increase in cash and cash equivalents		1,371,454	408,094
Cash and cash equivalents at beginning of year	6(1)	2,335,697	1,927,603
Cash and cash equivalents at end of year	6(1)	$ 3,707,151	$ 2,335,697

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 28, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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

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

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

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

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

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

C. Amendments to IAS 1, 'Disclosure initiative'

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Transfers of investment property (amendments to IAS 40)	January 1, 2018
FRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	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 International Accounting Standards Board

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

A. Amendments to IAS 7, 'Disclosure initiative'

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

B. IFRS 9, ‘Financial instruments’

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

C IFRS 16, ‘Leases’

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, 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 Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company December 31, 2016	Percentage owned by the Company December 31, 2015	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	－
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	－
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	－
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale produced products, 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 joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

(7) Receivables

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

(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) <u>Impairment of financial assets</u>

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

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

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

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

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

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

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

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

(a) Financial assets measured at cost

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

(b) Financial assets measured at amortized cost

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(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. 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.

D. 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 associates, 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.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus 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:

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

(14) Intangible assets

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

(15) Leased assets/ lessee

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees’ compensation and directors’ remuneration

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

(23) Employee share-based payment

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

(24) Income tax

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

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

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

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

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

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

(25) <u>Share capital</u>

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) <u>Dividends</u>

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

(27) <u>Revenue recognition</u>

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 process 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 changes to the evaluation.

(b) As of December 31, 2016, the carrying amount of inventories was $1,829,710.

B. Realizability of deferred income tax assets

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

(b) As of December 31, 2016, the Group recognized deferred income tax assets amounting to $414,414.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
Cash:		
Cash on hand	$ 75	$ 237
Checking accounts and demand deposits	516,801	471,545
	516,876	471,782
Cash equivalents:		
Time deposits	2,904,500	1,564,003
Bill under repurchase agreements	285,775	299,912
	3,190,275	1,863,915
	$ 3,707,151	$ 2,335,697

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, 2016 and 2015 are provided in Note 8.

(2) ACCOUNTS RECEIVABLE, NET

	December 31, 2016	December 31, 2015
Accounts receivable	$ 639,052	$ 867,284
Less: Allowance for doubtful accounts	(647)	(53)
	$ 638,405	$ 867,231

A. As of December 31, 2016 and 2015, the Group had no accounts receivable classified as "past due but not impaired".

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

	For the years ended December 31,	
	2016	2015
	Group provision	Group provision
At January 1	$ 53	$ 96
Provision (reversal) for impairment	596	(43)
Effect of exchange rate	(2)	-
At December 31	$ 647	$ 53

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

D. As of December 31, 2016 and 2015, the Group does not hold any collateral as security.

(3) INVENTORIES

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

	December 31, 2015		
	Cost	Allowance for market price decline	Book value
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
	$ 2,565,348	($ 396,140)	$ 2,169,208

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

	For the years ended December 31,	
	2016	2015
Cost of goods sold	$ 1,707,118	$ 1,897,611
Loss on inventory scrap	53,811	15,956
Loss on physical inventory	8,910	6,724
Under applied manufacturing overhead	311,983	267,013
Provision for inventory market price decline	110,571	68,569
	$ 2,192,393	$ 2,255,873

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

	December 31, 2016	December 31, 2015
Unlisted stocks		
Tanvex Biologics, Inc.	$ 167,673	$ 167,673
SYNGEN, INC.	4,620	4,620
Foresee Pharmaceuticals, Co., Ltd.	196,416	171,234
	368,709	343,527
Less: Accumulated impairment	(4,620)	(4,620)
	$ 364,089	$ 338,907

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 over 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. As a result, the Group classified those shares as “financial assets measured at cost”.

C. As of December 31, 2016 and 2015, no financial assets measured at cost held by the Group were pledged to others.

(5) PROPERTY, PLANT AND EQUIPMENT

January 1, 2016	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost	$ 2,499,181	$ 4,689,690	$ 29,690	$ 202,695	$ 141,302	$ 1,803,046	$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	-	(4,181,139)
Accumulated impairment	-	(13,751)	-	-	-	-	(13,751)
	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,321	$ 1,803,046	$ 5,170,714
For the year ended December 31, 2016							
At January 1	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,321	$ 1,803,046	$ 5,170,714
Additions	-	-	-	-	-	462,672	462,672
Reclassified from prepayments for equipment	-	-	-	-	-	121,118	121,118
Reclassified upon completion	485,874	203,159	-	15,558	25,589	(730,180)	-
Depreciation charge	(101,112)	(278,715)	(3,113)	(27,896)	(24,555)	-	(435,391)
Disposals－Cost	-	(8,619)	(405)	(895)	(1,233)	-	(11,152)
－Accumulated depreciation	-	7,543	405	847	1,176	-	9,971
Impairment loss	-	(889)	-	-	-	-	(889)
Net currency exchange differences	(32,270)	(24,507)	(147)	(1,071)	(4,042)	(46,108)	(108,145)
At December 31	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898
December 31, 2016							
Cost	$ 2,948,766	$ 4,853,501	$ 28,601	$ 213,075	$ 154,986	$ 1,610,548	$ 9,809,477
Accumulated depreciation	(820,361)	(3,491,593)	(22,848)	(152,407)	(98,730)	-	(4,585,939)
Accumulated impairment	-	(14,640)	-	-	-	-	(14,640)
	$ 2,128,405	$ 1,347,268	$ 5,753	$ 60,668	$ 56,256	$ 1,610,548	$ 5,208,898

January 1, 2015	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	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)
	$ 1,597,744	$ 1,598,978	$ 13,493	$ 90,312	$ 79,169	$ 1,685,329	$ 5,065,025
For the year ended December 31, 2015							
At January 1	$ 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)	(3,531)	-	(61,793)
－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	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,021	$ 1,803,046	$ 5,170,414
December 31, 2015							
Cost	$ 2,499,181	$ 4,689,690	$ 29,690	$ 202,695	$ 141,302	$ 1,803,046	$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	-	(4,181,139)
Accumulated impairment	-	(13,751)	-	-	-	-	(13,751)
	$ 1,775,913	$ 1,449,296	$ 9,013	$ 74,125	$ 59,321	$ 1,803,046	$ 5,170,714

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

	For the years ended December 31,	
	2016	2015
Amount capitalized	$ 22,847	$ 14,989
Interest rate	1.72%～4.74%	1.16%～4.35%

B. Impairment and reclassification information about the property, plant and equipment is provided in Note 6(7), Impairment of non-financial assets.

C. As of December 31, 2016 and 2015, the Group has not pledged any property, plant and equipment as collateral.

(6) LONG-TERM PREPAID RENT

	December 31, 2016	December 31, 2015
Long-term prepaid rent	$ 82,110	$ 90,359

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 $1,977 and $2,051 for the years ended December 31, 2016 and 2015, respectively (listed as "General and administrative expenses").

(7) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. For the years ended December 31, 2016 and 2015, the Group recognised impairment loss on idle machineries at $889 and $－, respectively, and 'reversal of impairment loss recognised in profit or loss' amounting to $－ and $4,193, respectively, as some of the idle machineries were again utilized in production. Please refer to Note 6(5) property, plant and equipment for details of accumulated impairment amount.

B. The impairment loss (gain on reversal) reported by operating segments is as follows:

	For the years ended December 31,			
	2016		2015	
Segments	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm Taiwan	$ 889	$ －	($ 4,193)	$ －

(8) SHORT-TERM BORROWINGS

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 982,705	4.35%～4.44%	None

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 1,702,306	1.18%～4.35%	None

(9) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ 2,822	$ 145

A. The Group recognized net gain (loss) of $3,981 and ($14,941) on financial liabilities held for trading (listed as 'other gains and losses') for the years ended December 31, 2016 and 2015, respectively.

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

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

	December 31, 2015	
Items	Contract Amount	Contract Period
Forward foreign exchange contracts	USD 5,400,000	11.2015～2.2016

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

(10) OTHER PAYABLES

	December 31, 2016	December 31, 2015
Accrued salaries and bonuses	$ 151,650	$ 130,958
Payables on equipment	89,009	44,817
Others	189,361	161,157
	$ 430,020	$ 336,932

(11) LONG-TERM BORROWINGS

Type of borrowings	Borrowing period	December 31, 2016	Interest rate	Collateral
Long-term bank loans				
Secured bank loans	June 14, 2016～ June 14, 2019	$ 802,993	4.85%	Guaranteed by the Company
Less current portion		(32,120)		
		$ 770,873		

As of December 31, 2015, there were no long-term borrowings.

(12) PENSIONS

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

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 118,242	$ 111,292
Fair value of plan assets	(48,189)	(48,438)
Net defined benefit liability	$ 70,053	$ 62,854

(c) Movements in net defined benefit liabilities are as follows:

Year ended December 31, 2016	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 111,292	($ 48,438)	$ 62,854
Current service cost	1,926	-	1,926
Interest expense (income)	1,892	(823)	1,069
	115,110	(49,261)	65,849
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	379	379
Change in financial assumptions	3,950	-	3,950
Experience adjustments	3,064	-	3,064
	7,014	379	7,393
Pension fund contribution	-	(3,189)	(3,189)
Paid pension	(3,882)	3,882	-
At December 31	$ 118,242	($ 48,189)	$ 70,053

Year ended December 31, 2015	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 113,369	($ 44,665)	$ 68,704
Current service cost	2,634	-	2,634
Interest expense (income)	2,267	(893)	1,374
	118,270	(45,558)	72,712
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)
	(6,538)	(283)	(6,821)
Pension fund contribution	-	(3,037)	(3,037)
Paid pension	(440)	440	-
At December 31	$ 111,292	($ 48,438)	$ 62,854

(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 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 and its domestic subsidiaries 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, 2016 and 2015 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,	
	2016	2015
Discount rate	1.40%	1.70%
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, 2016 and 2015.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 3,304)	$ 3,438	$ 3,081	($ 2,982)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 2,970)	$ 3,493	$ 3,109	($ 2,719)

The sensitivity analysis above was based on one assumption which charged while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(f) Expected contributions to the defined benefit pension plan of the Company within 2017 is $3,120.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 9,749
2~5 years	17,903
Over 6 years	130,480
	$ 158,132

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, 2016 and 2015, the pension costs recognized under the aforementioned defined contribution pension plans were $31,464 and $30,453, respectively.

(13) SHARE CAPITAL

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

	For the years ended December 31,	
	2016	2015
At January 1	731,083	702,964
Capitalization of retained earnings	29,243	28,119
At December 31	760,326	731,083

B. 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 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.

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

D. As of December 31, 2016, the Company's authorized capital was $10,000,000 and the paid-in capital was $7,603,262 (760,326 thousand shares) with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) CAPITAL RESERVES

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

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

	For the year ended December 31, 2016		
	Share premium	Stock options	Total
At January 1	$ 1,233,286	$ 32,258	$ 1,265,544
Employee stock options compensation cost			
- Company	-	10,025	10,025
- Subsidiaries	-	91	91
At December 31	$ 1,233,286	$ 42,374	$ 1,275,660

	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 compensation cost			
- Company	-	7,844	7,844
- Subsidiaries	-	423	423
At December 31	$ 1,233,286	$ 32,258	$ 1,265,544

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the ‘Grant Date’). The exercise price of the options was set at $91.70 (in dollars), $41.65 (in dollars) and $40.55 (in dollars), respectively, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of December 31, 2016, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to $80.20 (in dollars) per share, $40.00 (in dollars) per share and $40.55 (in dollars) per share, respectively.) Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Group recognized compensation costs relating to the employee stock options plan of $10,116 and $8,267 for the years ended December 31, 2016 and 2015, respectively.

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

	For the year ended December 31, 2016		
	Number of options (in thousand units)		Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,348	$	56.92
Options granted	1,500		40.55
Options forfeited	(391)		62.47
Options outstanding at end of the year	3,457		48.03
Options exercisable at end of the year	503		80.20

	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	$	91.70
Options granted	1,500		41.65
Options forfeited	(152)		80.40
Options outstanding at end of the year	2,348		56.92
Options exercisable at end of the year	430		83.40

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

		December 31, 2016			December 31, 2015		
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	670	$	80.20	859	$	83.40
11.6.2015	11.5.2025	1,299		40.00	1,489		41.65
10.14.2016	10.13.2026	1,488		40.55	-		-

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

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

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

(16) RETAINED EARNINGS

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

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

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

D. The Company recognized cash dividends and stock dividends distributed to owners amounting to $219,325 ($0.30 (in dollars) per share) and $292,433 ($0.40 (in dollars) per share) for the year ended December 31, 2016, respectively, and $140,592 ($0.20 (in dollars) per share) and $281,186 ($0.40 (in dollars) per share) for year ended December 31, 2015, respectively. On March 28, 2017, the Board of Directors proposed for the distribution of cash dividends of $228,098 ($0.30 (in dollars) per share) and stock dividends of $304,130 ($0.40 (in dollars) per share) for the year 2016.

(17) OTHER EQUITY ITEMS

	For the years ended December 31, 2016	2015
At January 1	$ 69,095	$ 100,674
Currency translation differences－group	(72,549)	(26,755)
Disposal (Note)	-	(4,824)
At December 31	($ 3,454)	$ 69,095

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, 2016	2015
Sales revenue	$ 3,912,641	$ 3,871,442
Less: Sales returns	(64,812)	(18,348)
Sales discounts	(6,984)	(31,549)
Technical service revenue	190,076	133,662
	$ 4,030,921	$ 3,955,207

(19) OTHER INCOME

	For the years ended December, 2016	2015
Interest income from bank deposits	$ 27,844	$ 30,689
Compensation revenue	7,404	9,741
Others	5,457	7,321
	$ 40,705	$ 47,751

(20) OTHER GAINS AND LOSSES

	For the years ended December 31, 2016	2015
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	$ 3,981	($ 14,941)
Gain on disposal of investments	-	95,381
Loss on disposal of property, plant, and equipment	(626)	(843)
(Impairment loss) gain on reversal of impairment loss	(889)	4,193
Net currency exchange loss	(42,982)	(50,793)
Miscellaneous	(21,749)	(19,303)
	($ 62,265)	$ 13,694

(21) FINANCE COSTS

	For the years ended December 31, 2016	2015
Interest expense:		
Bank loans	$ 58,963	$ 24,007
Less: capitalization of qualifying assets	(22,847)	(14,989)
	$ 36,116	$ 9,018

(22) EXPENSES BY NATURE

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 448,862	$ 389,091	$ 837,953
Depreciation	328,259	107,132	435,391
Amortization	3,208	6,242	9,450
	$ 780,329	$ 502,465	$ 1,282,794

	For the year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 443,529	$ 338,169	$ 781,698
Depreciation	365,205	105,928	471,133
Amortization	2,571	8,815	11,386
	$ 811,305	$ 452,912	$ 1,264,217

(23) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 380,263	$ 337,437	$ 717,700
Labor and health insurance expenses	32,626	21,065	53,691
Pension costs	21,562	12,897	34,459
Other personnel expenses	14,411	17,692	32,103
	$ 448,862	$ 389,091	$ 837,953

	For the year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 376,723	$ 288,469	$ 665,192
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
	$ 443,529	$ 338,169	$ 781,698

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

B. For the years ended December 31, 2016 and 2015, the employees' compensation was accrued at $82,181 and $67,511, respectively, while the directors' remuneration was accrued at $11,734 and $11,429, respectively. The aforementioned amounts were recognized in salary expenses. The aforementioned amounts were recognized in salary expenses. The expenses recognized for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 28, 2017, the Board of Directors resolved the employees' compensation and directors' remuneration of $82,181 and $11,734, and the employees' compensation will be distributed in the form of cash. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2015 was $88,554, which was different from the estimated amount of $78,940 recognized in the 2015 financial statements by $9,614. Such difference mainly resulted from estimation, and was recognized in profit or loss for 2016.

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

(24) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2016	2015
Current income tax:		
Income tax in current year	$ 185,902	$ 178,599
10% tax on unappropriated retained earnings	6,537	1,214
Under (over) provision of prior year's income tax	2,471	(2,683)
Total current tax	194,910	177,130
Deferred income tax:		
Origination and reversal of temporary differences	(43,003)	(9,211)
Income tax expense	$ 151,907	$ 167,919

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2016	2015
Remeasurement of defined benefit obligations	($ 1,258)	$ 1,160

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2016	2015
Income tax at statutory tax rate	$ 137,802	$ 135,598
Effect of items disallowed by tax regulation	7,386	3,116
Effect of net operating loss carryforward	(2,519)	29,553
Effect of investment tax credits	230	1,121
10% tax on unappropriated retained earnings	6,537	1,214
Under (over) provision of prior year's income tax	2,471	(2,683)
Income tax expense	151,907	167,919

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

	For the year ended December 31, 2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Investment loss	$200,515	$ 41,900	$ -	$ 242,415
Technology know — how	21,570	(3,698)	-	17,872
Pensions	10,685	(33)	1,258	11,910
Employee benefits — unused compensated absences	2,888	(202)	-	2,686
Impairment of assets	2,337	152	-	2,489
Unrealized loss on financial liabilities	25	455	-	480
Loss carryforward	126,366	2,519	-	128,885
Investment tax credits	8,258	(581)	-	7,677
	372,644	40,512	1,258	414,414
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	(3,368)	2,491	-	(877)
	$369,276	$ 43,003	$ 1,258	$ 413,537

	For the year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive 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
Employee benefits — unused compensated absences	3,085	(197)	-	2,888
Impairment of assets	3,050	(713)	-	2,337
Unrealized loss on financial liabilities	624	(599)	-	25
Loss carryforward	155,919	(29,553)	-	126,366
Investment tax credits	9,743	(1,485)	-	8,258
	364,381	9,423	(1,160)	372,644
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	(3,156)	(212)	-	(3,368)
	$361,225	$ 9,211	($ 1,160)	$ 369,276

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, 2016			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	$ 7,677	$ -	2018

December 31, 2015			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	$ 8,258	$ -	2018

E. Expiration dates of unused operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2012～2016	$ 1,247,509	$ 1,247,509	$ 731,971	2017～2021

December 31, 2015				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2011～2016	$ 862,662	$ 862,662	$ 358,530	2016～2020

F. The Group has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary differences unrecognised as deferred tax liabilities were $277,644 and $287,871, respectively.

G. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 28, 2017.

H. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2016 and 2015 were all generated after the year 1998.

I. As of December 31, 2016 and 2015, the balance of the Company's imputation tax credit account was $240,791 and $180,052, respectively. The earnings distribution for 2015 and 2014 were approved at the stockholders' meeting on June 27, 2016 and June 23, 2015, respectively, and the date of dividend distribution were set on August 16, 2016 and August 14, 2015, respectively, by the Board of Directors. The creditable tax rate were 23.04% and 23.48%, respectively. The creditable tax rate for 2016 is expected to be 23.81%. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2016, 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, 2016				
	Amount after tax		Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)	
Basic earnings per share					
Profit attributable to ordinary stockholders of the parent	$	658,693	760,326	$	0.87
Diluted earnings per share					
Profit attributable to ordinary stockholders of the parent	$	658,693	760,326		
Assumed conversion of all dilutive potential ordinary shares					
Employees' stock option		-	253		
Employees' compensation		-	2,702		
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$	658,693	763,281	$	0.86

	For the year ended December 31, 2015				
	Amount after tax		Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)	
Basic earnings per share					
Profit attributable to ordinary stockholders of the parent	$	634,965	760,326	$	0.84
Diluted earnings per share					
Profit attributable to ordinary stockholders of the parent	$	634,965	760,326		
Assumed conversion of all dilutive potential ordinary shares					
Employees' stock option		-	1,375		
Employees' compensation		-	21		
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$	634,965	761,722	$	0.83

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

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

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2016	2015
Purchase of property, plant and equipment	$ 462,672	$ 464,783
Add: Beginning balance of payable on equipment	44,817	226,863
Less: Ending balance of payable on equipment	(89,009)	(44,817)
Capitalization of interest	(22,847)	(14,989)
Cash paid for acquisition of property, plant and equipment	$ 395,633	$ 631,840

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2016	2015
a. Investment accounted for under the equity method reclassified to financial assets measured at cost	$ -	$ 171,234

	For the years ended December 31,	
	2016	2015
b. Prepayments for equipment reclassified to property, plant and equipment	$ 121,118	$ 136,935

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent and ultimate controlling party of the Company is Uni-President Enterprises Corp. For names and relationship of other related parties with substantive control, please refer to Note 13(2).

(2) Significant transactions and balances with related parties

A. Other expenses

	For the years ended December 31,	
	2016	2015
Rent expense:		
－An entity controlled by key management individuals	$ 1, 583	$ 1, 663
Repairs and maintenance expense:		
－An entity controlled by key management individuals	$ 462	$ 3, 697
Management consultancy fees:		
－Ultimate parent company	$ 5, 397	$ 4, 755
－Associate of ultimate parent company	2, 186	2, 040
	$ 7, 583	$ 6, 795

B. Other payables

	December 31, 2016	December 31, 2015
An entity controlled by key management individuals	$ 110	$ 2, 231

C. Property transactions

	For the years ended December 31,	
	2016	2015
Purchase of propery, plant and equipment:		
－An entity controlled by key management individuals	$ -	$ 1, 656

(3) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 60, 906	$ 65, 227

8. PLEDGED ASSETS

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

Assets	December 31, 2016	December 31, 2015	Purpose of collateral
Time deposits (Note)	$ 28, 831	$ 24, 734	Customs duty and performance guarantee

Note: Listed as “other financial assets-non-current”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2016 and 2015, the Group's unused letters of credit amounted to $－ and $7,508, respectively.

(2) As of December 31, 2016, and 2015, the Group's remaining balance due for construction in progress and prepayments for equipment was $312,008 and $547,190, 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 $22,276 and $21,291 (listed as "operating costs" and "operating expenses") was recognized in profit or loss for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Within one year	$ 22,276	$ 21,291
Later than one year but not exceeding five years	3,713	24,840
	$ 25,989	$ 46,131

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

	Nature	December 31, 2016	December 31, 2015
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	$ 1,625,270	$ －

As of December 31, 2016 and 2015, the actual amount drawn down for endorsements and guarantees to subsidiaries was $820,993 and $－, respectively.

10. SIGNIFICANT DISASTER LOSS: None.

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

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

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

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

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

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

	December 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
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
Financial liabilities			
Monetary items			
USD:NTD	644	32.83	21,143
EUR:NTD	16	35.88	574

(iv) As of December 31, 2016 and 2015, 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, 2016 and 2015 would increase/decrease by $32,918 and $56,101, 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, 2016 and 2015 would increase/decrease by $617 and $2,957, 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, 2016 and 2015 would increase/decrease by $17 and $680, respectively.

(v) Total exchange loss including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to $42,982 and $50,793, 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

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

(ii) At December 31, 2016 and 2015, if interest rates had been 10% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $1,227 and $792 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

II. No credit limits were exceeded during the years ended December 31, 2016 and 2015.

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, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 1,001,072	$ -	$ -	$ -
Notes payable	1,001	-	-	-
Accounts payable	69,730	-	-	-
Other payables	430,202	-	-	-
Long-term borrowings	71,096	164,866	656,660	-
Guarantee deposits received	21,711	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	2,822	-	-	-

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 received	23,397	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	145	-	-	-

(3) Fair value estimation

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

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign contracts	$ -	$ 145	$ -	$ 145

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

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

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

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

E. For the years ended December 31, 2016 and 2015, 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, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

According to the policies, only the financial information of the investee for 2016 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: Please refer to table 2.

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

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

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

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

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

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(9).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

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, 2016		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	$ 3,888,611	$ 333,364	$ 4,221,975
Revenue from internal customers	-	191,054	191,054
Revenue from external customers	3,888,611	142,310	4,030,921
Interest income	13,371	14,473	27,844
Depreciation and amortization	356,628	88,213	444,841
Interest expense	11	36,105	36,116
Income (loss) from segment before income tax	821,806	(275,319)	546,487
Segment assets	10,962,274	2,727,353	13,689,627
Other acquisition of non-current assets	365,803	136,908	502,711
Segment liabilities	734,481	1,863,055	2,597,536

	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

(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,	
	2016	2015
Reportable segments profit before income tax	$ 821, 806	$ 770, 109
Other segments loss before income tax	(275, 319)	(236, 751)
Internal segments profit	264, 113	269, 526
Profit before income tax	$ 810, 600	$ 802, 884

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

	December 31, 2016	December 31, 2015
Assets of reportable segments	$ 10, 962, 274	$ 10, 425, 631
Assets of other operating segments	2, 727, 353	3, 008, 492
Internal segment transaction elimination	(906, 627)	(1, 212, 528)
Total assets	$ 12, 783, 000	$ 12, 221, 595

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

	December 31, 2016	December 31, 2015
Liabilities of reportable segments	$ 734,481	$ 568,638
Liabilities of other operating segments	1,863,055	1,807,622
Internal segment transaction elimination	(42,329)	(11,658)
Total liabilities	$ 2,555,207	$ 2,364,602

(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,	
	2016	2015
Revenue from sales of products	$ 3,840,755	$ 3,871,561
Revenue from technical services	190,076	82,272
Others	90	1,374
	$ 4,030,921	$ 3,955,207

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 166,644	$ 3,755,409	$ 154,991	$ 3,748,351
USA	1,985,533	-	1,639,640	-
India	400,738	-	700,044	
Asia	529,415	1,625,143	360,155	1,693,601
Europe	839,776	-	882,878	-
Others	108,815	-	217,499	-
	$ 4,030,921	$ 5,380,552	$ 3,955,207	$ 5,441,952

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Revenue	Segment	Revenue	Segment
A	$ 1,716,484	The Company	$ 1,447,914	The Company
B	112,777	〃	512,150	〃

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2016

Table 1 Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged	Loan limit per entity	Maximum amount available for loan	Footnote
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	$ 88,236	$ 85,907	$ 85,907	2.00	2	$ –	Additional operating capital	$ –	— $ –	$ 431,461	$ 431,461	(Note 2)

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

1.Trading partner.

2.Short-term financing.

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

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor （Note 1）	Limit on endorsements/ guarantees provided for a single party （Note 2）	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided （Note 2）	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	$ 10,227,793	$ 1,740,200	$ 1,625,270	$ 802,993	$ -	15.89%	$ 10,227,793	Y	N	Y	—

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

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

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

2. For any endorsement or guarantee provided by the Company due to business dealings, the amount of endorsement or guarantees shall be limited to the business dealing amount of the most recent year or the current year.
The business dealing amount is product purchase or sale amount between the entities, whichever is higher.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

December 31, 2016

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
ScinoPharm Taiwan, Ltd.	Stocks:							
	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost-non-current	28,800,000	$ 167,673	17.00%	$ -	—
	SYNGEN, INC.	—	Financial assets measured at cost-non-current	245,000	-	7.40%	-	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets measured at cost-non-current	4,358,226	196,416	6.05%	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Subsidary (SPT International, Ltd.)	Purchases	$ 171,470	19%	Closes its accounts 90 days from the end of each month after acceptance	$ -	—	($ 33,100)	(36%)	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(171,470)	(55%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	33,100	39%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Purchases	$ 171,470	Closes its accounts 90 days from the end of each month after acceptance	4%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Management service revenue	(15,226)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	(33,100)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	1,625,270	—	13%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Management consultancy fees	12,398	—	—
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	87,527	—	1%

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

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investees

For the year ended December 31, 2016

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 1,833,304	$ 1,833,304	60,524,644	100.00	$ 816,788	($ 264,129)	($ 256,720)	Subsidary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	66	16	16	Subsidary

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new drug, etc.	$ 129,000	(Note 1)	$ 120,113	$ -	$ -	$ 120,113	($ 10,227)	100	($ 10,227)	$ 431,461	$ -	Subsidary
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drug, sale produced products, etc.	1,757,625	(Note 1)	1,757,625	-	-	1,757,625	(253,827)	100	(253,827)	408,330	-	Subsidary
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	38,700	(Note 1)	38,700	-	-	38,700	84	100	84	20,011	-	Subsidary

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 1,955,914	$ 1,955,914	$ 6,136,676

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.
Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2016 was based on audited financial statements of investee companies as of and for the year ended December 31, 2016.
Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.
Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:32.25).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	($ 171,470)	(19%)	–	–	($ 33,100)	(37%)	$ 1,625,270	Secured financing amount	–	–	–	–	Management service revenue $ 15,226 Research and development of expenses $2,791 Other receivables of $ 6,780
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	–	–	–	–	–	–	–	–	–	–	–	–	Management consultancy fee $ 12,398 Other payables of $ 2,019
ScinoPharm (Kunshan) Biochemical Technology, Ltd.	(9,861)	(1%)	–	–	–	–	–	–	–	–	–	–	–