SCINOPHARM TAIWAN, LTD.

NON-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 non-consolidated balance sheets of ScinoPharm Taiwan, Ltd. as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its 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".

PricewaterhouseCoopers, Taiwan

Republic of China

March 21, 2014

The accompanying non-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 non-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.
NON-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)	$ 1,864,352	18	$ 2,584,773	26	$ 3,080,455	33
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)	969,117	9	841,334	9	843,817	9
1180	Accounts receivable - related parties	7	1,118	-	-	-	-	-
1200	Other receivables		18,692	-	3,470	-	14,524	-
1210	Other receivables - related parties	7	26,120	-	9,040	-	4,752	-
130X	Inventories	5(2) and 6(4)	2,291,613	21	1,733,533	17	1,449,852	15
1410	Prepayments		191,095	2	204,762	2	168,631	2
1476	Other current financial assets - current	8	15,552	-	-	-	15,552	-
11XX	**Current Assets**		5,377,889	50	5,377,385	54	5,579,649	59
	Non-current assets							
1543	Financial assets carried at cost - non-current	6(5)	167,673	2	167,673	2	-	-
1550	Investments accounted for under equity method	6(5)(6)	1,682,715	16	1,242,315	13	1,131,951	12
1600	Property, plant and equipment	6(7)(8) and 7	3,153,292	30	2,869,977	29	2,534,793	27
1780	Intangible assets		7,906	-	1,538	-	2,026	-
1840	Deferred income tax assets	5(2) and 6(22)	149,386	1	110,446	1	84,394	1
1915	Prepayments for equipment		140,414	1	145,097	1	66,842	1
1920	Guarantee deposits paid		2,228	-	2,719	-	2,525	-
1980	Other financial assets - non-current	8	24,667	-	39,369	-	23,817	-
15XX	**Non-current assets**		5,328,281	50	4,579,134	46	3,846,348	41
1XXX	**Total assets**		$ 10,706,170	100	$ 9,956,519	100	$ 9,425,997	100

(Continued)

SCINOPHARM TAIWAN, LTD.
NON-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							
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		160,379	1	125,220	1	183,521	2
2180	Accounts payable - related parties	7	53,868	1	18,017	-	77,872	1
2200	Other payables	6(9) and 7	557,967	5	505,462	5	385,550	4
2230	Current income tax liabilities		147,735	1	169,991	2	112,898	1
2310	Advance receipts		74,562	1	2,183	-	16,946	-
2355	Finance lease liabilities - current		-	-	-	-	964	-
2399	Other current liabilities		-	-	-	-	19,804	-
21XX	**Current Liabilities**		996,729	9	821,918	8	797,638	8
	Non-current liabilities							
2570	Deferred income tax liabilities	6(22)	639	-	-	-	-	-
2640	Accrued pension liabilities	5(2) and 6(10)	65,548	1	65,462	1	62,739	1
2645	Refundable deposits received		-	-	-	-	250	-
25XX	**Non-current liabilities**		66,187	1	65,462	1	62,989	1
2XXX	**Total Liabilities**		1,062,916	10	887,380	9	860,627	9
	Equity							
	Share capital	6(12)(14)						
3110	Share capital - common stock		6,759,272	63	6,499,300	65	6,310,000	67
	Capital reserve	6(11)(13)						
3200	Capital surplus		1,247,796	12	1,246,977	13	1,246,977	13
	Retained earnings	6(14)(22)						
3310	Legal reserve		220,944	2	103,897	1	7,962	-
3320	Special reserve		22,829	-	22,829	-	30,419	1
3350	Undistributed earnings		1,348,058	13	1,231,176	12	970,012	10
	Other equity interest	6(15)						
3400	Other equity interest		44,355	-	(35,040)	-	-	-
3XXX	**Total equity**		9,643,254	90	9,069,139	91	8,565,370	91
	Contingent liabilities and Commitments	9						
	Total liabilities and equity		$ 10,706,170	100	$ 9,956,519	100	$ 9,425,997	100

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

SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	For the years ended December 31 2013 AMOUNT	2013 %	2012 AMOUNT	2012 %
4000	**Sales revenue**	6(16) and 7	$ 5,083,603	100	$ 4,572,198	100
5000	**Operating costs**	6(4)(10)(20)(21) and 7	(2,513,605)	(49)	(2,347,075)	(51)
5900	**Net operating margin**		2,569,998	51	2,225,123	49
	Operating expenses	6(10)(20)(21) and 7				
6100	Selling expenses		(185,894)	(4)	(173,012)	(4)
6200	General and administrative expenses		(434,038)	(8)	(366,189)	(8)
6300	Research and development expenses		(340,824)	(7)	(262,709)	(6)
6000	**Total operating expenses**		(960,756)	(19)	(801,910)	(18)
6900	**Operating profit**		1,609,242	32	1,423,213	31
	Non-operating income and expenses					
7010	Other income	6(17)	64,849	1	93,144	2
7020	Other gains and losses	6(2)(8)(18)	(16,092)	-	(22,277)	-
7050	Finance costs	6(19)	(1)	-	(29)	-
7070	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(143,252)	(3)	(93,167)	(2)
7000	**Total non-operating income and expenses**		(94,496)	(2)	(22,329)	-
7900	**Profit before income tax**		1,514,746	30	1,400,884	31
7950	Income tax expense	6(22)	(241,342)	(5)	(230,008)	(5)
8200	**Profit for the year**		$ 1,273,404	25	$ 1,170,876	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 plan	6(10)	498	-	(1,286)	-
8399	Income tax relating to the components of other comprehensive income	6(22)	(85)	-	219	-
8300	**Other comprehensive income (loss) for the year**		$ 79,808	2	($ 36,107)	(1)
8500	**Total comprehensive income for the year**		$ 1,353,212	27	$ 1,134,769	25
	Basic earnings per share (in dollars)					
9750	**Net income**	6(23)	$ 1.88		$ 1.73	
	Diluted earnings per share (in dollars)					
9850	**Net income**	6(23)	$ 1.88		$ 1.73	

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

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

	Notes	Share capital - common stock	Capital reserve	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total
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
Appropriations of 2011 net income(Note):								
Legal reserve		-	-	95,935	-	(95,935)	-	-
Cash dividends	6(14)	-	-	-	-	(631,000)	-	(631,000)
Stock dividends	6(14)	189,300	-	-	-	(189,300)	-	-
Net income for the year ended December 31, 2012		-	-	-	-	1,170,876	-	1,170,876
Other comprehensive loss for the year ended December 31, 2012	6(15)	-	-	-	-	(1,067)	(35,040)	(36,107)
Reversal of special reserve		-	-	-	(7,590)	7,590	-	-
Balance at December 31, 2012		$ 6,499,300	$ 1,246,977	$ 103,897	$ 22,829	$ 1,231,176	($ 35,040)	$ 9,069,139
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
Appropriations of 2012 net income(Note):								
Legal reserve		-	-	117,047	-	(117,047)	-	-
Cash dividends	6(14)	-	-	-	-	(779,916)	-	(779,916)
Stock dividends	6(14)	259,972	-	-	-	(259,972)	-	-
Employee stock option compensation cost		-	819	-	-	-	-	819
Net income for the year ended December 31, 2013		-	-	-	-	1,273,404	-	1,273,404
Other comprehensive income for the year ended December 31, 2013	6(15)	-	-	-	-	413	79,395	79,808
Difference between the acquisition or disposal price and carrying amount of subsidiaries:								
Acquisition of subsidiaries	6(13)	-	188	-	-	-	-	188
Disposal of subsidiaries	6(13)	-	(188)	-	-	-	-	(188)
Balance at December 31, 2013		$ 6,759,272	$ 1,247,796	$ 220,944	$ 22,829	$ 1,348,058	$ 44,355	$ 9,643,254

Note: The employees' bonuses were $1,727 and $2,107 and the directors' remuneration were $17,268 and $21,068 in 2011 and 2012, respectively, which had been deducted from net income for the year.

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

SCINOPHARM TAIWAN, LTD.
NON-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			
Profit before tax for the year		$ 1,514,746	$ 1,400,884
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)	8,167	41,191
Provision (reversal) of allowance for obsolescence of supplies		5,899	(11,009)
Share of (profit)/loss of associates and joint ventures accounted for under equity method	6(6)	143,252	93,167
Gain on disposal of long-term investments		(2,331)	-
Depreciation	6(7)(20)	374,874	325,839
Loss on disposal of property, plant and equipment	6(18)	3,156	933
Gain on reversal of impairment loss	6(8)(18)	(3,185)	(5,857)
Amortizaton	6(20)	1,832	858
Employee stock option compensation costs	6(13)	768	-
Interest income	6(17)	(21,140)	(24,111)
Interest expense	6(19)	1	29
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(230)	-
Accounts receivable		(127,788)	6,598
Accounts receivable–related parties		(1,118)	-
Other receivables		(15,222)	11,054
Other receivables–related parties		(17,080)	(4,288)
Inventories		(566,247)	(324,872)
Prepayment		7,768	(25,122)
Net changes in liabilities relating to operating activities			
Notes payable		35	962
Accounts payable		35,159	(58,301)
Accounts payable–related parties		35,851	(59,855)
Other payables		78,175	35,725
Advance receipts		72,379	(14,763)
Other current liabilities		-	(19,804)
Accrued pension liabilities		584	1,437
Cash generated from operations		1,529,921	1,368,173
Interest received		21,140	24,111
Interest paid		(1)	(29)
Income tax paid		(301,984)	(198,748)
Net cash provided by operating activities		1,249,076	1,193,507

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SCINOPHARM TAIWAN, LTD.
NON-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 the equity method - subsidiaries		(399,205)	(406,244)
Acquisition of investments accounted for under the equity method - non-subsidiaries		(107,388)	-
Proceeds from liquidation of investments accounted for under equity method - subsidiaries		2,377	-
Acquisition of property, plant and equipment	6(24)	(448,070)	(288,141)
Proceeds from disposal of property, plant and equipment		308	-
Acquisition of intangible assets		(8,200)	(370)
Increase in prepayment for equipment		(229,044)	(362,026)
Increase (decrease) in guarantee deposits paid		491	(194)
Net cash used in investing activities		(1,189,581)	(1,056,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in finance lease liabilities - current		-	(964)
Decrease in refundable deposits received		-	(250)
Payment of cash dividends	6(14)	(779,916)	(631,000)
Net cash used in financing activities		(779,916)	(632,214)
Decrease in cash and cash equivalents		(720,421)	(495,682)
Cash and cash equivalents at beginning of year	6(1)	2,584,773	3,080,455
Cash and cash equivalents at end of year	6(1)	$ 1,864,352	$ 2,584,773

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

SCINOPHARM TAIWAN, LTD.

NOTES TO THE NON-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 NON-CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These non-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.

(2) 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.

(3) 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
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 shall 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 recognize related gains on the date of transition to IFRSs.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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 IFRSs; and first-time adopters should not recognize the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 recognized immediately in other comprehensive income. Past service costs will be recognized 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 expense, is recognized 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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	Stripping costs that meet certain criteria should be recognized as the ‘stripping activity asset’. To the extent that the benefit from the stripping activity is realized 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 derecognising 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 the 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. 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 option in ‘other comprehensive income’.	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 recognized 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 recognized 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 Company 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 non-consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these non-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 non-consolidated financial statements are the first non-consolidated financial statements prepared by the Company 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 Company’s date of transition to IFRSs, the Company has adjusted the amounts that were reported in the non-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 Company’s financial position, financial performance and cash flows.

(2) Basis of preparation

A. Except for the following item, these non-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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the non-consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

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

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

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

D. 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".

(4) Classification of current and non-current items

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

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

b) Assets held mainly for trading purposes;

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

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

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

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

b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

(6) 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.

(7) Available-for-sale financial assets

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

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

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs.

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

(8) 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.

(9) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company 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 Company of financial assets that can be reliably estimated.

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

a) Significant financial difficulty of the issuer or debtor;

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

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

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

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

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at cost

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

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

The Company derecognizes a financial asset when one of the following conditions is met：

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

B. The contractual rights to receive cash flows from the financial asset have been transferred and the 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.

(11) <u>Inventories</u>

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

(12) <u>Investments accounted for under the equity method / associates</u>

A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

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

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

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

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

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

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

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss or transferred directly to retained earnings, 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.

K. According to "Rules Governing the Preparations of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's non-consolidated statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) Property, plant and equipment

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

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

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

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

Assets	Estimated useful lives
Buildings	2 ～ 35 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	2 ～ 6 years
Office equipment	2 ～ 9 years
Other equipment	2 ～ 7 years

(14) 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.

(15) Impairment of non-financial assets

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

(16) 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.

(17) 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.

(18) 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 Company 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.

(19) Offsetting financial instruments

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution 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 Company 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.

(21) 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.

(22) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

E. The Company 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 Company 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 utilized.

(23) 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.

(24) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

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 Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

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

A. Financial assets－impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

a) As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable 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 $2,291,613.

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

The Company 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 in economic circumstances or estimates due to the change of Company 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 Company recognized deferred income tax assets amounting to $149,386.

D. Calculation of accrued pension obligations

a) When calculating the present value of defined pension obligations, the Company must apply judgments 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 Company’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	$ 142	$ 92	$ 30
Checking accounts and demand deposits	31,103	45,637	50,708
	31,245	45,729	50,738
Cash Equivalents:			
Time deposits	1,700,203	2,393,288	2,969,883
Bill under repurchase agreements	132,904	145,756	59,834
	1,833,107	2,539,044	3,029,717
	$ 1,864,352	$ 2,584,773	$ 3,080,455

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

B. Details of the Company'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 liabilities 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 Company entered into forward foreign exchange contracts to hedge exchange rate risk of operations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Company 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	$ 969,147	$ 841,359	$ 847,957
Less: Allowance for impairment	(30)	(25)	(4,140)
	$ 969,117	$ 841,334	$ 843,817

A. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company had no accounts receivable classified as "past due but not impaired".

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

	2013	2012
	Individual provision	Individual provision
At January 1	$ 25	$ 4,140
Reversal of impairment	-	(4,115)
Provision for doubtful account	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 Company does not hold any collateral as security.

(4) INVENTORIES, NET

	December 31, 2013		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 596,913	($ 29,772)	$ 567,141
Supplies	28,414	(1,660)	26,754
Work in process	851,673	(42,984)	808,689
Finished goods	1,061,517	(172,488)	889,029
	$ 2,538,517	($ 246,904)	$ 2,291,613

	December 31, 2012		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 466,556	($ 34,618)	$ 431,938
Supplies	11,319	(856)	10,463
Work in process	742,616	(39,375)	703,241
Finished goods	751,779	(163,888)	587,891
	$ 1,972,270	($ 238,737)	$ 1,733,533

	January 1, 2012		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 450,773	($ 45,596)	$ 405,177
Supplies	10,336	(1,167)	9,169
Work in process	610,817	(30,835)	579,982
Finished goods	575,472	(119,948)	455,524
	$ 1,647,398	($ 197,546)	$ 1,449,852

The cost of inventories recognized as expense for the years ended December 31, 2013 and 2012 was $2,504,554 and $2,333,778, respectively, including provision for allowance for price decline of inventory of $8,167 and $41,191, respectively. 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 Company's intension, its investment in Tanvex Biologics, Inc. and SYNGEN, INC. should be classified as available-for-sale financial assets. However, as Tanvex Biologics, Inc. and SYNGEN, INC. are not traded in an active market and no sufficient industry information and financial information of similar companies can be obtained, the fair value of the investments in Tanvex Biologics, Inc. and SYNGEN, INC. cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost'.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, no financial assets measured at cost held by the Company 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 Company concluded that it has lost significant influence in Tanvex and accordingly reclassified Tanvex from long-term investment accounted for under the equity method to financial assets measured at cost, at the amount of $167,673.

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
SPT International, Ltd.	$ 1,592,240	$ 1,239,905	$ 957,265
ScinoPharm Singapore Pte Ltd.	20	5	-
President ScinoPharm (Cayman), Ltd.	-	2,405	2,579
Tanvex Biologics, Inc.	-	-	172,107
Foreseeacer Pharmaceuticals, Inc.	90,455	-	-
	$ 1,682,715	$ 1,242,315	$ 1,131,951

A. Subsidiaries

(a) Information relating to the Company's subsidiaries please refer to Note 4(3), 'Basis of consolidation' of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2013.

(b) The Company purchased additional 40% of outstanding shares of President ScinoPharm (Cayman), Ltd. with cash consideration of $1,647 in April 2013, and completed the liquidation process in September 2013. Please refer to Note 6(26) non-controlling interest of the consolidated financial statements.

B. Associates

(a) The financial information of the Company'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 Company purchased the shares of Foreseeaccer Pharmaceuticals, Inc. in May 2013 and gained significant influence over the investee company. The Company accounts for this investment using the equity method from the date of acquisition accordingly.

(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.

C. The share of loss of associates and joint ventures accounted for under the equity method amounted to $143,252 and $93,167 for the years ended December 31, 2013 and 2012, respectively.

(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	$ 1,777,768	$ 3,611,369	$ 11,309	$ 63,452	$ 5,030	$ 425,251	$ 5,894,179
Accumulated depreciation	(483,338)	(2,463,288)	(7,386)	(43,891)	(5,030)	-	(3,002,933)
Accumulated impairment	-	(21,269)	-	-	-	-	(21,269)
	$ 1,294,430	$ 1,126,812	$ 3,923	$ 19,561	$ -	$ 425,251	$ 2,869,977
Year ended December 31, 2013							
January 1, 2013	$ 1,294,430	$ 1,126,812	$ 3,923	$ 19,561	$ -	$ 425,251	$ 2,869,977
Additions	-	-	-	-	-	424,741	424,741
Disposals－Cost	(22,416)	(99,738)	-	-	-	-	(122,154)
－Accumulated depreciation	22,416	96,274	-	-	-	-	118,690
Reclassification (note)	164,986	531,557	8,930	30,181	380	(502,307)	233,727
Depreciation charge	(69,112)	(293,029)	(1,782)	(10,919)	(32)	-	(374,874)
Reversal of impairment loss	-	3,185	-	-	-	-	3,185
December 31, 2013	$ 1,390,304	$ 1,365,061	$ 11,071	$ 38,823	$ 348	$ 347,685	$ 3,153,292
December 31, 2013							
Cost	$ 1,920,338	$ 4,043,188	$ 20,239	$ 93,633	$ 5,410	$ 347,685	$ 6,430,493
Accumulated depreciation	(530,034)	(2,660,043)	(9,168)	(54,810)	(5,062)	-	(3,259,117)
Accumulated impairment	-	(18,084)	-	-	-	-	(18,084)
	$ 1,390,304	$ 1,365,061	$ 11,071	$ 38,823	$ 348	$ 347,685	$ 3,153,292

January 1, 2012	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Others	Construction in progress and prepayments for equipment	Total
Cost	$1,711,896	$3,422,528	$ 9,007	$ 57,665	$14,970	$ 5,030	$ 69,380	$5,290,476
Accumulated depreciation	(418,816)	(2,246,850)	(6,507)	(36,384)	(14,970)	(5,030)	-	(2,728,557)
Accumulated impairment	-	(27,126)	-	-	-	-	-	(27,126)
	$1,293,080	$1,148,552	$ 2,500	$ 21,281	$ -	$ -	$ 69,380	$2,534,793
Year ended December 31, 2012								
January 1, 2012	$1,293,080	$1,148,552	$ 2,500	$ 21,281	$ -	$ -	$ 69,380	$2,534,793
Additions	-	-	-	-	-	-	372,328	372,328
Disposals－Cost	-	(35,839)	-	(1,586)	(14,970)	-	-	(52,395)
－Accumulated depreciation	-	34,906	-	1,586	14,970	-	-	51,462
Reclassification (note)	65,872	224,681	2,302	7,373	-	-	(16,457)	283,771
Depreciation charge	(64,522)	(251,345)	(879)	(9,093)	-	-	-	(325,839)
Reversal of impairment loss	-	5,857	-	-	-	-	-	5,857
December 31, 2012	$1,294,430	$1,126,812	$ 3,923	$ 19,561	$ -	$ -	$ 425,251	$2,869,977
December 31, 2012								
Cost	$1,777,768	$3,611,370	$ 11,309	$ 63,452	$ -	$ 5,030	$ 425,251	$5,894,180
Accumulated depreciation	(483,338)	(2,463,289)	(7,386)	(43,891)	-	(5,030)	-	(3,002,934)
Accumulated impairment	-	(21,269)	-	-	-	-	-	(21,269)
	$1,294,430	$1,126,812	$ 3,923	$ 19,561	$ -	$ -	$ 425,251	$2,869,977

(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 Company has not capitalized any interest.

B. Please refer to Note 6 (8) 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) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Company 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	$ -

(9) OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued expenses	$ 453,578	$ 379,387	$ 344,698
Payables on equipment	99,367	122,696	37,545
Others	5,022	3,379	3,307
	$ 557,967	$ 505,462	$ 385,550

(10) PENSIONS

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

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

(a) The 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
Current service cost	$ 2,825	$ 3,500
Interest cost	1,715	1,891
Expected return on plan assets	(720)	(777)
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 Company's expected contributions to the pension plans for the period from January 1, 2014 to December 31, 2014 amount to $3,399.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognized under the defined contribution plan were $26,280 and $25,055 for the years ended December 31, 2013 and 2012, respectively.

(11) 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 cost relating to the employee stock options plan of $768 for the year ended December 31, 2013.

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

	2013	
	No. of options (unit in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	–	$ –
Options granted	1,000	91.70
Options outstanding at end of the year	1,000	–
Options exercisable at end of the year	–	–

C. As of December 31, 2013, the range of exercise prices 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 of Hull & White and the Ritchken trinomial option valuation model. Related information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12.3.2013	$ 91.7	$ 91.7	28.5% (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%

(12) 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

(13) 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				
—Company	-	768	-	768
—Subsidiaries	-	51	-	51
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.

(14) RETAINED EARNINGS

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

B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. 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 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), respectively, from the 2012 earnings. On March 21, 2014, the Board of Directors' meeting proposed cash dividends and stock dividends for 2013 constituting $811,113 ($1.2 dollars per share for cash dividends) and $270,371 ($0.4 dollar per share for stock dividends).

(15) OTHER EQUITY ITEMS

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

(16) OPERATING REVENUE

	For the years ended December 31,	
	2013	2012
Sales revenue	$ 5,171,592	$ 4,676,959
Less: Sales returns	(98,217)	(58,552)
Sales discounts	(18,617)	(83,706)
Technical service revenue	28,845	37,497
	$ 5,083,603	$ 4,572,198

(17) OTHER INCOME

	For the years ended December 31,	
	2013	2012
Interest income from bank deposits	$ 21,140	$ 24,111
Management service revenue	29,708	21,600
Compensation revenue	6,692	4,987
Others	7,309	42,446
	$ 64,849	$ 93,144

(18) 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)	17,922	(43,341)
Loss on disposal of property, plant, and equipment	(3,156)	(933)
Reversal of impairment loss	3,185	5,857
Miscellaneous	(22,077)	2,840
	($ 16,092)	($ 22,277)

(19) FINANCE COSTS

	For the years ended December 31,	
	2013	2012
Interest expense:		
Bank loans	$ 1	$ 29

(20) EXPENSES BY NATURE

	For the years ended December 31, 2013		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 490,864	$ 335,183	$ 826,047
Depreciation	310,738	64,136	374,874
Amortization	334	1,498	1,832
	$ 801,936	$ 400,817	$ 1,202,753

	For the years ended December 31, 2012		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 453,626	$ 325,210	$ 778,836
Depreciation	266,492	59,347	325,839
Amortization	135	723	858
	$ 720,253	$ 385,280	$ 1,105,533

(21) EMPLOYEE BENEFIT EXPENSE

	For the years ended December 31	
	2013	2012
Salaries and wages	$ 739,588	$ 682,421
Labor and health insurance expenses	40,406	44,184
Pension costs	30,166	29,735
Other personnel expenses	15,887	22,496
	$ 826,047	$ 778,836

(22) INCOME TAX

A. Income tax expense

(a)Components of income tax expense:

	For the years ended December 31	
	2013	2012
Current tax:		
Current period income tax	$ 274,960	$ 235,506
Under provision of prior year's income tax	4,768	20,335
Total current tax	279,728	255,841
Deferred tax:		
Temporary differences	(38,386)	(25,833)
Income tax expense	$ 241,342	$ 230,008

(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	$ 257,507	$ 238,150
Effects of items disallowed by tax	(14,164)	(21,382)
Effect of investment tax credits	(3,124)	(6,675)
Effect of tax-exempt income	(4,998)	(4,732)
Under provision of prior year's income tax	4,768	20,335
10% tax on unappropriated earnings	1,353	4,312
Income tax expense	$ 241,342	$ 230,008

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

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in 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
Unrealized loss on currency exchange	934	(934)	-	-
Unrealized gain on financial assets	(80)	274	-	194
	$ 110,446	$ 39,025	($ 85)	$ 149,386
Deferred tax liabilities				
Unrealized gain on currency exchange	$ -	($ 639)	$ -	($ 639)
	$ 110,446	$ 38,386	($ 85)	$ 148,747

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in 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
Employee benefits-unused compensated absences	2,523	256	–	2,779
Unrealized gain on inter-affiliate accounts	3,367	(3,367)	–	–
Unrealized loss on currency exchange	545	389	–	934
Unrealized gain on financial assets	(351)	271	–	(80)
Investment tax credits	10,413	(10,413)	–	–
	$ 84,394	$ 25,833	$ 219	$ 110,446

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

January 1, 2012			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Research and development	$ 10,413	$ –	2013

There was no such item as of December 31, 2013 and 2012.

E. 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).

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

G. 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 of 1998.

H. 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 date of dividend distribution were set on August 15, 2013 and August 16, 2012 by the Board of Directors, 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%.

(23) 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	$ 1,273,404	675,927	$ 1.88
Diluted earnings per share			
Profit attributable to ordinary stockholders	$ 1,273,404	675,927	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	25	
Profit attributable to ordinary stockholders 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	$ 1,170,876	675,927	$ 1.73
Diluted earnings per share			
Profit attributable to ordinary stockholders	$ 1,170,876	675,927	
Assumed conversion of all dilutive potential ordinary			
Employees' bonus	-	32	
Profit attributable to ordinary stockholders 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.

(24) Non-cash transactions

A. Investing activities with partial cash payments

	For the years ended December 31, 2013	2012
Purchase of property, plant and equipment	$ 424,741	$ 372,328
Add：Beginning balance of payable on equipment	122,696	37,545
Beginning 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	$ 448,070	$ 288,141

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	$ 233,727	$ 283,771

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. Sales

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

The terms of providing technical services to and receivables from related parties were the same with regular customers. The above related parties close its accounts 60 days from the end of each month.

B. Purchases

	For the years ended December 31, 2013	2012
Purchase of goods:		
—Subsidiaries	$ 287,421	$ 351,485

Purchase prices and terms for related parties are the same as that of regular suppliers. Payments are made in 90 days after reception process.

C. 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
Research expenses:		
—Subsidiaries	$ 15,045	$ 12,716
Outsourcing service fees:		
—Subsidiaries	$ 8,491	$ 5,396
—Associates of ultimate parent company	1,592	1,484
	$ 10,083	$ 6,880

D. Management consultancy revenue

	For the years ended December 31,	
	2013	2012
Technical consultancy revenue:		
－Subsidiaries	$ 29, 708	$ 19, 497

E. Accounts receivable

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

F. Other receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Other receivables from related parties:			
－Subsidiaries	$ 26, 120	$ 9, 040	$ 4, 752

G. Accounts payable

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties:			
－Subsidiaries	$ 53, 868	$ 18, 017	$ 77, 872

H. Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables to related parties:			
－Subsidiaries	$ 2, 424	$ 1, 452	$ －

I. 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 interests:

In April, 2013, the Company purchased additional 40% of outstanding share interest of President ScinoPharm (Cayman), Ltd. from an entity controlled by key management individuals, and finished liquidation procedure in September 2013. Please refer to Note 6 (26) of consolidated financial statements for the year ended December 31, 2013 for detailed information.

(3) Key management compensation

	For the years ended December 31,	
	2013	2012
Salaries and other short-term employee benefits	$ 77, 067	$ 71, 795

8. PLEDGED ASSETS

The Company'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: Shown 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 Company'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 Company's remaining balance due for construction in progress and prepayments for equipment was $316,251, $101,248 and $140,180, respectively.

(3) The Company entered into a non-cancellable operating lease agreement from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, with the term of lease of less than twenty years. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of $21,291 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 (including related parties), short-term borrowings, notes payable, accounts payable (including related parties) and other payables) is approximate to their fair value. Please refer to Note 12 (3) for details of fair value information of financial instruments measured at fair value.

	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	2, 228	2, 228	2, 719	2, 719	2, 525	2, 525
Financial liabilities:						
Refundable deposits received	-	-	-	-	250	250

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

a) Market risk

I. Foreign exchange rate risk

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

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

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

	December 31, 2013			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 32,922	29.805	$	981,240
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	4,401	29.805		131,172
EUR:NTD	88	41.09		3,616
CNY:NTD	1,215	4.919		5,977

	December 31, 2012			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 32,101	29.04	$	932,213
EUR:NTD	232	38.49		8,930
Financial liabilities				
Monetary items				
USD:NTD	1,310	29.04		38,042
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	$ 27,410	30.28	$	829,975
EUR:NTD	2,354	39.18		92,230
Investments accounted for under the equity method				
USD:NTD	6,978	30.28		211,294
Financial liabilities				
Monetary items				
USD:NTD	5,178	30.28		156,790

As of December 31, 2013 and 2012, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2013 and 2012 would increase/decrease by $47,203 and $44,709, respectively. If the EUR:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2013 and 2012 would increase/decrease by $21 and $187, respectively. If the CNY:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the year ended December 31, 2013 would increase/decrease by $1,104.

II. Price risk

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

III. Interest rate risk

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

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

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

c) Liquidity risk

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

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

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:				
Notes payable	$ 1,080	$ -	$ -	$ -
Accounts payable (Including related parties)	214,247	-	-	-
Other payables	557,967	-	-	-

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:				
Notes payable	$ 1,045	$ -	$ -	$ -
Accounts payable (Including related parties)	143,237	-	-	-
Other payables	505,462	-	-	-

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 (Including related parties)	261,383	-	-	-
Other payables	385,550	-	-	-
Deposits received	-	250	-	-

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 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 liabilites at fair value through profit or loss – forward foreign exchange 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 exchange 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 exchange 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 Company 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-non-current	28,800	167,673	17.00%	-	—
	SYNGEN, INC.	—	Financial assets measured at cost-non-current	245	-	7.40%	-	—

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

					Beginning balance		Additon		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of 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	Status of payment	Name of counterparty	Relationship	Owner	Relationship	Transfer date	Amount	Price reference	Purpose of acquisition	Other items
ScinoPharm Taiwan, Ltd.	Plant	6.2012～12.2013	Approximately $ 640,808	$ 72,063	China Ecotek 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)	(76%)	90 days after delivery	-	－	53,868	76%	－

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	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	1	Purchases	$ 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 names, locations, etc of investee Companies. (Not including investees in Mainland China)

				Original investments		Holding status					
Investors	Investees	Address	Main business	Balance as at December 31, 2013	Balance as at December 31, 2012	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	$ 1,549,240	($ 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. (Note 2)	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 Mainland 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	$ -	Subsidiary of subsidiary
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	-	Subsidiary of subsidiary
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	-	Subsidiary of subsidiary

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).

A.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 paybles	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	$ 1,869

14. SEGMENT INFORMATION

Not applicable.

15. INITIAL APPLICATION OF IFRSs

These non-consolidated financial statements are the first year-end non-consolidated financial statements prepared by the Company in accordance with the IFRSs. The Company 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 Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company’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 Company

A. Share-based payment transactions

The Company 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 Company 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 Company 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 Company 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 Company 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 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 Company, 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 Company’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	$ 3,080,455	$ -	$ 3,080,455	—
Financial assets at fair value through profit or loss - current	2,066	-	2,066	—
Accounts receivable	843,817	-	843,817	—
Other receivables	14,524	-	14,524	—
Other receivable-related parties	4,752	-	4,752	
Inventories	1,449,852	-	1,449,852	—
Prepayments	168,631	-	168,631	—
Other current assets	29,526	(13,974)	15,552	(2)
Total current assets	5,593,623	(13,974)	5,579,649	
Non-current assets				
Investments accounted for under the equity method	1,131,951	-	1,131,951	_
Property, plant, and equipment	2,591,786	(56,993)	2,534,793	(1)(7)
Intangible assets	2,985	(959)	2,026	(4)
Deferred income tax assets	61,779	22,615	84,394	(2)(3)(4)
Idle assets	9,849	(9,849)	-	(1)
Guarantee deposits paid	2,525	-	2,525	
Other financial assets – non-current	23,817	-	23,817	—
Prepayments for equipment	-	66,842	66,842	(7)
Total non-current assets	3,824,692	21,656	3,846,348	
Total assets	$ 9,418,315	$ 7,682	$ 9,425,997	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Notes payable	$ 83	$ -	$ 83	—
Accounts payable	183,521	-	183,521	—
Accounts payable-related parties	77,872	-	77,872	—
Other payables	370,707	14,843	385,550	(3)
Current income tax liabilities	112,898	-	112,898	—
Other current liabilities	37,714	-	37,714	—
Total current liabilities	782,795	14,843	797,638	
Non-current liabilities				
Accrued pension liabilities	27,709	35,030	62,739	(4)
Deposits received	250	-	250	
Total liabilities	810,754	49,873	860,627	
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 payment	13,691	-	13,691	—
Retained earnings				
Legal reserve	7,962	-	7,962	—
Special reserve	-	30,419	30,419	(6)
Unappropriated earnings	970,012	-	970,012	(3)(4)(5)(6)
Other equity				
Currency translation differences	72,610	(72,610)	-	(5)
Total equity	8,607,561	(42,191)	8,565,370	
Total liabilities and equity	$ 9,418,315	$ 7,682	$ 9,425,997	

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	$ 2, 584, 773	$ -	$ 2, 584, 773	—
Financial assets at fair value through profit or loss-current	473	-	473	—
Accounts receivable	841, 334	-	841, 334	—
Other receivables	3, 470	-	3, 470	—
Other receivable-related parties	9, 040		9, 040	
Inventories	1, 733, 533		1, 733, 533	
Prepayments	204, 762	-	204, 762	—
Other current assets	854	(854)	-	(2)
Total current assets	5, 378, 239	(854)	5, 377, 385	
Non-current assets				
Financial assets measured at cost-non-current	149, 555	18, 118	167, 673	(8)
Investments accounted for under equity method	1, 242, 315	-	1, 242, 315	—
Property, plant and equipment	3, 008, 629	(138, 652)	2, 869, 977	(1)(7)
Intangible assets	1, 538	-	1, 538	—
Deferred income tax assets	100, 815	9, 631	110, 446	(2)(3)(4)
Idle assets	6, 445	(6, 445)	-	(1)
Guarantee deposits paid	2, 719	-	2, 719	—
Other financial assets – non-current	39, 369	-	39, 369	—
Prepayments for equipment	-	145, 097	145, 097	(7)
Total non-current assets	4, 551, 385	27, 749	4, 579, 134	
Total assets	$ 9, 929, 624	$ 26, 895	$ 9, 956, 519	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Notes payable	$ 1,045	$ -	$ 1,045	—
Accounts payable	125,220	-	125,220	—
Other payables-related parties	18,017	-	18,017	—
Other payables	489,117	16,345	505,462	(3)
Current income tax liabilities	169,991	-	169,991	—
Other current liabilities	2,183	-	2,183	—
Total current liabilities	805,573	16,345	821,918	
<u>Non-current liabilities</u>				
Accrued pension liabilities	30,179	35,283	65,462	(4)
Total liabilities	835,752	51,628	887,380	
<u>Equity attributable to owners of the parent</u>				
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 payment	13,691	-	13,691	—
Retained earnings				
Legal reserve	103,897	-	103,897	—
Special reserve	-	22,829	22,829	(6)(8)
Unappropriated earnings	1,224,246	6,930	1,231,176	(3)(4)(5)(6)(8)
Other equity				
Currency translation differences	19,452	(54,492)	(35,040)	(5)(8)
Total equity	9,093,872	(24,733)	9,069,139	
Total liabilities and equity	$ 9,929,624	$ 26,895	$ 9,956,519	

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
Sales revenue	$ 4,572,198	$ -	$ 4,572,198	—
Operating costs	(2,347,075)	-	(2,347,075)	—
Gross profit	2,225,123	-	2,225,123	
Operating expenses				
Selling expenses	(173,012)	-	(173,012)	—
General and administrative expenses	(366,679)	490	(366,189)	(3)(4)
Research and development expenses	(262,709)	-	(262,709)	—
Operating profit	1,422,723	490	1,423,213	
Non-operating income and expenses				
Other income	93,144	-	93,144	—
Other gains and losses	(22,277)	-	(22,277)	—
Finance costs	(29)	-	(29)	—
Share of (loss)/ profit of associates and joint ventures accounted for under equity method	(93,167)	-	(93,167)	—
Profit before income tax	1,400,394	490	1,400,884	
Income tax expense	(229,925)	(83)	(230,008)	(3)(4)
Profit for the year	$ 1,170,469	$ 407	$ 1,170,876	
Other comprehensive loss				
Currency translation difference	$ -	($ 35,040)	($ 35,040)	(9)
Actuarial gain/loss on defined benefit obligations	-	(1,286)	(1,286)	(4)
Income tax relating to the components of other comprehensive income	-	219	219	(4)
Other comprehensive loss for the year, net of tax	$ -	($ 36,107)	($ 36,107)	
Total comprehensive income for the year	$ 1,170,469	($ 35,700)	$ 1,134,769	

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 Company 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	$ 9,849	$ 6,445
		Idle assets	(9,848)	(6,445)
(2)	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
(3)	The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Company 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)

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)	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
		Accrued pension liabilities	35,030	35,283
		Undistributed earnings	(29,871)	(29,871)
		General and administrative expenses	-	(1,992)
		Income tax expense	-	339
	B. The Company has elected 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 gains/losses on defined benefit obligations	-	(1,286)
	C. In accordance with accounting standards in R.O.C., actuarial pension gain or loss of the Company is recognised in net pension cost of current period using the ‘corridor’ method. However, in accordance with IAS 19, ‘Employee Benefits’, actuarial pension gain or loss is recognized immediately in other comprehensive income.	Income tax relating to the components of other comprehensive income	-	219

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
(5)	The Company elected 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 differences	(72,610)	(72,610)
(6)	In accordance with the Jin-Guan-Zheng-Fa-Zi Order No.1010012865, dated April 6, 2012, the Company sets aside special reserve on the date of transition to IFRSs and December 31, 2012, as the Comapany has elected to reclassify the transition differences of items 12 and 13 above "Retained earnings" account.	Special reserve	30,419	30,419
		Undistributed earnings	(30,419)	(30,419)
(7)	The Company 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	(66,842)	(145,097)
		Prepayment for equipment	66,842	145,097

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
(8)	The Company 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 Company 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 Company 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
(9)	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 Company's cash flows reported.

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