SCINOPHARM TAIWAN, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

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

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

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

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

PricewaterhouseCoopers, Taiwan

Republic of China

March 21, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SCINOPHARM TAIWAN, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. HISTORY AND ORGANIZATION

(1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of materials for medicines, albumin medicines, oligonucleotide medicines, peptide medicines, injections and small molecule drugs, as well as the provision of related consulting and technical services. The Company's investment plan for the manufacturing of medicine materials was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 21, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

甲、Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, 'Financial Instruments: Classification and measurement of financial assets'

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. The Group did not recognize any gain or loss on debt instruments and on equity instruments in other comprehensive income for the year ended December 31, 2013.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group：

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First time adopters are allowed to apply the derecognition requirements in IAS 39, ' Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, ' Income taxes-recovery of revalued non-depreciable assets'.	January 1, 2012
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20,' Accounting for government grants and disclosure of government assistance ' , prospectively to government loans that exist at the date of transition to IFRS. Further, the profit of government loans lower than market interest rate should not be recognized for government assistance existing at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Disclosures-offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11 , 'Joint arrangements ', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the full amount of change in the fair value in profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)
IFRS 9, 'Financial assets : hedge accounting' and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity in ' other comprehensive income'.	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	2. An entity can elect to early adopt the requirement to recognize the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value.	
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define ‘Investment Entities’ and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity ‘currently has a legally enforceable right to set off the recognised amounts’ and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRIC 21, ‘Levies’	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, ‘Provisions, contingent liabilities and contingent assets’.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13,IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

A.These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

B.In the preparation of the balance sheet as of January 1, 2012 (the Group’s date of transition to IFRSs, the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Group’s financial position, financial performance and cash flows.

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements：

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company		Note
			December 31, 2013	December 31, 2012	
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	—
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd.	Professional investment	0.00	60.00	(Note A)
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	100.00	100.00	(Note B)

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company January 1, 2012	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	—
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd.	Professional investment	60.00	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	—
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	—

(Note A) Liquidated in September, 2013.

(Note B) New entity incorporated during 2012.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

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

A.Foreign currency transactions and balances

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

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

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

d) Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "interest income or finance costs". All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B.Translation of foreign operations

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

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

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

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

b) When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. However, when the Group loses significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

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

d) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still 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 that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

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

a) Hybrid (combined) contracts; or

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

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

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

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

(8) Available-for-sale financial assets

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

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

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

(9) Loans and receivables

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

(10) Impairment of financial assets

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

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

a) Significant financial difficulty of the issuer or debtor;

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

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

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

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

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

a)Financial assets measured at amortized cost

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

b)Financial assets measured at cost

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

(11) <u>Derecognition of financial assets</u>

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

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

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

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

(12) Inventories

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

(13) Investments accounted for under the equity method / associates

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

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

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

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

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

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

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

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

(14) 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	2 ～ 35 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	2 ～ 6 years
Office equipment	2 ～ 9 years
Other equipment	2 ～ 7 years

(15) Intangible assets

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

a) Hybrid (combined) contracts; or

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

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

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

(20) Derecognition of financial liabilities

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

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

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

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

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

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

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

(23) Employee share-based payment

A. 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.

B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognized as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognized in profit or loss.

(24) Income tax

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

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

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

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

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

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

(25) Dividends

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

(26) Revenue recognition

A.Sales of goods

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

B.Sales of services

The Group provides biochemical technology development consultation and processing services. Revenue from rendering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Manager that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

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

A.Financial assets－impairment of equity investments

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

(2)Critical accounting estimates and assumptions

A.Evaluation of inventories

a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material change to the evaluation.

b) As of December 31, 2013, the carrying amount of inventories was $2,512,318.

B.Impairment assessment of tangible and intangible assets (excluding goodwill)

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

C.Realisability of deferred income tax assets

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

b) As of December 31, 2013, the Group recognized deferred income tax assets amounting to $305,089.

D.Calculation of accrued pension obligations

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

b) As of December 31, 2013, the carrying amount of accrued pension obligations was $65,548. If the adopted discount rate used in the actuarial valuation had increased/decreased by 1%, the Group's accrued pension liabilities would decrease/increase by $13,373 and $15,997, respectively.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash:			
Cash on hand	$ 304	$ 250	$ 101
Checking accounts and demand deposits	456, 017	472, 413	206, 142
	456, 321	472, 663	206, 243
Cash Equivalents:			
Time deposits	1, 700, 203	2, 416, 593	3, 027, 604
Bill under repurchase agreements	132, 904	145, 756	59, 834
	1, 833, 107	2, 562, 349	3, 087, 438
Cash and cash equivalents as per consolidated balance sheet and statement of cash flows	$ 2, 289, 428	$ 3, 035, 012	$ 3, 293, 681

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets - current" and "Other financial assets - non-current") as of December 31, 2013, December 31, 2012 and January 1, 2012 are provided in Note 8.

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

Assets	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Financial assets held for trading			
Non-hedging derivatives	$ –	$ 473	$ 2, 066

Liabilities	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Financial assets held for trading			
Non-hedging derivatives	$ 1, 138	$ –	$ –

A.The Group recognized net gain (loss) on financial assets and liabilities held for trading amounting to ($11,966) and $13,300 for the years ended December 31, 2013 and 2012, respectively (listed as "other gains and losses").

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

	December 31, 2013		December 31, 2012	
Derivative Instruments	Contract amount	Contract period	Contract amount	Contract period
Forward exchange contracts	USD14,915,000	11.2013～3.2014	USD14,820,000	11.2012～2.2013

	January 1, 2012	
Derivative Instruments	Contract amount	Contract period
Forward exchange contracts	USD 7,323,000	11.2011～2.2012
	EUR 1,100,000	11.2011～1.2012

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

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

(3) ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 969,553	$ 841,359	$ 848,042
Less: Allowance for doubtful accounts	(30)	(25)	(4,140)
	$ 969,523	$ 841,334	$ 843,902

A. As of December 31, 2013, December 31, 2012 and January 1, 2012, 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:

	2013	2012
	Individual provision	Individual provision
At January 1	$ 25	$ 4,140
Reversal of impairment	-	(4,115)
Provision for impairment	5	-
At December 31	$ 30	$ 25

C.Accounts receivable that were neither past due nor impaired were from customers with good credit quality.

D. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

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

(4) INVENTORIES, NET

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

	December 31, 2012		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 518,604	($ 40,057)	$ 478,547
Supplies	20,480	(857)	19,623
Work in process	773,779	(40,515)	733,264
Finished goods	806,891	(168,050)	638,841
	$ 2,119,754	($ 249,479)	$ 1,870,275

	January 1, 2012		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 441,619	($ 48,431)	$ 393,188
Supplies	10,353	(1,167)	9,186
Work in process	614,824	(31,685)	583,139
Finished goods	611,382	(131,433)	479,949
	$ 1,678,178	($ 212,716)	$ 1,465,462

The cost of inventories recognized as expense for the years ended December 31, 2013 and 2012 was $2,536,661 and $2,245,784, respectively, including provision for allowance for price decline of inventory of $4,678 and $37,209, respectively, due to inventory market price decline. Such provision was recognized as “cost of goods sold”.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted stocks			
Tanvex Biologics, Inc.	$ 167,673	$ 167,673	$ −
SYNGEN, INC.	4,620	4,620	4,620
	172,293	172,293	4,620
Less: Accumulated impairment	(4,620)	(4,620)	(4,620)
	$ 167,673	$ 167,673	$ −

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

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, no financial assets measured at cost held by the Group were pledged to others.

C. Tanvex Biologics, Inc. ("Tanvex") increased its capital on January 19, 2012. The Company did not subscribe to the capital increase proportionately, resulting to a decrease in ownership percentage from 36.36% to 17.02%. After a comprehensive assessment on various indicators, the Group concluded that it has lost significant influence in Tanvex and accordingly reclassified Tanvex from long-term investment accounted for under the equity method of $167,673 to financial assets measured at cost.

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Investee Company	December 31, 2013	December 31, 2012	January 1, 2012
Tanvex Biologics, Inc.	$ -	$ -	$ 172,107
Foreseeacer Pharmaceuticals, Inc.	90,455	-	-
	$ 90,455	$ -	$ 172,107

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

B. Group's principal associates

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

	Assets	Liabilities	Revenues	Profit/ (Loss)	Ownership Percentage
December 31, 2013					
Foreseeacer Pharmaceuticals, Inc.	$ 638,939	$ 30,883	$ -	($ 92,000)	15.32%
January 1, 2012					
Tanvex Biologics, Inc.	$ 229,998	$ 18,727	$ -	$ -	36.36%

(b)The share of loss of associates and joint ventures accounted for under the equity method amounted to $16,791 and $4,434 for the years ended December 31, 2013 and 2012, respectively.

(c)Please refer to Note 6(5) for the details of long-term investment accounted for under the equity method reclassified to financial assets carried at cost-non-current.

(7) PROPERTY, PLANT AND EQUIPMENT

January 1, 2013	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress and prepayments for equipment	Total
Cost	$ 2, 024, 781	$ 3, 749, 060	$ 18, 421	$ 78, 758	$ 135, 980	$ 613, 004	$ 6, 620, 004
Accumulated depreciation	(487, 046)	(2, 474, 962)	(8, 814)	(45, 283)	(23, 402)	-	(3, 039, 507)
Accumulated impairment	-	(21, 269)	-	-	-	-	(21, 269)
	$ 1, 537, 735	$ 1, 252, 829	$ 9, 607	$ 33, 475	$ 112, 578	$ 613, 004	$ 3, 559, 228
Year ended December 31, 2013							
At January 1, 2013	$ 1, 537, 735	$ 1, 252, 829	$ 9, 607	$ 33, 475	$ 112, 578	$ 613, 004	$ 3, 559, 228
Additions	-	15, 631	-	481	-	699, 477	715, 589
Disposals－Cost	(22, 416)	(99, 738)	-	(341)	(38)	-	(122, 533)
－Accumulated depreciation	22, 416	96, 273	-	188	10	-	118, 887
Reclassification (note)	166, 046	608, 683	9, 269	57, 981	(5, 350)	(503, 367)	333, 262
Depreciation charge	(80, 670)	(310, 163)	(3, 457)	(22, 648)	(20, 631)	-	(437, 569)
Reversal of impairment loss	-	3, 185	-	-	-	-	3, 185
Net exchange differences	13, 277	8, 312	291	1, 040	5, 782	15, 231	43, 933
At December 31, 2013	$ 1, 636, 388	$ 1, 575, 012	$ 15, 710	$ 70, 176	$ 92, 351	$ 824, 345	$ 4, 213, 982
December 31, 2013							
Cost	$ 2, 182, 097	$ 4, 282, 898	$ 28, 090	$ 143, 456	$ 132, 499	$ 824, 345	$ 7, 593, 385
Accumulated depreciation	(545, 709)	(2, 689, 802)	(12, 380)	(73, 280)	(40, 148)	-	(3, 361, 319)
Accumulated impairment	-	(18, 084)	-	-	-	-	(18, 084)
	$ 1, 636, 388	$ 1, 575, 012	$ 15, 710	$ 70, 176	$ 92, 351	$ 824, 345	$ 4, 213, 982

January 1, 2012	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Others	Construction in progress and prepayments for equipment	Total
Cost	$1,735,466	$3,483,347	$ 11,930	$ 57,991	$14,970	$ 63,793	$ 316,664	$5,684,161
Accumulated depreciation	(425,680)	(2,258,997)	(7,764)	(36,424)	(14,970)	(22,440)	−	(2,766,275)
Accumulated impairment	−	(27,126)	−	−	−	−	−	(27,126)
	$1,309,786	$1,197,224	$ 4,166	$ 21,567	$ −	$ 41,353	$ 316,664	$2,890,760
Year ended December 31, 2012								
At January 1, 2012	$1,309,786	$1,197,224	$ 4,166	$ 21,567	$ −	$ 41,353	$ 316,664	$2,890,760
Additions	−	26,471	5,234	18,409	−	15,099	512,770	577,983
Disposals－Cost	(22,973)	(47,413)	(928)	(2,342)	(14,970)	(19,955)	−	(108,581)
－Accumulated depreciation	7,294	43,642	771	1,745	14,970	15,061	−	83,483
Reclassification (note)	314,328	288,999	2,302	8,487	−	75,605	(209,072)	480,649
Depreciation charge	(68,855)	(259,983)	(1,862)	(14,980)	−	(12,204)	−	(357,884)
Reversal of impairment loss	−	5,857	−	−	−	−	−	5,857
Net exchange differences	(1,845)	(1,968)	(76)	589	−	(2,381)	(7,358)	(13,039)
December 31, 2012	$1,537,735	$1,252,829	$ 9,607	$ 33,475	$ −	$112,578	$ 613,004	$3,559,228
December 31, 2012								
Cost	$2,024,781	$3,749,060	$ 18,421	$ 78,758	$ −	$135,980	$ 613,004	$6,620,004
Accumulated depreciation	(487,046)	(2,474,962)	(8,814)	(45,283)	−	(23,402)	−	(3,039,507)
Accumulated impairment	−	(21,269)	−	−	−	−	−	(21,269)
	$1,537,735	$1,252,829	$ 9,607	$ 33,475	$ −	$112,578	$ 613,004	$3,559,228

(Note) Reclassified from “prepayment for equipment” and “other assets” to “office equipment”.

A. As of and for the years ended December 31, 2013 and 2012, the Group has not capitalized any interest.

B. Please refer to Note 6 (9) for details of prior years' impairment provision and reversal of impairment on property, plant and equipment.

C. As of December 31, 2013, December 31, 2012, and January 1, 2012, no property, plant and equipment were pledged to others as collaterals.

(8) Long-term prepaid rent

	December 31, 2013	December 31, 2012	January 1, 2012
Long-term prepaid rent	$ 92,994	$ 90,018	$ 100,158

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 $1,962 and $1,944 for the years ended December 31, 2013 and 2012, respectively.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A.The Group reversed the impairment loss recognized in prior period amounting to $3,185 and $5,857 for the years ended December 31, 2013 and 2012, respectively, which was recognized in profit or loss for the corresponding periods, as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(7) Property, plant and equipment.

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

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
ScinoPharm Taiwan	$ 3,185	$ -	$ 5,857	$ -

(10) SHORT-TERM BORROWINGS

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

Type of borrowings	December 31, 2012	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 263,676	1.31%～1.35%	None

As of January 1, 2012, there were no short-term borrowings.

(11) OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued expenses	$ 409,220	$ 385,939	$ 355,936
Payables on equipment	99,367	122,696	37,555
Others	86,213	27,520	12,317
	$ 594,800	$ 536,155	$ 405,808

(12) PENSIONS

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

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

(a) The amounts recognized in the balance sheets are determined as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 107,309	$ 114,343	$ 108,046
Fair value of plan assets	(40,966)	(48,020)	(44,380)
	66,343	66,323	63,666
Unrecognised past service cost	(795)	(861)	(927)
Net liability in the balance sheets	$ 65,548	$ 65,462	$ 62,739

(b) Changes in present value of funded obligations are as follows:

	2013	2012
Present value of funded obligations		
At January 1	$ 114,343	$ 108,046
Service cost	2,825	3,500
Interest expense	1,715	1,891
Actuarial (profit) and loss	(623)	906
Benefits paid	(10,951)	-
At December 31	$ 107,309	$ 114,343

(c) Changes in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets		
At January 1	($ 48,020)	($ 44,380)
Expected return on plan assets	(720)	(777)
Actuarial (profit) and loss	125	380
Employer contributions	(3,302)	(3,243)
Benefits paid	10,951	-
At December 31	($ 40,966)	($ 48,020)

(d) Amounts of expenses recognized in statements of comprehensive income are as follows:

	2013	2012
Service cost	$ 2,825	$ 3,500
Interest cost	1,715	1,891
Expected return on plan assets	(720)	(777)
Past service cost	66	66
Pension costs	$ 3,886	$ 4,680

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

	2013	2012
Cost of sales	$ 1,947	$ 2,016
Selling expenses	198	173
General and administrative expenses	850	1,667
Research and development expenses	891	824
	$ 3,886	$ 4,680

(e) Amounts recognized under other comprehensive income are as follows:

	2013	2012
Current period	$ 498	($ 1,286)
Accumulated amount	($ 788)	($ 1,286)

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's 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.

Actual contributions to the defined benefit pension plans of the Group within one year from December 31, 2013 and 2012 are $595 and $397, respectively.

(g) The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	2.00%	1.50%	1.75%
Future salary increases	2.00%	3.00%	3.00%
Expected return on plan assets	3.00%	1.50%	1.75%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(h) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligations	$ 107,309	$ 114,343
Fair value of plan assets	(40,966)	(48,020)
Plan deficit	$ 66,343	$ 66,323
Experience adjustments on plan liabilities	$ 7,013	($ 5,927)
Experience adjustments on plan assets	($ 125)	($ 380)

(i) The Group's expected contributions to the pension plans for the period from January 1, 2014 to December 31, 2014 amounted to $3,399.

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. For the years ended December 31, 2013 and 2012, the pension cost recognized under the aforementioned defined contribution pension plan were $34,310 and $28,666, respectively.

(13) Share-based payment

A. The Company issued 1,000 thousand units of employee stock options on December 3, 2013 (the 'Grant Date'). The exercise price of the options was set at $91.7 dollars, which was based on the closing market price of the Company's common shares on the Grant Date. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in share numbers of Company's common stocks after the Grant Date. Contract period of the employee stock option plan is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognized compensation costs relating to the employee stock options plan of $819 for the year ended December 31, 2013.

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

	For the year ended December 31,2013	
	No. of options (unit in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	-	$ -
Options granted	1,000	91.7
Options outstanding at end of the period	1,000	-
Options exercisable at end of the period	-	-

C. As of December 31, 2013, the exercise price of stock options outstanding was $91.7 (in dollars); and the weighted-average remaining contractual period was 10 years.

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12.3.2013	$ 91.7	$ 91.7	28.50% (Note)	10 years	1.5%	1.7145%	$ 26.045

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

(14) SHARE CAPITAL

A. As of December 31, 2013, the Company’s authorized capital was $10,000,000, and the paid-in capital was $6,759,272, consisting of 675,927 thousand shares of common stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2013	2012
At January 1	649,930	631,000
Issuance of shares through capitalisation of retained earnings	25,997	18,930
At December 31	675,927	649,930

(15) CAPITAL RESERVE

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

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

	For the year ended December 31, 2013			
	Share premium	Stock options	Difference between the acquisition or disposal price and carrying amount of subsidiaries	Total
At January 1	$1,233,286	$13,691	$ -	$1,246,977
Employee Stock Options Plan	-	819	-	819
Acquisition or disposal of subsidiaries:				
—Acquisition of subsidiaries	-	-	188	188
—Disposal of subsidiaries	-	-	(188)	(188)
At December 31	$1,233,286	$14,510	$ -	$1,247,796

	For year ended December 31, 2012			
	Share premium	Stock options	Difference between the acquisition or disposal price and carrying amount of subsidiaries	Total
At January 1 and December 31	$1,233,286	$13,691	$ -	$1,246,977

Please refer to Note 6(26) for details of difference between the acquisition or disposal price and carrying amount of subsidiaries and the related changes in disposal gain or loss through liquidated subsidiaries.

(16) RETAINED EARNINGS

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

B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Directors' and supervisors' remuneration shall comprise 2% and at least 0.2% for employees' bonuses.

C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated July 9, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. For the years ended December 31, 2013 and 2012, employees' bonus and directors' and supervisors' remuneration were accrued at $25,223 and $23,180, respectively, which were estimated based on certain percentages (prescribed by the Company's Articles of Incorporation) of net profit in the corresponding periods after taking into account the legal reserve and other factors. The employees' bonus and directors' and supervisors' remuneration was resolved to be $23,175 in the 2012 stockholders' meeting, which was different from the estimated amount recognized in the 2012 financial statements by $5. Such difference was recognized in the 2013 consolidated statement of comprehensive income. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The Company recognized cash dividends and stock dividends distributed to owners amounting to $631,000 ($1.00 dollar per share) and $189,300 ($0.3 dollar per share) for the year ended December 31, 2012, respectively. On June 21, 2013, the shareholders at the shareholders' meeting resolved to distribute cash dividends and stock dividends amounting to $779,916 ($1.20 dollars per share) and $259,972 ($0.4 dollar per share) from the 2012 earnings respectively. On March 21, 2014, the Board of Directors during its meeting proposed cash dividends and stock dividends of $811,113 ($1.20 dollars per share) and $270,371 ($0.4 dollar per share) for the year ended December 31, 2013, respectively.

(17) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2013	2012
At January 1	($ 35,040)	$ -
Currency translation differences－group	79,395	(35,040)
At December 31	$ 44,355	($ 35,040)

(18) OPERATING REVENUE

	For the years ended December 31,	
	2013	2012
Sales revenue	$ 5,176,234	$ 4,677,270
Less: Sales returns	(98,217)	(58,552)
Sales discounts	(18,617)	(83,706)
Technical service revenue	28,845	37,497
	$ 5,088,245	$ 4,572,509

(19) OTHER INCOME

	For the years ended December 31,	
	2013	2012
Interest income from bank deposits	$ 37,646	$ 29,797
Others	14,263	69,033
	$ 51,909	$ 98,830

(20) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2013	2012
Net (loss) gain on financial assets/liabilities through profit or loss	($ 11,966)	$ 13,300
Net currency exchange gain (loss)	22,542	(42,709)
Gain (loss) on disposal of property, plant, and equipment	3,338	(357)
Reversal of impairment loss	3,185	5,857
Miscellaneous	(33,288)	41,961
	($ 16,189)	$ 18,052

(21) FINANCE COSTS

	For the years ended December 31,	
	2013	2012
Interest expense:		
Bank loans	$ 7,916	$ -
Amortization of lease payable	-	29
	$ 7,916	$ 29

(22) EXPENSES BY NATURE

	For the years ended December 31, 2013		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 549, 918	$ 410, 237	$ 960, 155
Depreciation	348, 427	89, 142	437, 569
Amortization	752	9, 197	9, 949
	$ 899, 097	$ 508, 576	$ 1, 407, 673

	For the years ended December 31, 2012		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 453, 397	$ 389, 070	$ 842, 467
Depreciation	290, 875	67, 009	357, 884
Amortization	285	5, 099	5, 384
	$ 744, 557	$ 461, 178	$ 1, 205, 735

(23) EMPLOYEE BENEFIT EXPENSE

	For the years ended December 31,	
	2013	2012
Salaries and wages	$ 844, 313	$ 739, 744
Labor and health insurance expenses	48, 849	47, 594
Pension costs	38, 196	33, 346
Other personnel expenses	28, 797	21, 783
	$ 960, 155	$ 842, 467

(24) <u>INCOME TAX</u>

A. Income tax expense

(a)Components of income tax expense:

	For the years ended December 31,	
	2013	2012
Current tax:		
Current period income tax	$ 280,936	$ 250,309
Under provision of prior year's income tax	4,768	20,346
Total current tax	285,704	270,655
Deferred tax:		
Temporary differences	(150,595)	(69,327)
Income tax expense	$ 135,109	$ 201,328

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

	For the years ended December 31,	
	2013	2012
Actuarial gains/losses on defined benefit obligations	$ 85	($ 219)

B.Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2013	2012
Income tax on statutory tax rate	$ 259,118	$ 253,124
Effect of items disallowed by tax regulation	(9,799)	(21,553)
Effect of net operating loss carryforward	(112,209)	(43,494)
Effect of investment tax credit	(3,124)	(6,675)
Effect of five year tax exemption	(4,998)	(4,732)
Under provision of prior year's income tax	4,768	20,346
10% tax on unappropriated earnings	1,353	4,312
Income tax expense	$ 135,109	$ 201,328

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

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Investment loss	$ 59,405	$ 43,439	$ -	$ 102,844
Technology know-how	32,664	(3,698)	-	28,966
Pensions	11,128	100	(85)	11,143
Impairment of assets	3,616	(542)	-	3,074
Employee benefits - unused compensated absences	2,779	386	-	3,165
Others	854	(660)	-	194
Loss carryforward	43,494	112,209	-	155,703
Total	$153,940	$ 151,234	($ 85)	$ 305,089
Deferred tax liabilities:				
Unrealized gain on foreign currency exchange	$ -	($ 639)	$ -	($ 639)
	$153,940	$ 150,595	($ 85)	$ 304,450

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Investment loss	$ 16,259	$ 43,146	$ -	$ 59,405
Technology know-how	36,362	(3,698)	-	32,664
Pensions	10,665	244	219	11,128
Impairment of assets	4,611	(995)	-	3,616
Emplyee benefits -unused compensated absences	2,523	256	-	2,779
Unrealized gain between affliated companies	3,367	(3,367)	-	-
Others	194	660		854
Loss carryforward	-	43,494	-	43,494
Investment tax credit	10,413	(10,413)	-	-
	$ 84,394	$ 69,327	$ 219	$ 153,940

D. According to “Act for Industrial Innovation” and “Statute for Upgrading Industries” (before its abolishment), details of the Group’s investment tax credit and unrecognized deferred tax assets are as follows:

January 1, 2012			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Year of expiry
Research and development expenditures	$ 10,413	$ -	2013

There were no such items as of December 31, 2013 and 2012.

E. Expiration dates of unused net operating loss carry forward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2013				
Year incurred	Amount assessed	Unused Amount	Unrecognised deferred tax assets	Year of expiry
2011～2013	$ 611,982	$ 611,982	$ -	2016～2018

December 31, 2012				
Year incurred	Amount assessed	Unused Amount	Unrecognised deferred tax assets	Year of expiry
2011～2012	$ 286,581	$ 286,581	$ -	2016～2017

January 1, 2012				
Year incurred	Amount assessed	Unused Amount	Unrecognised deferred tax assets	Year of expiry
2011	$ 64,088	$ 64,088	$ 16,022	2016

F. The Company's raw materials for medicine and active pharmaceutical ingredients qualified the definition in "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" and is entitled to a tax exemption period of 5 years (expired in December 2014).

G. The Company’s income tax returns through 2011 have been assessed and approved by the Tax Authority.

H. The Company’s unappropriated retained earnings listed on the balance sheet as of December 31, 2013, December 31, 2012 and January 1, 2012 were all generated after the year 1998.

I. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the Company’s imputation tax credit account was $155,353, $11,793 and $65,847, respectively. The earnings distribution for 2012 and 2011 were approved at the stockholders’ meeting on June 21, 2013 and June 13, 2012, respectively and the dates of dividend distribution were set by the Board of Directors on August 15, 2013 and August 16, 2012, respectively. The creditable tax rate for 2012 and 2011 were 21.06% and 18.47%, respectively. The creditable tax rate for 2013 is expected to be 21.23%.

(25) EARNINGS PER SHARE ("EPS")

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 1,273,404	675,927	$ 1.88
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 1,273,404	675,927	
Assumed conversion of all dilutive potential ordinary			
Employees' bonus	-	25	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,273,404	675,952	$ 1.88

	For the year ended December 31, 2012		
	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	$ 1,170,876	675,927	$ 1.73
Diluted earnings per share			
Profit attributable to ordinary stockholders of the parent	$ 1,170,876	675,927	
Assumed conversion of all dilutive potential ordinary			
Employees' bonus	-	32	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,170,876	675,959	$ 1.73

A. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2012.

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

(26) Transactions with non-controlling interest

A. In April, 2013, the Group purchased additional 40% of outstanding share interests of President ScinoPharm (Cayman), Ltd. The transaction had been settled and the Group paid $1,647. The carrying amount of these shares on the acquisition date was $4,588. This transaction reduced non-controlling interest and increased the equity of owners of the parent by $1,835. The difference between the proceeds for acquisition of the interests and book value of the interests was included in capital reserve.

	For the year ended December 31, 2013
Carrying amount of non-controlling interest acquired	$ 1,835
Consideration paid to non-controlling interest	(1,647)
Capital reserve — Difference between the acquisition or disposal price and carrying amount of subsidiaries	$ 188

B. The Group has finished liquidation procedure for President ScinoPharm (Cayman), Ltd. in September 2013, and the capital reserve resulted from above mentioned transaction was reclassified to current period profit or loss.

(27) Non-cash transactions

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2013	2012
Purchase of property, plant and equipment	$ 715,589	$ 577,983
Add：Begining balance of payable on equipment	122,696	37,555
Begining balance of finance lease liabilities	-	964
Less：Ending balance of payable on equipment	(99,367)	(122,696)
Cash paid for purchase of property, plant and equipment	$ 738,918	$ 493,806

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2013	2012
Prepayment for equipment reclassified to property, plant and equipment	$ 333,262	$ 480,649

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Significant transactions and balances with related parties

A. Technical service revenues

	For the years ended December 31,	
	2013	2012
Sales of services:		
－Associates	$ 2,579	$ 2,615

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

B. Other expenses:

	For the years ended December 31,	
	2013	2012
Repairs and maintenance fees:		
—An entity controlled by key management individuals	$ 3, 009	$ 2, 919
Management service fees:		
—Ultimate parent company	$ 5, 280	$ 3, 015
—The Company's key management individual	476	2, 281
	$ 5, 756	$ 5, 296
Outsourcing service fees:		
—Ultimate parent company	$ 1, 592	$ 1, 484

C. Accounts receivable:

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties:			
-Associates	$ 1,118	$ -	$ -

D. Property transactions:

(a) Purchase of property:

	For the years ended December 31,	
	2013	2012
Purchase of property, plant and equipment:		
—An entity controlled by key management individuals	$ 1, 750	$ –

(b) Purchase of stock equity:

In April, 2013, the Company purchased additional 40% of outstanding share interests of President ScinoPharm (Cayman), Ltd. from an entity controlled by key management individuals. Please refer to Note 6(26) for detailed information.

(3) Key management compensation

	For the years ended December 31,	
	2013	2012
Salaries and other short-term employee benefits	$ 83, 162	$ 77, 027

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Assets	December 31, 2013	December 31, 2012	January 1, 2012	Purpose of collateral
Time deposits (note)	$ 40,219	$ 39,369	$ 39,369	Customs duty and performance guarantee

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group’s unused letters of credit amounted to $6,855, $8,203 and $42,028, respectively.

(2) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group’s remaining balance due for construction in progress and prepayments for equipment was $720,902, $636,466 and $269,993, respectively.

(3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of $21,291 and $18,516 were recognized in profit or loss for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within one year	$ 21,291	$ 18,516	$ 18,516
Later than one year but not exceeding five years	67,422	74,064	74,064
More than five years	-	3,086	21,602
	$ 88,713	$ 95,666	$ 114,182

10. SIGNIFICANT DISASTER LOSS: None.

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

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Other financial assets	$ 40,219	$ 40,219	$ 39,369	$ 39,369	$ 39,369	$ 39,369
Refundable deposits paid (Note)	17,925	17,925	16,937	16,937	8,453	8,453
Financial liabilities:						
Refundable deposits received	–	–	–	–	250	250

Note：Recorded as「other non-current assets – others」.

B. Financial risk management policies

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

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

C.Significant financial risks and degrees of financial risks

a)Market risk

I.Foreign exchange rate risk

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

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

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

	December 31, 2013			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 32,046	29.805	$ 955,131	
EUR:NTD	78	41.09	3,205	
CNY:NTD	5,700	4.919	28,038	
Non-monetary items				
USD:NTD	3,153	29.805	93,975	
Financial liabilities				
Monetary items				
USD:NTD	2,575	29.805	76,748	
EUR:NTD	88	41.09	3,616	
CNY:NTD	835	4.919	4,107	

	December 31, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 31,791	29.04	$ 923,211
EUR:NTD	232	38.49	8,930
Financial liabilities			
Monetary items			
USD:NTD	690	29.04	20,038
EUR:NTD	135	38.49	5,196

	January 1, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 27,254	30.28	$ 825,251
EUR:NTD	2,354	39.18	92,230
Financial liabilities			
Monetary items			
USD:NTD	2,257	30.28	68,342

As of December 31, 2013 and 2012, 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 year ended December 31, 2013 and 2012 would increase/decrease by $48,618 and $45,149, respectively. If the EUR:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the year ended December 31, 2013 and 2012 would increase/decrease by $20 and $186, respectively. If the CNY:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the year ended December 31, 2013 would increase/decrease by $1,196.

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-noncurrent'). Therefore, the Group is exposed to price risk on equity instruments investments. To manage this risk, the Group has set stop-loss amounts for these instruments. The Group expects no significant market risk.

III. Interest rate risk

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

b)Credit risk

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

II.No credit limits were exceeded during the years ended December 31, 2013 and 2012.

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, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 689,785	$ -	$ -	$ -
Notes payable	1,080	-	-	-
Accounts payable	264,437	-	-	-
Other payables	594,800	-	-	-

December 31, 2012	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	$ 263,676	$ -	$ -	$ -
Notes payable	1,045	-	-	-
Accounts payable	223,074	-	-	-
Other payables	536,155	-	-	-

January 1, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	$ 83	$ -	$ -	$ -
Accounts payable	299,250	-	-	-
Other payables	405,808	-	-	-

December 31, 2013	Less than 1 year	and 2 years	and 5 years	5 years
Derivative financial liabilities:				
Forward foreign contracts	$ 1,138	$ -	$ -	$ -

(3) Fair value estimation

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

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2013, December 31, 2012 and January 1, 2012.

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

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	$ -	$ 473	$ -	$ 473

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	$ -	$ 2,066	$ -	$ 2,066

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

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

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

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

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

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

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

F. The Group did not have financial instruments that met the definition of level 3 instruments as of December 31, 2013, December 31, 2012 and January 1, 2012.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions (For the year ended December 31, 2013)

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

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

C.The balance of securities held as of December 31, 2013 are summarized as follows (not including subsidiaries, associates and joint ventures):

				As of December 31, 2013				
Investor	Type and name of securities	Relationship with the issuer	Accounts	Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note
ScinoPharm Taiwan, Ltd.	Bill under repurchase agreements:							
	International Bills Finance Co.	—	Cash equivalents	-	$ 82,933	-	$ 82,933	—
	China Bills Finance Co.	—	Cash equivalents	-	49,971		49,971	—
	Stocks:							
	Tanvex Biologics, Inc.	The company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost	28,800	167,673	17.00%	-	—
	SYNGEN, INC.	—	Financial assets measured at cost	245	-	7.40%	-	—

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

					Beginning balance		Additon		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of the counter party	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
ScinoPharm Taiwan, Ltd.	Bill under repurchase agreement:															
	China Bill Finance Co.	Cash equivalents	–	–	–	$ –	–	$ 3,190,187	–	$3,140,570	($ 3,140,216)	$ 354	–	$ –	–	$ 49,971
	International Bills Finance Co.	Cash equivalents	–	–	–	–	–	3,419,848	–	3,337,292	(3,336,915)	377	–	–	–	82,933
	Mega Bills Finance Co., Ltd.	Cash equivalents	–	–	–	85,794	–	3,226,344	–	3,312,540	(3,312,138)	402	–	–	–	–
	Taishin International Bank	Cash equivalents	–	–	–	59,962	–	621,777	–	681,832	(681,739)	93	–	–	–	–
	Stocks:															
	SPT International, Ltd.	Investment accounted for under the equity method	Cash capital increase	–	43,545	1,239,905	13,480	399,205	–	–	–	–	–	(46,870)	57,025	1,592,240
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Investment accounted for under the equity method	Cash capital increase	–	–	895,290	–	385,040	–	–	–	–	–	(120,021)	–	1,160,309

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

							Prior transaction of related counterparty						
Company name	Type of property	Transaction date	Payment	Satus of payment	Name of counterparty	Relationship	Owner	Relationship	Transfer date	Amount	Price reference	Purpose of acquisition	Other items
ScinoPharm Taiwan, Ltd.	Plant	6.2012～12.2013	Approximately $ 640,808	$ 72,063	Cina Ecoteck Co., Ltd. etc.	—	—	—	—	$ -	Negotiation	Building for operation use	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Plant (Phase II)	11.2012～12.2013	546,182	329,411	Jiangsu Qian Construction Group Co., Ltd. etc.	〃	〃	〃	〃	〃	〃	〃	〃

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

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

			Description of transaction				Differences in transaction terms compared to third party transactions		Notes or accounts receivable/(payable)		
Company name	Counterparty	Relationship	Purchases/ (sales)	Amount	Percentage of net purchases/ (sales)	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes or accounts receivable/ (payable)	Notes
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company of SPT International, Ltd. accounted for under the equity method	Purchases	$ 228,243	12%	Payable 90 days after acceptance	$ -	—	($ 53,868)	(25%)	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The company	(Sales)	(228,243)	(99%)	90 days after delivery	-	—	53,868	99%	—

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

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

J.Significant inter-company transactions during the year ended December 31, 2013:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	1	Purchases	$ 59,178	Closes its accounts 90 days from the end of each month after acceptance	1%
				Management consultancy revenue	(3,999)	—	—
				Other receivables	1,066	—	—
		ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Purchases	228,243	Closes its accounts 90 days from the end of each month after acceptance	4%
				Management consultancy revenue	(26,309)	—	(1%)
				Outsourcing research fee	15,045	—	—
				Other receivables	25,054	—	—
				Accounts payable	(53,868)	—	—
		ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Outsourcing service fee	8,491	—	—
				Accrued expenses	(1,869)	—	—

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

(1)Number 0 represents the Company.

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

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

(1)The company to the consolidated subsidiary.

(2)The consolidated subsidiary to the Company.

(3)The consolidated subsidiary to another consolidated subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(2) Disclosure information of investee company

Related information on investee companies for the year ended December 31, 2013

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

				Original investments		Holding status					
Investors	Investees	Address	Main business	Balance as at December 31, 2013	Balance as at January 1, 2013	Shares	Ownership (%)	Book value	Net profit (loss) of the investee company for the year ended December 31, 2013	Income (loss) recognised by the company for the year ended December 31, 2013 (Note 1)	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 1,727,867	$ 1,328,662	57,024,644	100.00	$ 1,592,240	($ 170,389)	($ 126,458)	Subsidary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	20	15	15	Subsidary
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd. (Note2)	Grand Cayman, Cayman Islands	Professional investment	-	3,541	-	-	-	(46)	(18)	Subsidary
ScinoPharm Taiwan, Ltd.	Foreseeacer Pharmaceuticals, Inc.	Grand Cayman, Cayman Islands	Research and development of peptide injectable drugs	107,388	-	3,600,000	15.32	90,455	(86,747)	(16,791)	—

Note 1: According to the related regulations, it is only required to disclose income (loss) of subsidiary recognized by the Company.
Note 2 : Liquidated in September 2013.

(3) Disclosure of information on indirect investments in Mainland China

Related information on investee companies for the year ended December 31, 2013.

A.The basic information of investments in Mainland China:

Name of investee in China	Main business	Capital	Investment method	Beginning investment balance from Taiwan	Investment amount: Remitted to China	Investment amount: Remitted back to Taiwan	Ending investment balance from Taiwan	Gain (loss) from the investee company	Ownership held by the company (direct or indirect)	Investment gain (loss) recognised (Note 2)	Book value of investments as of December 31, 2013	Accumulated remittance	Note
ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new medicine, etc.	$ 119,220	(Note 1)	$ 110,994	$ -	$ -	$ 110,994	$ 12,060	100.00	$ 12,060	$ 453,746	$ -	Subsidary of subsidary
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new medicine, etc.	1,520,055	(Note 1)	1,132,590	387,465	-	1,520,055	(174,565)	100.00	(174,565)	1,160,309	-	Subsidary of subsidary
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	35,766	(Note 1)	21,460	14,306	-	35,766	(4,894)	100.00	(4,894)	28,465	-	Subsidary of subsidary

B.Ceiling amount of investment in Mainland China:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investment amount in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 1,703,311	$ 1,807,629	$ 5,785,952

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

Note 2: The Investment gain (loss) recognized by the Company for the year ended December 31, 2013 was based on audited financial statements of investee companies as of and for the year ended December 31, 2013.

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

Note 4:The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:29.805).

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

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

I. Purchases

Third region Company's name	Name of investee in Mainland China	For the year ended December 31, 2013
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 228,243
—	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	59,178
		$ 287,421

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

II. Accounts payable

Third region Company's name	Name of investee in Mainland China	December 31, 2013
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 53,868

(b)Sales amount and percentage of net sales, the ending balance of respective accounts receivable and percentage: None.

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

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

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

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

Transaction description	Third region company's name	Name of investee in Mainland China	For the year ended December 31, 2013
Outsourcing research fees	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 15,045
Outsourcing service fees	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	$ 8,491
Management consultancy revenue	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 26,309
Management consultancy revenue	—	ScinoPharm (KunShan) Biochemical Technology Co., Ltd	$ 3,399
Other receivables	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 25,054
		ScinoPharm (KunShan) Biochemical Technology Co., Ltd	1,066
			$ 26,120
Other payables	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	$ 1,869

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 focus on its sales business in the U.S., Europe and Asia. In addition, the Group categorized its business units into manufacture, sales, research and development and investment management functions, and combines its segments that do the meet the disclosure threshold as “Other”.

(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, 2013		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	$ 5,083,603	$ 320,539	$ 5,404,142
Revenue from internal customers	-	315,897	315,897
Revenue from external customers	5,083,603	4,642	5,088,245
Interest income	21,140	16,506	37,646
Depreciation and amortisation	376,706	70,812	447,518
Interest expense	1	7,915	7,916
Income from segment before income tax	1,514,746	(276,608)	1,238,138
Segment assets	10,706,170	2,508,081	13,214,251
Other acquisition of non-current asset (excluding financial instruments and deferred tax assets)	661,985	558,931	1,220,916
Segment liabilities	1,062,916	860,970	1,923,886

	For the year ended December 31, 2012		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	$ 4,572,198	$ 368,042	$ 4,940,240
Revenue from internal customers	-	367,731	367,731
Revenue from external customers	4,572,198	311	4,572,509
Interest income	24,111	5,686	29,797
Depreciation and amortisation	326,697	36,571	363,268
Interest expense	29	-	29
Income from segment before income tax	1,400,884	(120,277)	1,280,607
Segment assets	9,956,519	1,760,737	11,717,256
Other acquisition of non-current assets (excluding financial instruments and deferred tax assets)	734,724	230,643	965,367
Segment liabilities	887,380	417,763	1,305,143

(4) Reconciliation for segment income (loss)

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

	For the years ended December 31, 2013	For the years ended December 31, 2012
Reportable segments profit before income	$ 1,514,746	$ 1,400,884
Other segments profit before income tax	(276,608)	(120,277)
Inter segments profit and loss	170,375	91,550
Profit before income tax	$ 1,408,513	$ 1,372,157

B.A reconciliation of assets of reportable segment and total assets is as follows:

	December 31, 2013	December 31, 2012
Assets of reportable segments	$ 10,706,170	$ 9,956,519
Assets of other operating segments	2,508,081	1,760,737
Internal segment transaction elimination	(1,730,023)	(1,377,380)
Total assets	$ 11,484,228	$ 10,339,876

C.A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	December 31, 2013	December 31, 2012
Liabilities of reportable segments	$ 1,062,916	$ 887,380
Liabilities of other operating segments	860,970	417,763
Internal segment transaction elimination	(82,912)	(36,009)
Total liabilities	$ 1,840,974	$ 1,269,134

(5) Information on product and service

The Group is engaged in the research and development and manufacture of materials for medicine, 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, 2013	For the years ended December 31, 2012
Revenue from sales of products	$ 5,055,942	$ 4,528,859
Revenue from technical services	28,845	37,497
Others	3,458	6,153
	$ 5,088,245	$ 4,572,509

(6) Geographical information

Geographical information for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended and as at December 31, 2013		For the year ended and as at December 31, 2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 166,413	$ 3,303,840	$ 141,620	$ 3,019,331
USA	1,975,307	-	1,458,368	-
Ireland	747,145	-	934,166	-
India	614,232	-	452,577	-
Italy	441,729	-	596,263	-
Others	1,143,419	1,449,076	989,515	901,908
	$ 5,088,245	$ 4,752,916	$ 4,572,509	$ 3,921,239

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended and as at December 31, 2013		For the year ended and as at December 31, 2012	
	Revenue	Segment	Revenue	Segment
A	$ 1,747,812	Whole	$ 1,230,091	Whole
B	665,044	〃	887,971	〃
C	441,687	〃	596,263	〃

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments and liabilities that were vested or settled arising from share-based payment transactions prior to the transition date.

B. Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

C. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

D. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

E. Transfers of assets from customers

The Group has elected to apply the transitional provisions in paragraph 22 of IFRIC 18, 'Transfers of Assets from Customers', and apply IFRIC 18 from the transition date.

(2) Except for derecognition of financial assets and financial liabilities, and non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that the entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets:				
Cash and cash equivalents	$ 3,293,681	$ -	$ 3,293,681	—
Financial assets at fair value through profit or loss - current	2,066	-	2,066	—
Accounts receivable	843,902	-	843,902	—
Other receivables	47,983	-	47,983	—
Inventories	1,465,462	-	1,465,462	—
Prepayments	179,883	-	179,883	—
Other current assets	29,526	(13,974)	15,552	(3)
Total current assets	5,862,503	(13,974)	5,848,529	
Non-current assets				
Investment accounted for under the equity method	172,107	-	172,107	—
Property, plant, and equipment	3,227,233	(336,473)	2,890,760	(1)(8)
Intangible assets	114,447	(101,117)	13,330	(2)(5)
Deferred income tax assets	61,779	22,615	84,394	(3)(4)(5)
Prepayments for equipment	-	346,322	346,322	(8)
Other financial assets – non-current	23,817	-	23,817	—
Long-term prepaid rent	-	100,158	100,158	(2)
Other non-current assets	18,302	(9,849)	8,453	(1)
Total non-current assets	3,617,685	21,656	3,639,341	
Total assets	$ 9,480,188	$ 7,682	$ 9,487,870	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Notes payable	$ 83	$ -	$ 83	—
Accounts payable	299,250	-	299,250	—
Other payables	390,965	14,843	405,808	(4)
Current income tax liabilities	114,937	-	114,937	—
Other current liabilities	37,714	-	37,714	—
Total current liabilities	842,949	14,843	857,792	
Non-current liabilities				
Accrued pension liabilities	27,959	35,030	62,989	(5)
Total liabilities	870,908	49,873	920,781	
Equity attributable to owners of the parent				
Share capital				
Common stock	6,310,000	-	6,310,000	—
Capital Reserves				
Additional paid-in capital in excess of par - common stock	1,233,286	-	1,233,286	—
Employee share based payments	13,691	-	13,691	—
Retained earnings				
Legal reserve	7,962	-	7,962	—
Special reserve	-	30,419	30,419	(7)
Unappropriated retained earnings	970,012	-	970,012	(4)(5)(6)(7)
Other equity				
Currency translation differences	72,610	(72,610)	-	(6)
Non-controlling interest	1,719	-	1,719	—
Total equity	8,609,280	(42,191)	8,567,089	
Total liabilities and equity	$ 9,480,188	$ 7,682	$ 9,487,870	

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 3,035,012	$ -	$ 3,035,012	—
Financial assets at fair value through profit or loss-current	473	-	473	—
Accounts receivable	841,334	-	841,334	—
Other receivables	96,300	-	96,300	—
Inventories	1,870,275	-	1,870,275	—
Prepayments	214,261	-	214,261	—
Other current assets	854	(854)	-	(3)
Total current assets	6,058,509	(854)	6,057,655	
Non-current assets				
Financial assets measured at cost-noncurrent	149,555	18,118	167,673	(9)
Property, plant and equipment	3,790,318	(231,090)	3,559,228	(1)(8)
Intangible assets	107,539	(90,018)	17,521	(2)(5)
Deferred income tax assets	144,309	9,631	153,940	(3)(4)(5)
Prepayment for equipment	-	237,535	237,535	(8)
Other financial assets -non-current	39,369	-	39,369	—
Long-term prepaid rents	-	90,018	90,018	(2)
Other non-current assets	23,382	(6,445)	16,937	(1)
Total non-current assets	4,254,472	27,749	4,282,221	
Total assets	$ 10,312,981	$ 26,895	$ 10,339,876	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 263,676	$ -	$ 263,676	—
Notes payable	1,045	-	1,045	—
Accounts payable	223,074	-	223,074	—
Other payable	519,810	16,345	536,155	(4)
Current income tax liailities	177,539	-	177,539	—
Other current liabilities	2,183	-	2,183	—
Total current liabilities	1,187,327	16,345	1,203,672	
Non-current liabilities				
Accrued pension liabilities	30,179	35,283	65,462	(5)
Total liabilities	1,217,506	51,628	1,269,134	
Equity attributable to owners of the parent				
Share capital				
Common stock	6,499,300	-	6,499,300	—
Capital reserves				
Additional paid-in capital in excess of par - common stock	1,233,286	-	1,233,286	—
Employee share based payments	13,691	-	13,691	—
Retained earnings				
Legal reserve	103,897	-	103,897	—
Special reserve	-	22,829	22,829	(7)(9)
Unappropriated retained earnings	1,224,246	6,930	1,231,176	(4)(5)(6)(7)(9)
Other equity				
Currency translation differences	19,452	(54,492)	(35,040)	(6)(9)
Non-controlling interest	1,603	-	1,603	—
Total equity	9,095,475	(24,733)	9,070,742	
Total liabilities and equity	$ 10,312,981	$ 26,895	$ 10,339,876	

C.Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 4,572,509	$ -	$ 4,572,509	—
Operating costs	(2,259,081)	-	(2,259,081)	—
Gross profit	2,313,428	-	2,313,428	
Operating expenses				
Selling expenses	(185,346)	-	(185,346)	—
General and administrative expenses	(565,811)	490	(565,321)	(4)(5)
Research and development expenses	(303,023)	-	(303,023)	—
Operating profit	1,259,248	490	1,259,738	
Non-operating income and expenses				
Other income	98,830	-	98,830	—
Other gains and losses	18,052	-	18,052	—
Finance costs	(29)	-	(29)	—
Share of (loss)/ profit of associates and joint ventures accounted for under equity method	(4,434)	-	(4,434)	—
Profit before income tax	1,371,667	490	1,372,157	
Income tax expense	(201,245)	(83)	(201,328)	(4)(5)
Profit for the year	$ 1,170,422	$ 407	$ 1,170,829	
Other comprehensive income				
Currency translation difference	$ -	($ 35,040)	($ 35,040)	(10)
Actuarial gain (loss) on defined benefit plan	-	(1,286)	(1,286)	(5)
Income tax relating to the components of other comprehensive income	-	219	219	(5)
Other comprehensive income for the year, net of tax	$ -	($ 36,107)	($ 36,107)	
Total comprehensive income for the year	$ 1,170,422	($ 35,700)	$ 1,134,722	

Reasons for reconciliation ：

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected: January 1, 2012 (Date of Transition)	Increase/decrease in accounts affected: Comprehensive income for the year ended December 31, 2012
(1)	In accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", idle assets are presented in "Other Assets". The Group reclassified "Idle assets" to "Property, plant and equipment" at the date of transition to IFRSs and increased "Property, plant and equipment".	Property, plant and equipment	$ 9,848	$ 6,445
		Other non-current assets	(9,848)	(6,445)
(2)	In accordance with current accounting standards in R.O.C., the Group's payments to obtain the land use rights and prepayments for leased lands are presented in "Other intangible assets". However, in accordance with IAS 17, "Leases", such long operating lease should be treated as long-term prepaid rent.	Intangible assets	(100,158)	(90,018)
		Long-term prepaid rent	100,158	90,018
(3)	In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or non-current according to the expected period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current.	Other current assets	(13,974)	(854)
		Deferred income tax assets	13,974	854

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected: January 1, 2012 (Date of Transition)	Increase/decrease in accounts affected: Comprehensive income for the year ended December 31, 2012
(4)	The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognized such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.	Deferred income tax assets	$ 2,523	$ 2,779
		Other payables	14,843	16,345
		Undistributed earnings	(12,320)	(12,320)
		General and administrative expenses	-	1,502
		Income tax expense	-	(256)
(5)	A. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan.	Intangible assets	(959)	-
		Deferred income tax assets	6,118	5,998
		Other non-current liabilities	35,030	35,283
		Undistributed earnings	(29,871)	(29,871)
		General and administrative	-	(1,992)
		Income tax expense	-	339

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected January 1, 2012 (Date of Transition)	Comprehensive income for the year ended December 31, 2012
	B. The Group selected to recognize all unrecognized transitional net benefit obligation and cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs.	Actuarial gain (loss) on defined benefit plan	$ -	($ 1,286)
	C. In accordance with accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognised in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, 'Employee Benefits', the Group selects to recognize immediately actuarial pension gain or loss in other comprehensive income.	Income tax relating to the components of other comprensine income	-	(219)
(6)	The Group selected to reset the cumulative translation differences from foreign operations to zero at the date of transition to IFRSs, in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates.	Undistributed earnings	72,610	72,610
		Currency translation difference	(72,610)	(72,610)
(7)	In accordance with the Jin-Guan-Zheng-Fa-Zi Order No.1010012865, dated April 6, 2012, the Group sets aside special reserve on the date of transition to IFRSs and December 31, 2012, as the Group selected to reclassify the transition differences of items 12 and 13 above to "Retained earnings" account.	Special reserve	30,419	30,419
		Undistributed earnings	(30,419)	(30,419)

			Increase/decrease in accounts affected	
Note	Reasons for reconciliation	Item	January 1, 2012 (Date of Transition)	Comprehensive income for the year ended December 31, 2012
(8)	The Group purchased fixed assets and made payments in advance. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers", such prepayments are presented as "Fixed assets". Based on the nature of the transactions, the prepayments should be recognized as "Prepayment for equipment".	Property, plant and equipment	($ 346,322)	($ 237,555)
		Prepayment for equipment	346,322	237,555
(9)	The Group lost its significant influence in Tanvex Biologics, Inc. ("Tanvex"), and reclassified the carrying amount of Tanvex from "Long-term investment accounted for under the equity method" amounting to $167,673 and related "Cumulative translation differences" associated with Tanvex of $18,118 to "Financial assets carried at cost". However, as the Group had selected to reset the cumulative translation differences from foreign operations to zero at the date of transition to IFRSs, it increased both "Financial assets carried at cost" and "Cumulative translation differences" by $18,118 at December 31, 2012. On the same date, the Group reversed proportionately the special reserve back to "Retained earnings" by $7,590, in accordance with the Jin-Guan-Zheng-Fa-Zi Order No.1010012865, dated April 6, 2012.	Financial assets carried at cost-non-current	-	18,118
		Special reserve	-	(7,590)
		Undistributed earnings	-	7,590
		Currency translation difference	-	(18,118)

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected: January 1, 2012 (Date of Transition)	Increase/decrease in accounts affected: Comprehensive income for the year ended December 31, 2012
(10)	R.O.C GAAP does not provide any guidance regarding other comprehensive income, and the ending balance of other comprehensive accounts are presented, net of tax, as equity components in the balance sheets. However, under IAS 1, "Presentation of Financial Statements", an entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.	Currency translation difference	$ -	($ 35,040)

D.Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:

(a)The transition of R.O.C. GAAP to IFRSs has no effect on the Group’s cash flows reported.

(b)The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group’s cash flows reported.