

STANDARD CHEM. & PHARM. CO., LTD.
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2014 AND 2013

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

REPORT OF INDEPENDENT ACCOUNTANTS

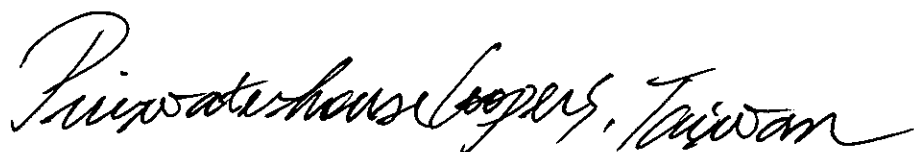
To the Board of Directors and Shareholders of Standard Chem & Pharm. Co., Ltd.

We have audited the accompanying consolidated balance sheets of Standard Chem & Pharm. Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. For the share of profit or loss of associates and joint ventures and disclosures in Note 13 recognised by Standard Chem & Pharm. Co., Ltd. and its subsidiaries' investment accounted for using equity method – WE CAN MEDICINES CO., LTD. and CNH TECHNOLOGIES, INC. for the years ended December 31, 2014 and 2013 were based on the investees' reports audited by their appointed accountants. The share of profit (loss) of associates and joint ventures accounted for using equity method recognised based on reports audited by other independent accountants amounted to NTD (5,079) thousand and NTD 3,470 thousand for the years ended December 31, 2014 and 2013, respectively. The balance of related investment accounted for using equity method amounted to NTD 226,409 thousand and NTD 189,133 thousand as of December 31, 2014 and 2013, respectively.

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 and the reports of the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Standard Chem & Pharm. Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (FSC).

We have also audited the parent company only financial statements of Standard Chem & Pharm. Co., Ltd. as of and for the years ended December 31, 2014 and 2013, on which we have expressed a modified unqualified opinion on such financial statements.

A handwritten signature in black ink that reads "PricewaterhouseCoopers, Taiwan". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers, Taiwan

March 25, 2015

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

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2014 AMOUNT	December 31, 2013 AMOUNT
Current assets			
Cash and cash equivalents	6(1) and 8	\$ 543,233	\$ 767,941
Financial assets at fair value through profit or loss - current	6(2)	164,537	243,389
Available-for-sale financial assets - current	6(3)	15,056	-
Notes receivable, net	6(4)(30) and 7	293,075	297,373
Accounts receivable, net	6(5)(30) and 7	597,731	549,975
Other receivables	7	3,540	22,019
Inventory	5(2), 6(6)(10)(30)	749,687	555,470
Prepayments		84,457	187,952
Total current Assets		2,451,316	2,624,119
Non-current assets			
Available-for-sale financial assets - non-current	5(2), 6(3) and 7	335,031	212,082
Financial assets carried at cost - non-current	5(2) and 6(8)	34,147	34,147
Investments accounted for using the equity method	6(9) and 7	226,614	189,407
Property, plant and equipment	6(10)(11)(30) and 8	1,950,608	1,947,030
Intangible assets	6(12)(13)	145,910	147,802
Deferred income tax assets	5(2) and 6(28)	102,239	100,967
Prepayments for equipment	6(10)(30)	45,385	18,806
Guarantee deposits paid		11,157	12,591
Other non-current financial assets	8	3,349	-
Long-term prepaid rents	6(14)	61,115	60,303
Other non-current assets	6(18)	7,776	5,939
Total non-current assets		2,923,331	2,729,074
Total assets		\$ 5,374,647	\$ 5,353,193

(Continued)

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31

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

Liabilities and Equity	Notes	December 31, 2014 AMOUNT	December 31, 2013 AMOUNT
Current liabilities			
Short-term borrowings	6(15) and 8	\$ 60,968	\$ 215,255
Short-term notes and bills payable	6(16)	109,990	79,942
Notes payable	6(30) and 7	267,379	208,090
Accounts payable	7	101,449	136,483
Other payables	6(30)	334,709	321,646
Current income tax liabilities	6(28)	47,179	45,560
Advance receipts		103,647	82,596
Long-term liabilities, current portion	6(17) and 8	28,000	40,000
Total current Liabilities		1,053,321	1,129,572
Non-current liabilities			
Long-term borrowings	6(17) and 8	180,750	127,000
Deferred income tax liabilities	6(28)	63,825	62,476
Accrued pension liabilities	5(2) and 6(18)	468,564	451,448
Guarantee deposits received		2,435	240
Total non-current liabilities		715,574	641,164
Total Liabilities		1,768,895	1,770,736
Equity attributable to owners of parent			
Share capital			
Common stock	6(19)(30)	1,786,961	1,786,961
Capital surplus	6(19)(20)(30)	423,902	411,397
Retained earnings	6(21)(28)		
Legal reserve		442,366	412,527
Unappropriated retained earnings		437,144	547,081
Other equity interest	6(3)(9)(18)(28)	214,155	133,276
Equity attributable to owners of the parent		3,304,528	3,291,242
Non-controlling interest		301,224	291,215
Total equity		3,605,752	3,582,457
Significant Contingent Liabilities and Unrecognized Contract	9		
Subsequent events	11		
Total liabilities and equity		\$ 5,374,647	\$ 5,353,193

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2015.

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31	
		2014	2013
		AMOUNT	AMOUNT
Sales revenue	6(22) and 7	\$ 3,295,656	\$ 3,053,983
Operating costs	6(6)(12)(18)(26)(27), 7 and 9	(1,847,958)	(1,756,385)
Net operating margin		1,447,698	1,297,598
Operating expenses	6(12)(14)(18)(26) (27), 7 and 9		
Selling expenses		(539,385)	(510,667)
General & administrative expenses		(288,219)	(295,311)
Research and development expenses		(242,770)	(226,429)
Total operating expenses		(1,070,374)	(1,032,407)
Operating profit		377,324	265,191
Non-operating income and expenses			
Other income	6(23)	67,654	93,388
Other gains and losses	6(2)(8)(13)(24)	25,130	16,780
Finance costs	6(10)(25)(30)	(6,353)	(9,589)
Share of (loss) profit of associates and joint ventures accounted for using the equity method	6(9)	(5,161)	3,149
Total non-operating income and expenses		81,270	103,728
Profit before income tax		458,594	368,919
Income tax expense	6(28)	(74,864)	(63,570)
Profit for the year from continuing operations		383,730	305,349
Loss for the year from discontinued operations	6(7)	-	(206)
Profit for the year		\$ 383,730	\$ 305,143

(Continued)

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31	
		2014	2013
		AMOUNT	AMOUNT
Other comprehensive income (loss)			
Financial statements translation differences of foreign operations	6(9)	\$ 10,655	\$ 12,587
Unrealized gain on valuation of available-for-sale financial assets	6(3)	71,159	44,966
Actuarial (loss) gain on defined benefit plan	6(18)	(5,850)	46,714
Income (loss) tax relating to the components of other comprehensive income	6(28)	1,274	(8,205)
Total other comprehensive income for the year		<u>\$ 77,238</u>	<u>\$ 96,062</u>
Total comprehensive income for the year		<u>\$ 460,968</u>	<u>\$ 401,205</u>
Profit attributable to:			
Owners of the parent		\$ 374,235	\$ 298,386
Non-controlling interest		9,495	6,757
		<u>\$ 383,730</u>	<u>\$ 305,143</u>
Comprehensive income attributable to:			
Owners of the parent		\$ 447,521	\$ 394,448
Non-controlling interest		13,447	6,757
		<u>\$ 460,968</u>	<u>\$ 401,205</u>
Basic earnings per share (in dollars)	6(29)		
Basic earnings per share from continuing operations		\$ 2.09	\$ 1.73
Basic loss per share from discontinued operations		-	-
		<u>\$ 2.09</u>	<u>\$ 1.73</u>
Diluted earnings per share (in dollars)	6(29)		
Diluted earnings per share from continuing operations		\$ 2.09	\$ 1.71
Diluted loss per share from discontinued operations		-	-
		<u>\$ 2.09</u>	<u>\$ 1.71</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2015.

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Capital Surplus					Retained Earnings				Other equity interest		
	Common stock	Additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Change in net equity of associates and joint ventures accounted for using the equity method	Stock warrants	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total		
For the year ended December 31, 2013												
Balance at January 1, 2013	\$ 1,684,229	\$ 226,365	\$ -	\$ -	\$ 41,836	\$ 385,385	\$ 441,077	(\$ 7,595)	\$ 83,318	\$ 2,854,615	\$ 300,043	\$ 3,154,658
Distribution of 2012 consolidated net income:												
Legal reserve	-	-	-	-	-	27,142	(27,142)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(203,749)	-	-	(203,749)	-	(203,749)
Common stock converted from corporate bonds	102,732	185,032	-	-	(41,836)	-	-	-	-	245,928	-	245,928
Consolidated net income for the year ended	-	-	-	-	-	-	298,386	-	-	298,386	6,757	305,143
Other comprehensive income for the year ended	-	-	-	-	-	-	38,509	12,587	44,966	96,062	-	96,062
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(15,585)	(15,585)
Balance at December 31, 2013	\$ 1,786,961	\$ 411,397	\$ -	\$ -	\$ -	\$ 412,527	\$ 547,081	\$ 4,992	\$ 128,284	\$ 3,291,242	\$ 291,215	\$ 3,582,457
For the year ended December 31, 2014												
Balance at January 1, 2014	\$ 1,786,961	\$ 411,397	\$ -	\$ -	\$ -	\$ 412,527	\$ 547,081	\$ 4,992	\$ 128,284	\$ 3,291,242	\$ 291,215	\$ 3,582,457
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	-	-	9,045	-	-	-	-	-	-	9,045	-	9,045
Change in net equity of associates and joint ventures accounted for using the equity method	-	-	-	3,460	-	-	-	-	-	3,460	-	3,460
Distribution of 2013 consolidated net income:												
Legal reserve	-	-	-	-	-	29,839	(29,839)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(446,740)	-	-	(446,740)	-	(446,740)
Consolidated net income for the year ended	-	-	-	-	-	-	374,235	-	-	374,235	9,495	383,730
Other comprehensive income for the year ended	-	-	-	-	-	-	(7,593)	10,655	70,224	73,286	3,952	77,238
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(3,438)	(3,438)
Balance at December 31, 2014	\$ 1,786,961	\$ 411,397	\$ 9,045	\$ 3,460	\$ -	\$ 442,366	\$ 437,144	\$ 15,647	\$ 198,508	\$ 3,304,528	\$ 301,224	\$ 3,605,752

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2015.

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year from continuing operations		\$ 458,594	\$ 368,919
Loss before tax for the year from discontinued operations	6(7)	-	(206)
Consolidated profit before tax for the year		458,594	368,713
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
(Gain) loss on financial assets at fair value through profit and loss		(1,630)	144
Provision for doubtful accounts	6(4)(5)	10,178	5,074
Provision (reversal of allowance) for inventory market price decline	6(6)	9,553	(17,134)
Gain on disposal of available-for-sale financial assets - non-current		-	(137)
(Gain) loss on disposal of financial assets carried at cost - non-current	6(8)	(788)	182
Share of profit of associates and joint ventures accounted for using the equity method	6(9)		
		5,161	(3,149)
Depreciation	6(10)(26)	146,124	134,964
Net loss on disposal of property, plant and equipment	6(24)	610	1,945
Property, plant and equipment transferred to expense	6(10)	1,423	-
Amortization	6(12)(26)	6,438	6,298
Impairment loss	6(12)(13)	2,630	-
Amortization of long-term prepaid rent	6(14)	1,281	1,258
Gain on financial liabilities at fair value through profit and loss		-	(310)
Dividend income	6(23)	(7,186)	(7,259)
Interest income	6(23)	(3,946)	(4,397)
Interest expenses	6(25)	6,353	9,589
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets and liabilities at fair value through profit or loss		80,482	(19,632)
Notes receivable		4,369	87,571
Accounts receivable		(58,005)	(27,780)
Other receivables		18,393	(13,407)
Inventories		(208,311)	(12,463)
Prepayments		103,495	(118,276)
Other non-current assets		(1,027)	-
Net changes in liabilities relating to operating activities			
Notes payable		68,742	(27,335)
Accounts payable		(35,034)	42,263
Other payables		9,443	71,496
Advance receipts		21,051	9,011
Accrued pension liabilities		12,540	4,423
Other non-current liabilities		-	(3,702)
Cash generated from operations		650,933	487,950
Dividend received		7,186	7,259
Interest received		4,032	4,241
Interest paid		(6,678)	(4,040)
Income tax paid		(73,168)	(59,954)
Net cash provided by operating activities		582,305	435,456

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STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	2014	2013
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets - non-current		(\$ 66,846)	\$ -
Proceeds from disposal of available-for-sale financial assets- non-current		-	2,015
Increase in financial assets carried at cost - non-current		-	(1,485)
Proceeds from liquidation of financial assets carried at cost		788	-
Proceeds from capital reduction of financial assets carried at cost	6(30)	-	1,755
Acquisition of investments accounted for using the equity method	6(9) and 7	(40,359)	(173,518)
Cash paid for acquisition of property, plant and equipment	6(30)	(113,475)	(390,727)
Interest paid for acquisition of property, plant and equipment	6(10)(25)(30)	(269)	(614)
Proceeds from disposal of property, plant and equipment		1,073	7,976
Acquisition of intangible assets	6(12)	(6,429)	(38,325)
(Increase) decrease in prepayment for equipment		(57,624)	29
Decrease in guarantee deposits paid		1,434	6,745
Increase in other non-current financial assets		(3,349)	-
Increase in other non-current assets		(810)	(9,501)
Net cash used in investing activities		(285,866)	(595,650)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(154,287)	(37,190)
Increase (decrease) in short-term notes and bills payable		30,000	(10,000)
Proceeds from long-term borrowings		81,750	127,000
Repayments of long-term borrowings		(40,000)	(10,000)
Increase (decrease) in guarantee deposit received		2,195	(2,144)
Payment of cash dividends	6(21)	(446,740)	(203,749)
Decrease in non-controlling interests		(3,438)	(15,585)
Net cash used in financing activities		(530,520)	(151,668)
Effect of foreign exchange rate changes on cash and cash equivalents		9,373	13,974
Net effect of change in the consolidated entities		-	102,735
Decrease in cash and cash equivalents		(224,708)	(195,153)
Cash and cash equivalents at beginning of year	6(1)	767,941	963,094
Cash and cash equivalents at end of year	6(1)	\$ 543,233	\$ 767,941

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2015.

STANDARD CHEM. & PHARM. CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) The Company was incorporated on June 30, 1967 under the provisions of the Company Act of the Republic of China (R.O.C.) and other regulations. The Company is primarily engaged in the manufacturing and sales of Chinese and western medicine, cosmetics, beverage, normal instruments and medical instruments. Furthermore, the Company is engaged in developing new cities and neighbourhoods, international trading and consulting.

(2) The Company has been listed on the Taiwan Stock Exchange starting from December 1995.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 25, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Improvements to IFRSs 2010	January 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Disclosures — Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2009—2011	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014

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

A. IAS 1, ‘Presentation of financial statements’

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

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

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

C. IFRS 13, ‘Fair value measurement’

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018
The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.	

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the

“IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the non-consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with the “IFRSs” requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, Critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

<u>Name of investors</u>	<u>Name of subsidiaries</u>	<u>Main business activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	General investment	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Import and export of various medical products, medicine, supplements	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Wholesale of multi-function printers and information software	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Souiree Biotech & Pharm. Co., Ltd.	Manufacturing of western medicine and retail and wholesale of various medicine	91.82	91.14	—

Name of investors	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2014	December 31, 2013	
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	90.72	87.69	—
Standard Chem & Pharm. Co., Ltd.	Advpharma Inc.	Research and development, manufacturing and sale of various medicine	84.58	84.58	—
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Manufacturing, wholesale, and property rights of various chemical materials within various medicine	53.68	56.68	—
Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	100.00	100.00	—
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd	Research and development, manufacturing and sale of various medicine	55.00	55.00	—

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised 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 recognised 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 recognised 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 recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Where the foreign entity reports in the currency of a hyperinflationary economy, the financial statements of the foreign entity should be restated for the changes in the general purchasing power of the functional currency before translated into the presentation currency at the balance sheet date. The financial statements of the foreign entity are restated based on the relevant price indexes at the balance sheet date, and then translated into the Group's presentation currency using the closing exchange rates on that date.

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, 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 realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting, and financial assets initially measured at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised 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 recognised in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised 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 recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within credit balance and is recognised as deduction of operating costs.

(11) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(12) Impairment of financial assets

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

- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
 - (b) The disappearance of an active market for that financial asset because of financial difficulties;
 - (c) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (d) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortised 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 recognised 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (b) Available-for-sale financial assets
The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) 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 recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(13) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of 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 of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital 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 Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

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

(15) Property, plant and equipment

- A. Except for items reclassified under regulations, property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets Name</u>	<u>Useful Life</u>
Buildings	2 ~ 60 years
Machinery and equipment	2 ~ 15 years
Utility equipment	2 ~ 15 years
Transportation equipment	2 ~ 6 years
Office equipment	2 ~ 6 years
Other equipment	2 ~ 15 years

(16) Leases (lessee)

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its

estimated useful life of 55 years.

(18) Intangible assets

A. Technical skill transfer fee, royalty paid for acquisition of techniques and distribution rights, trademarks and property rights are stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised 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. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill has not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) 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. 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.

- B. Financial liabilities at fair value through profit or loss are initially recognised 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 recognised in profit or loss.

(22) 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

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

(24) 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Bonds payable

A. Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- (a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- (b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

- (c) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – stock warrants.

B. When bondholders exercise put options on corporate bonds within 1 year, bonds payable should be reclassified as current liabilities; unexercised put options at the end of exercise period will be reclassified as non-current liabilities.

(26) 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) 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.
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

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

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

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 tax is recognised, 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 balance sheet. However, the deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) 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.

(29) Revenue recognition

A. Sales of goods

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

B. Sales of services

The Group provides processing services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably.

(30) Operating segments

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

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

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

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

Financial assets—impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

- (a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the market needs and changes in selling strategy, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net 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 changes to the evaluation.

- (b) As of December 31, 2014, the carrying amount of inventories was \$749,687.

B. Financial assets—fair value measurement of unlisted stocks without active market

- (a) The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent fund raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) , Fair value estimation for the financial instruments fair value information.

- (b) As of December 31, 2014, the carrying amount of unlisted stocks without active market was \$159,335.

C. Realisability of deferred tax assets

- (a) Deferred tax assets are recognised 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 tax assets involves critical accounting judgements 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 tax assets.
- (b) As of December 31, 2014, the Group recognised deferred tax assets amounting to \$102,239.

D. Calculation of accrued pension obligations

- (a) When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.
- (b) As of December 31, 2014, the carrying amount of accrued pension obligations was provided in Note 6(18), Pensions. When the discount rate increased/decreased by 0.25%, the Group recognised accrued pension liabilities would have decreased by \$16,921 or increased by \$17,674.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash:		
Revolving funds and petty cash	\$ 5, 455	\$ 3, 727
Checking accounts and demand deposits	<u>342, 614</u>	<u>488, 231</u>
	<u>348, 069</u>	<u>491, 958</u>
Cash equivalents:		
Time deposits	159, 980	230, 627
Repurchase bonds	<u>35, 184</u>	<u>45, 356</u>
	<u>195, 164</u>	<u>275, 983</u>
	<u>\$ 543, 233</u>	<u>\$ 767, 941</u>

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral (shown as "other financial assets – non-current") are provided in Note 8, Pledged assets.

(2) Financial assets at fair value through profit or loss – Current

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial assets held for trading		
Beneficiary certificates	\$ 161, 756	\$ 240, 807
Listed stocks	<u>-</u>	<u>1, 431</u>
	161, 756	242, 238
Valuation adjustment of financial assets held for trading	<u>2, 781</u>	<u>1, 151</u>
	<u>\$ 164, 537</u>	<u>\$ 243, 389</u>

A. The Group recognised loss (shown as “Other gains and losses”) of \$1,876 and \$1,253 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively, and recognised loss (shown as “Other gains and losses”) of \$— and \$310 on financial assets designated as at fair value through profit or loss for the years ended December 31, 2014 and 2013, respectively.

B. As of December 31, 2014 and 2013, the Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current items:		
Listed stocks	\$ 12,000	\$ —
Valuation adjustment of available-for-sale financial assets	<u>3,056</u>	<u>—</u>
	<u>\$ 15,056</u>	<u>\$ —</u>
Non-current items:		
Listed stocks	\$ 88,279	\$ 33,433
Unlisted stocks	<u>50,366</u>	<u>50,366</u>
	138,645	83,799
Valuation adjustment of available-for-sale financial assets	<u>196,386</u>	<u>128,283</u>
	<u>\$ 335,031</u>	<u>\$ 212,082</u>

A. The Group recognised \$71,159 and \$44,966 in other comprehensive income for fair value change for the years ended December 31, 2014 and 2013, respectively

B. As of December 31, 2014 and 2013, no available-for-sale financial assets of the Group were pledged as collateral.

(4) Notes receivable, net

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Notes receivable	\$ 295,303	\$ 299,949
Less: allowance for bad debts	<u>(2,228)</u>	<u>(2,576)</u>
	<u>\$ 293,075</u>	<u>\$ 297,373</u>

A. None of the notes receivable was past due and impaired as of December 31, 2014 and 2013.

B. Movement analysis of financial assets that were impaired is as follows:

	Years ended December 31,	
	2014	2013
	Group provision	Group provision
Beginning balance	\$ 2, 576	\$ 2, 623
Provision for impairment	-	957
Reversal of impairment	(71)	-
Write-offs during the year	(277)	(1, 004)
Ending balance	<u>\$ 2, 228</u>	<u>\$ 2, 576</u>

C. The notes receivable that were neither past due nor impaired have good credit quality.

D. The maximum exposure to credit risk at balance sheet date is the carrying amount of notes receivable as of December 31, 2014 and 2013.

E. As of December 31, 2014 and 2013, the Group has no notes receivable pledged to others.

(5) Accounts receivable, net

	December 31, 2014	December 31, 2013
Accounts receivable	\$ 612, 234	\$ 558, 741
Less: allowance for bad debts	(14, 503)	(8, 766)
	<u>\$ 597, 731</u>	<u>\$ 549, 975</u>

A. None of the accounts receivable was past due and impaired as of December 31, 2014 and 2013.

B. Movement analysis of financial assets that were impaired is as follows:

	Years ended December 31,	
	2014	2013
	Group provision	Group provision
Beginning balance	\$ 8, 766	\$ 7, 496
Provision for impairment	10, 249	4, 117
Write-offs during the year	(4, 512)	(1, 816)
Effect of consolidated entity's movement	-	(1, 031)
Ending balance	<u>\$ 14, 503</u>	<u>\$ 8, 766</u>

C. The accounts receivable that were neither past due nor impaired have good credit quality.

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

E. As of December 31, 2014 and 2013, the Group has no accounts receivable pledged to others.

(6) Inventories

December 31, 2014			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 267,640	(\$ 12,353)	\$ 255,287
Raw materials	149,703	(5,393)	144,310
Supplies	44,217	(2,429)	41,788
Work in process	110,263	(9,291)	100,972
Finished goods	213,948	(6,618)	207,330
	<u>\$ 785,771</u>	<u>(\$ 36,084)</u>	<u>\$ 749,687</u>
December 31, 2013			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 154,360	(\$ 4,998)	\$ 149,362
Raw materials	119,355	(6,446)	112,909
Supplies	41,609	(3,468)	38,141
Work in process	52,151	(5,145)	47,006
Finished goods	214,526	(6,474)	208,052
	<u>\$ 582,001</u>	<u>(\$ 26,531)</u>	<u>\$ 555,470</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2014	2013
Cost of goods sold	\$ 1,813,968	\$ 1,745,540
Loss on disposal of inventory	21,565	27,586
Gain (loss) on physical inventory	(491)	393
Provision (reversal of allowance) for inventory market	9,553	(17,134)
Total cost of goods sold	<u>\$ 1,844,595</u>	<u>\$ 1,756,385</u>

(Note) The Group reversed a previous inventory write-down and which was accounted for as a reduction of cost of goods sold as the related inventory items were sold in 2013.

(7) Non-current assets held for sale and discontinued operations

A. On January 25, 2013, the Board of Directors has resolved the merger of the Company's subsidiary – Health Life International Co., Ltd. with WE CAN MEDICINES CO., LTD. In order to integrate all its sources, expand its operating scale and improve operating performance and competitiveness, on February 6, 2013, the Board of Directors of Health Life International Co., Ltd. and WE CAN MEDICINES CO., LTD. approved the merger. The surviving company was WE CAN MEDICINES CO., LTD. and the dissolved company was Health Life International Co., Ltd. The merger was set effective on April 1, 2013. The merger qualifies under IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', thus, assets and liabilities related to Health Life International Co., Ltd. were reclassified as held for sale and presented as discontinued operations. The transaction was completed on April 1, 2013.

B. The cash flow information of the discontinued operations is as follows:

	Year ended December 31, 2013
Operating cash flows	(\$ 39,117)
Investing cash flows	(25)
Financing cash flows	5,981
Total cash flows	(\$ 33,161)

Year ended December 31, 2014: None.

C. Analysis of the result of discontinued operations is as follows:

	Year ended December 31, 2013
Revenue	\$ 148,094
Expenses	(148,300)
Net loss from discontinued operations before and after tax	(\$ 206)

Year ended December 31, 2014: None.

D. Profit from continuing and discontinued operations attributable to owners of the parent: Please refer to Note 6(29), Earnings per share.

(8) Financial assets measured at cost – Non-current

	December 31, 2014	December 31, 2013
Unlisted stocks	\$ 34,147	\$ 38,647
Less: Accumulated impairment	–	(4,500)
	<u>\$ 34,147</u>	<u>\$ 34,147</u>

A. According to the Group's intention, its investment in company stocks should be classified as 'available-for-sale financial assets'. However, as the company stocks are not traded in active market, and sufficient industry information of companies similar to the company or the company's financial information cannot be obtained, the fair value of the investment in company stocks cannot be measured reliably. Accordingly the Group classified those stocks as 'financial assets measured at cost'.

B. The Group's financial assets measured at cost – Zhong Shan Venture Capital Co., Ltd. and ANS Technology Corp. were liquidated in December 2013 and July 2013, respectively. The Group has recognised gain (loss) on related disposal of \$788 and (\$182) (shown as 'other gains and losses') respectively.

C. As of December 31, 2014 and 2013, no financial assets measured at cost held by the Group was pledged to others.

(9) Investments accounted for using equity method

A. Movements of investments accounted for using equity method:

	Years ended December 31,	
	2014	2013
At January 1	\$ 189,407	\$ 13,245
Acquisition of investments accounted for using the equity method	40,359	173,518
Share of profit or loss of investments accounted for using the equity method	(5,161)	3,149
Capital surplus — Changes in net equity of associates and joint ventures accounted for using equity method	3,460	—
Other equity interest — Financial statements translation differences of foreign operations	(1,451)	(505)
	<u>\$ 226,614</u>	<u>\$ 189,407</u>

B. Details of investments accounted for using equity method are as follows:

	December 31, 2014	December 31, 2013
WE CAN MEDICINES CO., LTD.	\$ 214,795	\$ 177,589
CNH TECHNOLOGIES, INC.	11,614	11,544
SAWAI USA INC.	205	274
	<u>\$ 226,614</u>	<u>\$ 189,407</u>

C. The financial information of the Group's principal associates is summarized below:

	December 31, 2014		Year ended December 31, 2014		% interest held
	Assets	Liabilities	Operating revenue	(Profit)/(Loss)	
WE CAN MEDICINES CO., LTD.	\$ 1,028,395	\$ 379,815	\$ 2,335,640	(\$ 12,588)	33.10%
CNH TECHNOLOGIES, INC.	33,644	1,130	14,085	(1,725)	35.72%
SAWAI USA INC.	1,026	—	—	(411)	20.00%

	<u>December 31, 2013</u>		<u>Year ended December 31, 2013</u>		<u>% interest held</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Operating revenue</u>	<u>(Profit/(Loss))</u>	
WE CAN MEDICINES CO., LTD.	\$ 812,016	\$ 309,357	\$ 1,970,813	\$ 5,944	35.33%
CNH TECHNOLOGIES, INC.	33,549	1,230	13,061 (	5,261)	35.72%
SAWAI USA INC.	1,371	-	- (	1,604)	20.00%

D. As of December 31, 2014 and 2013, the Group has no investments accounted for using equity method pledged to others.

(10) Property, plant and equipment

Year ended December 31, 2014	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
Beginning balance									
Cost	\$ 499,630	\$ 914,867	\$ 769,174	\$ 197,022	\$ 1,791	\$ 2,723	\$ 903,641	\$ 4,846	\$ 3,293,694
Accumulated depreciation	-	(222,091)	(510,564)	(112,683)	(1,278)	(1,852)	(498,196)	-	(1,346,664)
Net book value	\$ 499,630	\$ 692,776	\$ 258,610	\$ 84,339	\$ 513	\$ 871	\$ 405,445	\$ 4,846	\$ 1,947,030
Opening net book amount	\$ 499,630	\$ 692,776	\$ 258,610	\$ 84,339	\$ 513	\$ 871	\$ 405,445	\$ 4,846	\$ 1,947,030
Additions—cost	-	1,761	14,231	1,625	722	676	24,055	65,214	108,284
Transferred—cost (Note 1)	-	(1,198)	(10,078)	-	377	-	46,557	(1,495)	34,163
Transferred—accumulated depreciation	-	-	17,042	-	-	-	(17,042)	-	-
Depreciation charge	-	(27,755)	(38,392)	(9,613)	(314)	(657)	(69,393)	-	(146,124)
Disposals—cost	-	-	(929)	(67)	-	-	(16,972)	-	(17,968)
Disposals—accumulated depreciation	-	-	921	62	-	-	15,302	-	16,285
Net exchange differences	-	8,888	(1,549)	-	9	1,145	269	176	8,938
Closing net book amount	\$ 499,630	\$ 674,472	\$ 239,856	\$ 76,346	\$ 1,307	\$ 2,035	\$ 388,221	\$ 68,741	\$ 1,950,608
Ending balance									
Cost	\$ 499,630	\$ 924,361	\$ 774,063	\$ 198,580	\$ 2,930	\$ 4,511	\$ 957,174	\$ 68,741	\$ 3,429,990
Accumulated depreciation	-	(249,889)	(534,207)	(122,234)	(1,623)	(2,476)	(568,953)	-	(1,479,382)
Net book value	\$ 499,630	\$ 674,472	\$ 239,856	\$ 76,346	\$ 1,307	\$ 2,035	\$ 388,221	\$ 68,741	\$ 1,950,608

	Year ended		Construction in progress and equipment to be inspected														
	December 31, 2013		Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Total							
Beginning balance																	
Cost	\$	396,907	\$	734,529	\$	704,228	\$	206,528	\$	8,733	\$	901,575	\$	67,964	\$	3,023,023	
Accumulated depreciation			(	204,402	(	512,821	(	112,102	(	2,826	(	465,971	(	-	(	1,299,311
Net book value	\$	396,907	\$	530,127	\$	191,407	\$	94,426	\$	5,907	\$	435,604	\$	67,964	\$	1,723,712	
Opening net book amount	\$	396,907	\$	530,127	\$	191,407	\$	94,426	\$	5,907	\$	435,604	\$	67,964	\$	1,723,712	
Additions—Cost	94,772			16,626		106,700		1,197		974		45,763		103,798		369,839	
Transfer from inspection	-			167,220	-	-	-	-	-	-	-	3,336	(	170,556	-	-
Transferred — Cost (Note 2)	7,951			8,948	(	3,749)	-	-	-	-	-	7,901	-	-	-	21,051
Transferred — Accumulated depreciation (Note 3)	-	(	2,010)		1,439	-	-	-	-	-	-	1,439	-	-	(	2,010)
Depreciation charge	-	(	24,584)	(	36,025)	(	9,761)	(	291)	(	523)	(	63,780)	-	(	134,964)
Effect of consolidated entity's movement	-	-	-	-	(	268)	-	-	(	835)	(	25,684)	-	-	(	33,789)
— cost	-		-	-	89	-	-	-	224	2,277	7,715	-	-	-	-	10,305	
Effect of consolidated entity's movement	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
— accumulated depreciation	-	(	7,995)	(	36,393)	(	10,703)	-	-	-	(	29,264)	-	-	(	84,355)
Disposals — cost	-		4,409		36,530		9,180	-	-	-		24,315	-	-		74,434	
Disposals — accumulated depreciation	-			35	(	1,120)	-	-	36	(	762)	978	-	-	-	2,807
Net exchange differences	\$	499,630	\$	692,776	\$	258,610	\$	84,339	\$	871	\$	405,445	\$	4,846	\$	1,947,030	
Closing net book amount																	
Ending balance																	
Cost	\$	499,630	\$	914,867	\$	769,174	\$	197,022	\$	2,723	\$	903,641	\$	4,846	\$	3,293,694	
Accumulated depreciation	-	(222,091)	(510,564)	(112,683)	(1,278)	(1,852)	(498,196)	-	-	(1,346,664)
Net book value	\$	499,630	\$	692,776	\$	258,610	\$	84,339	\$	871	\$	405,445	\$	4,846	\$	1,947,030	

(Note 1) Including transfer of \$4,541 from 'inventory'; transfer of \$31,045 from 'prepayment for equipment'; transfer of \$1,423 into expense.

(Note 2) Including transfer of \$13,529 from 'investment property, net'; transfer of \$7,522 from 'prepayment for equipment'.

(Note 3) Including transfer from 'investment property, net'.

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

	Years ended December 31,	
	2014	2013
Capitalized interest payments	\$ 269	\$ 614
Interest rate	1.03%	2.16%

B. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2014 and 2013 is provided in Note 8, Pledged assets.

(11) Investment property, net

<u>Year ended December 31, 2013</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning balance			
Cost	\$ 7,951	\$ 5,578	\$ 13,529
Accumulated depreciation	-	(2,010)	(2,010)
Net book value	<u>\$ 7,951</u>	<u>\$ 3,568</u>	<u>\$ 11,519</u>
Opening net book amount	\$ 7,951	\$ 3,568	\$ 11,519
Transfer to property, plant and equipment — cost	(7,951)	(5,578)	(13,529)
Transfer to property, plant and equipment — accumulated depreciation	-	2,010	2,010
Closing net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending balance			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation	-	-	-
Net book value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. Year ended December 31, 2014: None.

B. Certain investment properties were used as owner-occupied property since January 1, 2013. According to IAS 16, "Property, plant and equipment," the Group transferred a portion of investment property into property, plant and equipment. Details are provided in Note 6(10), Property, plant and equipment.

(12) Intangible assets

<u>Year ended December 31, 2014</u>	<u>Royalty</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
Beginning balance				
Cost	\$ 102,678	\$ 30,770	\$ 103,638	\$ 237,086
Accumulated amortization	(70,382)	(13,508)	(5,149)	(89,039)
Net exchange differences	<u>—</u>	<u>2</u>	<u>(247)</u>	<u>(245)</u>
Net book value	<u>\$ 32,296</u>	<u>\$ 17,264</u>	<u>\$ 98,242</u>	<u>\$ 147,802</u>
Opening net book amount	\$ 32,296	\$ 17,264	\$ 98,242	\$ 147,802
Additions - separately acquired	—	3,248	3,181	6,429
Amortization	(633)	(2,794)	(3,011)	(6,438)
Impairment	(2,630)	—	—	(2,630)
Net exchange differences	<u>—</u>	<u>3</u>	<u>744</u>	<u>747</u>
Closing net book amount	<u>\$ 29,033</u>	<u>\$ 17,721</u>	<u>\$ 99,156</u>	<u>\$ 145,910</u>
Ending balance				
Cost	\$ 102,678	\$ 34,018	\$ 106,819	\$ 243,515
Accumulated amortization	(71,015)	(16,302)	(8,160)	(95,477)
Accumulated impairment	(2,630)	—	—	(2,630)
Net exchange differences	<u>—</u>	<u>5</u>	<u>497</u>	<u>502</u>
Net book value	<u>\$ 29,033</u>	<u>\$ 17,721</u>	<u>\$ 99,156</u>	<u>\$ 145,910</u>

Year ended December 31, 2013	Royalty	Software	Others	Total
Beginning balance				
Cost	\$ 85,028	\$ 36,159	\$ 134,133	\$ 255,320
Accumulated amortization	(70,137)	(15,885)	(3,406)	(89,428)
Net exchange differences	<u>-</u>	<u>(2)</u>	<u>(603)</u>	<u>(605)</u>
Net book value	<u>\$ 14,891</u>	<u>\$ 20,272</u>	<u>\$ 130,124</u>	<u>\$ 165,287</u>
Opening net book amount	\$ 14,891	\$ 20,272	\$ 130,124	\$ 165,287
Additions - separately acquired	17,650	6,280	14,395	38,325
Amortization	(245)	(3,136)	(2,917)	(6,298)
Effect of change in consolidated entity - cost	-	(11,669)	(44,890)	(56,559)
Effect of change in consolidated entity - accumulated amortization	-	5,513	1,174	6,687
Net exchange differences	<u>-</u>	<u>4</u>	<u>356</u>	<u>360</u>
Closing net book amount	<u>\$ 32,296</u>	<u>\$ 17,264</u>	<u>\$ 98,242</u>	<u>\$ 147,802</u>
Ending balance				
Cost	\$ 102,678	\$ 30,770	\$ 103,638	\$ 237,086
Accumulated amortization	(70,382)	(13,508)	(5,149)	(89,039)
Net exchange differences	<u>-</u>	<u>2</u>	<u>(247)</u>	<u>(245)</u>
Net book value	<u>\$ 32,296</u>	<u>\$ 17,264</u>	<u>\$ 98,242</u>	<u>\$ 147,802</u>

A. No borrowing costs were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Operating costs	\$ 2,880	\$ 1,850
Selling expenses	1,011	300
General & administrative expenses	2,493	3,423
Research and development expenses	<u>54</u>	<u>725</u>
	<u>\$ 6,438</u>	<u>\$ 6,298</u>

C. The Group applied value in use method when calculating recoverable amount of goodwill and determined the recoverable amount to be greater than the carrying amount; thus, no impairment was identified. Goodwill distributed to cash generating unit according to operating segment is shown below:

	December 31, 2014	December 31, 2013
Multipower Enterprise Corp.	<u>\$ 70,265</u>	<u>\$ 70,265</u>

D. Impairment information about the intangible assets is provided in Note 6(13), Impairment of non-financial assets.

E. No intangible assets that was pledged to others as collaterals on December 31, 2014 and 2013.

(13) Impairment of non-financial assets

A. The Group recognised impairment loss (shown as ‘other gains and losses’) for the years ended December 31, 2014 and 2013 of \$2,630 and \$-, respectively. Details of such loss are as follows:

	<u>Year ended December 31, 2014</u>		<u>Year ended December 31, 2013</u>	
	Recognised in other		Recognised in other	
	<u>Recognised in profit or loss</u>	<u>comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>comprehensive income</u>
Impairment loss - royalty	<u>\$ 2,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Year ended December 31, 2014</u>		<u>Year ended December 31, 2013</u>	
	Recognised in other		Recognised in other	
	<u>Recognised in profit or loss</u>	<u>comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>comprehensive income</u>
Syngen Biotech Co., Ltd.	<u>\$ 2,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

C. Goodwill is tested annually for impairment. Goodwill is allocated to the Group’s cash-generating units - Multipower Enterprise Corp. identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the cash-generating units - Multipower Enterprise Corp. covering a five-year period. Cash flow of financial budgets is prepared based on forecasts of growth of future annual revenue, profit and capital expenditure. The Group estimated the growth of future annual revenue at 10~15% as of December 31, 2014 and 2013. The estimation of capital expenditure is based on the current market needs and is calculated using the annual discount rate of 7.71% and 7.46% on December 31, 2014 and 2013 to reflect risks arising from related cash-generating units.

D. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired for the years ended December 31, 2014 and 2013.

(14) Long-term prepaid rents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Land use right	<u>\$ 61,115</u>	<u>\$ 60,303</u>

On December 31, 2011, the Group signed a land use right contract amounting to \$66,427 (approximately RMB\$13,021 thousand) with the People’s Republic of China Government for use of the land at Taizhou City, Jiangsu Province, China with term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses (shown as ‘operating expenses’) of \$1,281 and \$1,258 for the years ended December 31, 2014 and 2013, respectively.

(15) Short-term borrowings

	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 10,968	3.45%	—
Secured bank borrowings	50,000	1.14%	(Note 1)
	<u>\$ 60,968</u>		
	<u>December 31, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 135,255	1.20%~2.45%	—
Secured bank borrowings	80,000	1.12%~1.15%	(Note 2)
	<u>\$ 215,255</u>		

Note 1: Land and buildings.

Note 2: Investments accounted for using equity method (subsidiaries), land and buildings.

(16) Short-term notes and bills payable

	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 110,000	0.87%~1.32%	None
Less: discount on commercial paper payable	(10)		
	<u>\$ 109,990</u>		
	<u>December 31, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 80,000	0.75%~1.32%	None
Less: discount on commercial paper payable	(58)		
	<u>\$ 79,942</u>		

The above commercial papers were issued and secured by International Bills Finance Corporation and other financing institutions for short-term financing.

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Maturity date range</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Unsecured bank borrowings	2016.09.15	1.10%	None	\$ 108,750
Secured bank borrowings	2017.04.03~ 2017.05.26	1.53%~1.73%	Bank deposit and buildings	100,000
				208,750
Less: current portion of long-term borrowings				(28,000)
				<u>\$ 180,750</u>

Type of borrowings	Maturity date range	Interest rate range	Collateral	December 31, 2013
Unsecured bank borrowings	2014. 02. 08 ~ 2023. 07. 18	1. 10% ~ 1. 60%	None	\$ 157, 000
Secured bank borrowings	2015. 07. 08	1. 48%	Buildings	10, 000
				167, 000
Less: current portion of long-term borrowings				(40, 000)
				<u>\$ 127, 000</u>

(18) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2%~6% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2014	December 31, 2013
Present value of funded defined benefit obligations	(\$ 533, 536)	(\$ 524, 216)
Fair value of plan assets	65, 999	72, 768
	<u>(\$ 467, 537)</u>	<u>(\$ 451, 448)</u>
Net liability in the balance sheet (Note 1)	(\$ 468, 564)	(\$ 451, 448)
Net asset in the balance sheet (Note 2)	1, 027	-
	<u>(\$ 467, 537)</u>	<u>(\$ 451, 448)</u>

Note 1: Shown as 'accrued pension liabilities'.

Note 2: Shown as 'other non-current assets'.

(b) Movements in present value of defined benefit obligations are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Present value of defined benefit obligations at January 1	(\$ 524, 216)	(\$ 575, 771)
Current service cost	(8, 240)	(9, 262)
Interest cost	(10, 398)	(8, 545)
Actuarial (loss) gain	(6, 139)	45, 591
Gain on curtailment or settlement	15, 457	23, 771
Present value of defined benefit obligations at December 31	<u>(\$ 533, 536)</u>	<u>(\$ 524, 216)</u>

(c) Movements in fair value of plan assets:

	Year ended December 31, 2014	Year ended December 31, 2013
Fair value of plan assets at January 1	\$ 72, 768	\$ 90, 237
Expected return on plan assets	1, 491	1, 604
Actuarial gain (loss)	289	(546)
Employer contributions	5, 551	5, 244
Benefits paid	(14, 100)	(23, 771)
Fair value of plan assets at December 31	<u>\$ 65, 999</u>	<u>\$ 72, 768</u>

(d) Amounts of expenses recognised in statements of comprehensive income:

	Year ended December 31, 2014	Year ended December 31, 2013
Current service cost	\$ 8, 240	\$ 9, 262
Interest cost	10, 398	8, 545
Expected return on plan assets	(1, 491)	(1, 604)
Current pension cost	<u>\$ 17, 147</u>	<u>\$ 16, 203</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Operating costs	\$ 11, 465	\$ 10, 432
Selling expenses	2, 350	2, 452
General and administrative expenses	2, 586	2, 346
Research and development expenses	746	973
	<u>\$ 17, 147</u>	<u>\$ 16, 203</u>

- (e) Amounts of actuarial gains or losses recognised under other comprehensive income are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Recognition for current period	(\$ 5,850)	\$ 46,714
Accumulated amount	\$ 12,406	\$ 18,256

- (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 composition of fair value of plan assets as of December 31, 2014 and 2013 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. For the years ended December 31, 2014 and 2013, the Company's and domestic subsidiaries' actual returns on plan assets was \$1,780 and \$1,058, respectively.

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

	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	1.75%~2.00%	1.75%~2.00%
Future salary increases	2.00%~3.00%	2.00%~3.00%
Expected return on plan assets	1.75%	1.75%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2014 and 2013.

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

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Present value of defined benefit obligation	(\$ 533,536)	(\$ 524,216)	(\$ 575,771)
Fair value of plan assets	65,999	72,768	90,237
Deficit in the plan	(\$ 467,537)	(\$ 451,448)	(\$ 485,534)
Experience adjustments on plan liabilities	(\$ 3,344)	\$ 15,221	(\$ 4,010)
Experience adjustments on plan assets	\$ 289	(\$ 546)	(\$ 1,123)

(i) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2014 are \$16,581.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 Company's mainland subsidiaries, Jiangsu Standard Biotech Pharmaceutical Co., Ltd. and Jiangsu Standard-Dia Biopharma Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2014 and 2013 was 20%~29% and -%, respectively. Other than the monthly contributions, the subsidiaries has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were \$27,186 and \$25,826, respectively.

(19) Share capital - Common stock

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

	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	178,696	168,423
Conversion of convertible bonds to ordinary shares	-	10,273
Ending balance	178,696	178,696

B. In 2013, the bondholders of the third domestic unsecured convertible bonds issued by the Company have requested to convert bonds amounting to \$92,300 and \$164,600 into ordinary shares at \$24.5 (in dollars) per share and \$25.3 (in dollars) per share, respectively, in 2013. The converted ordinary shares amounted to \$102,732.

C. As of December 31, 2014, the Company's authorized capital was \$2,000,000, and the paid-in capital was \$1,786,961 with a par value of \$10 (in dollars) per share, consisting of 178,696

thousand shares of ordinary stock. All proceeds from shares issued have been collected.

(20) Capital surplus

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

(21) Retained earnings

- A. In accordance with the Company Act, the Company should use profit after tax to appropriate 10% as legal reserve until the legal reserve equals to the paid-in capital. Within the limit, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, as the Company operates in a volatile business environment and is in the stable growth stage, takes into consideration of the Company's future capital needs, long-term financial planning and the shareholders' needs for cash inflow, the Company's earnings, if any, are distributed in the following order:
 - (a) Pay all taxes.
 - (b) Cover accumulated deficit.
 - (c) Appropriate 10% as legal reserve.
 - (d) Appropriate or reverse special reserve in accordance with regulations.
 - (e) 1% of the remaining as bonus to employees.
 - (f) 3% of the remaining as remuneration to directors and supervisors.
 - (g) The remainder along with the prior accumulated unappropriated earnings is proposed by the Board of Directors. The cash dividends should not be less than 1% of the total dividends distributed. However, if the cash dividend is less than \$0.5 (in dollars) per share, stock dividends will be issued as resolved by the shareholders.
- C. In accordance with the regulations, the Company shall set aside special reserve from 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.
- D. For the years ended December 31, 2014 and 2013, employees' bonus and directors and supervisors' remuneration were accrued at \$12,924 and \$10,721, respectively, which were based on the after tax earnings of related periods, considering legal reserve calculated by the percentage prescribed under the Company's Articles of Incorporation. The calculation difference of \$1,561 between employees' bonus and directors' and supervisors' remuneration amounting to \$12,282 as resolved by the stockholders and the amount of \$10,721 recognised in the 2013 financial statements had been adjusted in the 2014 consolidated income statement. 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 recognised dividends distributed to owners amounting to \$446,740 (\$2.5 (in dollars) per share) and \$203,749 (\$1.2 (in dollars) per share) for the years ended December 31, 2014 and 2013, respectively.

(22) Operating revenue

	Year ended December 31, 2014	Year ended December 31, 2013
Sales revenue	\$ 3,255,355	\$ 2,879,742
Processing revenue	31,701	174,241
Other operating revenue	8,600	-
	<u>\$ 3,295,656</u>	<u>\$ 3,053,983</u>

(23) Other income

	Year ended December 31, 2014	Year ended December 31, 2013
Dividend income	\$ 7,186	\$ 7,259
Interest income	3,946	4,397
Rental income	373	564
Other income	56,149	81,168
	<u>\$ 67,654</u>	<u>\$ 93,388</u>

(24) Other gains and losses

	Year ended December 31, 2014	Year ended December 31, 2013
Net gain on financial assets at fair value through profit or loss	\$ 1,876	\$ 1,253
Net gain on financial liabilities at fair value through profit or loss	-	310
Gain (loss) on disposal of investments	788	(45)
Net currency exchange gain	28,657	17,438
Net loss on disposal of property, plant and equipment	(610)	(1,945)
Impairment loss	(2,630)	-
Other losses	(2,951)	(231)
	<u>\$ 25,130</u>	<u>\$ 16,780</u>

(25) Finance costs

	Year ended <u>December 31, 2014</u>	Year ended <u>December 31, 2013</u>
Interest expense:		
Bank borrowings	\$ 6,574	\$ 5,167
Short-term notes and bills payable	48	(55)
Convertible bonds	<u>-</u>	<u>5,091</u>
	6,622	10,203
Less: capitalisation of qualifying assets	<u>(269)</u>	<u>(614)</u>
	<u>\$ 6,353</u>	<u>\$ 9,589</u>

(26) Expenses by nature

	Year ended December 31, 2014			Year ended December 31, 2013		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Employee benefit expenses	\$ 317,046	\$ 527,423	\$ 844,469	\$ 303,070	\$ 528,711	\$ 831,781
Depreciation	115,970	30,154	146,124	98,524	36,440	134,964
Amortization	2,880	3,558	6,438	1,850	4,448	6,298
	<u>\$ 435,896</u>	<u>\$ 561,135</u>	<u>\$ 997,031</u>	<u>\$ 403,444</u>	<u>\$ 569,599</u>	<u>\$ 973,043</u>

(27) Employee benefit expenses

	Year ended December 31, 2014			Year ended December 31, 2013		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Wages and salaries	\$ 255,717	\$ 451,734	\$ 707,451	\$ 245,888	\$ 452,850	\$ 698,738
Labor and health insurance expenses	25,141	35,039	60,180	23,376	33,296	56,672
Pension costs	21,145	23,188	44,333	19,627	22,402	42,029
Other personnel expenses	15,043	17,462	32,505	14,179	20,163	34,342
	<u>\$ 317,046</u>	<u>\$ 527,423</u>	<u>\$ 844,469</u>	<u>\$ 303,070</u>	<u>\$ 528,711</u>	<u>\$ 831,781</u>

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2014	Year ended December 31, 2013
Current tax:		
Current tax on profits for the year	\$ 78,766	\$ 55,069
Over provision of prior year's income tax	(5,253)	(1,483)
Total current tax	<u>73,513</u>	<u>53,586</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,351</u>	<u>9,984</u>
Income tax expense	<u>\$ 74,864</u>	<u>\$ 63,570</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Actuarial losses (gains) on defined benefit obligations	<u>(\$ 1,274)</u>	<u>\$ 8,205</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2014	Year ended December 31, 2013
Tax calculated based on profit before tax and statutory tax rate	\$ 98,809	\$ 80,916
Effect of amount not allowed to recognise under regulations	(16,915)	(8,393)
Effect from tax-exempt income	(3,580)	(2,547)
Effect from unestment tax credit	(649)	(411)
Effect from net operating loss carryforward	-	(10,081)
Over provision of prior year's income tax	(5,253)	(1,483)
Additional 10% tax on undistributed earnings	<u>2,452</u>	<u>5,569</u>
Income tax expense	<u>\$ 74,864</u>	<u>\$ 63,570</u>

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

Year ended December 31, 2014				
			Recognised in other	
	January 1	Recognised in profit or loss	comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Unrealized sales discount and allowances	\$ 5,188	\$ 864	\$ -	\$ 6,052
Bad debts	2,790	1,289	-	4,079
Unrealized loss on inventories	4,510	1,624	-	6,134
Investment loss	177	4,032	-	4,209
Unrealized loss on disposal of investments	199	(199)	-	-
Unused compensated absences	3,445	354	-	3,799
Pensions	71,583	1,278	1,274	74,135
Loss carryforward	<u>13,075</u>	<u>(9,244)</u>	<u>-</u>	<u>3,831</u>
	<u>100,967</u>	<u>(2)</u>	<u>1,274</u>	<u>102,239</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value incremental tax	(61,992)	-	-	(61,992)
Unrealized exchange gain	(484)	(1,349)	-	(1,833)
	<u>(62,476)</u>	<u>(1,349)</u>	<u>-</u>	<u>(63,825)</u>
	<u>\$ 38,491</u>	<u>(\$ 1,351)</u>	<u>\$ 1,274</u>	<u>\$ 38,414</u>

Year ended December 31, 2013				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets				
Temporary differences:				
Unrealized sales discount and allowances	\$ 6,015	(\$ 827)	\$ -	\$ 5,188
Bad debts	4,052	(1,262)	-	2,790
Unrealized loss on inventories from market value decline	7,423	(2,913)	-	4,510
Investment loss	-	177	-	177
Unrealized loss on disposal of investments	199	-	-	199
Unused compensated absences	3,615	(170)	-	3,445
Pensions	82,940	(3,152)	(8,205)	71,583
Unrealized exchange loss	598	(598)	-	-
Loss carryforward	20,992	(7,917)	-	13,075
	<u>125,834</u>	<u>(16,662)</u>	<u>(8,205)</u>	<u>100,967</u>
Deferred tax liabilities				
Temporary differences:				
Unrealized exchange gain	-	(484)	-	(484)
Investment income	(7,142)	7,142	-	-
Pensions	(20)	20	-	-
Provision for land value incremental tax	(61,992)	-	-	(61,992)
	<u>(69,154)</u>	<u>6,678</u>	<u>-</u>	<u>(62,476)</u>
	<u>\$ 56,680</u>	<u>(\$ 9,984)</u>	<u>(\$ 8,205)</u>	<u>\$ 38,491</u>

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets are as follows:

December 31, 2014				
Year incurred	Amount filed / Approved	Unused amount	Unrecognized deferred tax asset	Usable until year
2005~2014	<u>\$ 366,550</u>	<u>\$ 361,874</u>	<u>\$ 339,852</u>	2015~2024
December 31, 2013				
Year incurred	Amount filed / Approved	Unused amount	Unrecognized deferred tax asset	Usable until year
2004~2013	<u>\$ 161,618</u>	<u>\$ 151,836</u>	<u>\$ 74,924</u>	2014~2023

E. The Company's income tax returns through 2012 have been assessed and approved by the Tax

E. The Company's income tax returns through 2012 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 25, 2015.

F. Unappropriated retained earnings:

	December 31, 2014	December 31, 2013
Earnings generated in and before 1997	\$ 5,177	\$ 5,177
Earnings generated in and after 1998	431,967	541,904
	<u>\$ 437,144</u>	<u>\$ 547,081</u>

G. As of December 31, 2014 and 2013, the balance of the imputation tax credit account was \$32,915 and \$73,521, respectively. As dividends were approved at the shareholders' meeting on June 17, 2014 and June 18, 2013 and with the dividend distribution date set on August 5, 2014 and August 5, 2013, by the Board of Directors, the creditable tax rates for the unappropriated retained earnings of 2013 and 2012 are 21.17% and 25.09%, respectively. The creditable tax rate is estimated to be 15.74% for 2014. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2014; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(29) Earnings per share

	Year ended December 31, 2014		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 374,235</u>	<u>178,696</u>	<u>\$ 2.09</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 374,235	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>92</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 374,235</u>	<u>178,788</u>	<u>\$ 2.09</u>

Year ended December 31, 2013			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders of the parent	\$ 298,592	<u>172,188</u>	\$ 1.73
Loss from discontinued operations attributable to ordinary shareholders of the parent	(206)	<u>172,188</u>	-
Profit attributable to ordinary shareholders of the parent	<u>\$ 298,386</u>		<u>\$ 1.73</u>
<u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders of the parent	\$ 298,592	172,188	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	5,091	4,919	
Employees' bonus	-	<u>63</u>	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	303,683	<u>177,170</u>	\$ 1.71
Loss from discontinued operations attributable to ordinary shareholders of the parent	(206)	<u>172,188</u>	-
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 303,477</u>		<u>\$ 1.71</u>

As employees' bonus could be distributed in the form of stock, the diluted earnings per share computation shall assume that distribution will be in the form of stocks in the calculation of 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. The calculation of basic earnings per share computation shall account for the amount of shares, which were distributed as bonus to employees as determined by the shareholders in the prior year, into the weighted-average number of common shares outstanding. As capitalization of employee bonus is no longer

considered as stock dividend issuance, thus, basic and diluted earnings per share computations are not adjusted retrospectively.

(30) Non-cash transaction

A. Investing activities with partial cash payments:

	Year ended December 31, 2014	Year ended December 31, 2013
(a) Shares returned from reduction in financial assets measured at cost – non-current	\$ –	\$ –
Add: opening balance of other receivables	–	1,755
Cash collection from proceeds from capital reduction of financial assets measured at cost – non-current	<u>\$ –</u>	<u>\$ 1,755</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(b) Purchase of property, plant and equipment	\$ 108,284	\$ 369,839
Add: Opening balance of notes payable	13,299	4,434
Opening balance of payable on equipment (shown as ‘other payables’)	7,547	37,914
Less: Ending balance of notes payable	(3,846)	(13,299)
Ending balance of payable on equipment (shown as ‘other payables’)	(11,540)	(7,547)
Capitalization of interest	(269)	(614)
Cash paid for acquisition of property, plant and equipment	<u>\$ 113,475</u>	<u>\$ 390,727</u>

B. Operating, investing and financing activities with no cash flow effects:

	Year ended December 31, 2014	Year ended December 31, 2013
(a) Elimination of allowance for bad debts	<u>\$ 4,789</u>	<u>\$ 2,820</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(b) Inventory transferred to property, plant and equipment	<u>\$ 4,541</u>	<u>\$ –</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(c) Investment property transferred to property, plant and equipment	<u>\$ –</u>	<u>\$ 11,519</u>

	Year ended December 31, 2014	Year ended December 31, 2013
(d) Prepayment for equipment transferred to property, plant and equipment	\$ 31,045	\$ 7,522

	Year ended December 31, 2014	Year ended December 31, 2013
(e) Conversion of convertible bonds to common stock and capital surplus	\$ -	\$ 245,928

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales of goods

	Year ended December 31, 2014	Year ended December 31, 2013
Associates	\$ 86,160	\$ 32,024
Other related parties	8,845	8,496
	<u>\$ 95,005</u>	<u>\$ 40,520</u>

Prices of goods sold to related parties are determined each time when delivering goods. Terms of transactions are similar with those to third parties, which is cash payment in 2 months after billing, or to obtain cheques with a maturity of 6 months upon billing.

B. Purchases of goods

	Year ended December 31, 2014	Year ended December 31, 2013
Other related parties	\$ 48,806	\$ 40,823

Goods are purchased based on the price lists in force and terms that would be available to regular suppliers. Payments are made through issuance of cheques with a maturity of 3~4 months after inspection has passed.

C. Equity transactions

- In response to future operation planning in 2013, the Group has sold certain shares in its subsidiary – Syngen Biotech Co., Ltd. to other related parties at \$26,335.
- The Group participated in cash capital increase of We Can Medicines Co., Ltd. in April 2014 and October 2013 by investing \$40,359 and \$85,217, respectively.
- The Group participated in cash capital increase of the available-for-sale financial assets – non-current – SYN-TECH CHEM & PHARM CO., LTD. by investing \$54,846 in October 2014.

D. Accounts receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Receivables from related parties:		
Associates	\$ 9,042	\$ 8,441
Other related parties	<u>5,325</u>	<u>4,252</u>
	<u>\$ 14,367</u>	<u>\$ 12,693</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

E. Ending balance of payment on behalf of others (Shown as 'other receivables')

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Receivables from related parties:		
Other related parties	\$ <u>461</u>	\$ <u>-</u>

F. Accounts payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Payables to related parties:		
Other related parties	\$ <u>14,748</u>	\$ <u>12,809</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

(2) Key management compensation

	<u>Year ended</u> <u>December 31, 2014</u>	<u>Year ended</u> <u>December 31, 2013</u>
Salaries and other short-term employee benefits	\$ <u>29,231</u>	\$ <u>28,630</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2014	December 31, 2013	
Investments accounted for using equity method (Note 1)	\$ 224, 827	\$ 214, 619	Short-term and long-term borrowings
Land (Note 2)	259, 043	259, 043	Short-term and long-term borrowings
Buildings - net (Note 2)	184, 516	187, 514	Short-term and long-term borrowings
Machinery and equipment – net (Note 2)	12, 242	13, 676	Long-term borrowings
Utility equipment – net (Note 2)	9, 352	11, 167	Long-term borrowings
Other equipment – net (Note 2)	464	777	Long-term borrowings
Demand deposit (Note 3)	3, 349	-	Long-term borrowings
	<u>\$ 693, 793</u>	<u>\$ 686, 796</u>	

Note 1: As of December 31, 2014 and 2013, the Group provided 22,980 thousand shares and 6,184 thousand shares in its subsidiaries – Advpharma Inc. and Syngen Biotech Co., Ltd., respectively, for both years. As of December 31, 2014 and 2013, the carrying value of Advpharma Inc. shares was \$132,316 and \$133,221, respectively, and of Syngen Biotech Co., Ltd., shares of \$92,511 and \$81,398, respectively. The shares are pledged as collateral for short-term and long-term borrowings. The pledged investments accounted for using equity method have been eliminated during the consolidation

Note 2: Shown as 'property, plant and equipment'.

Note 3: Shown as 'other non-current financial assets'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of December 31, 2014 and 2013, the balances for contracts that the Group entered into for the purchase of property, plant and equipment, but not yet due were \$54,233 and \$62,471, respectively.
- (2) As of December 31, 2014 and 2013, the unused letters of credit amounted to \$665 and \$4,406, respectively.

- (3) A. As of December 31, 2014 and 2013, endorsements/guarantees for financing within the Group are as follows:

<u>Endorser/ guarantor</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>Purpose</u>
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	\$ 200, 000	\$ 200, 000	Secured borrowings
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	94, 950	94, 950	Secured borrowings
		<u>\$ 294, 950</u>	<u>\$ 294, 950</u>	

- B. As of December 31, 2014 and 2013, the actual endorsement/guarantee amount drawn which was provided by the Group for the above subsidiaries amounted to \$– and \$47,475 (USD\$1,500 thousand), respectively.

- (4) A. The Company leases in land in Tuku Vil., Xinying Dist., Tainan city under non-cancellable operating lease agreements. Lease agreements are renewable at the market price at the end of the lease period. The lease terms are from October 1, 2007 to September 30, 2016. The Group recognized rental expenses under “Operating costs and Operating expenses” amounting to \$630 and \$630 for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 630	\$ 630
Later than one year but not later than five years	473	1, 103
	<u>\$ 1, 103</u>	<u>\$ 1, 733</u>

- B. The subsidiary – Multipower Enterprise Corp. leases in land on Songjiang Rd., Zhongshan Dist., Taipei City under non-cancellable operating lease agreements. Lease agreements are renewable at the market price at the end of the lease period. The lease terms are from January 1, 2012 to December 31, 2016. The Group recognised rental expenses under “Operating expenses” amounting to \$732 and \$732 for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 744	\$ 732
Later than one year but not later than five years	744	1, 488
	<u>\$ 1, 488</u>	<u>\$ 2, 220</u>

- (5) The Company has signed a transfer of technical skill contract ‘Antiviral drug acyclovir and New transdermal absorption external gel preparation’ for 7 years with National Science Council of R.O.C. and professor You-pu Hu in June 1998. The Company should complete production of all products using the technical skill and consulting provided by professor You-pu Hu within 4 years after the effectiveness of the contract. Except for paying a fixed royalty to National Science Council of R.O.C. and professor You-pu Hu, the Company should pay 5% of the total sales from the product using the technical skill as royalty for technical skill transfer. The Company started to sell the product from April 2000. As of December 31, 2014 and 2013, the royalty for technical

skill transfer paid was \$4,941 and \$4,295, respectively.

- (6) The subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) has signed a mid-term line of credit agreement with CTBC Bank on March 24, 2014. The total line of credit is \$50,000 and the duration of grant is 2 years. Syngen Biotech has to maintain current ratio over 120% and debt-to-equity ratio of less than 75%. Should Syngen Biotech default on the above covenants, and could not improve within the improvement period provided by the bank, the bank can decrease the amount or duration of the line of credit, or deem the borrowing as matured at any moment. As of December 31, 2014, Syngen Biotech's financial ratios did not violate the above covenants.
- (7) Consumers' Foundation, Chinese Taipei (CFCT) has filed a complaint for DEHP incident against the subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) in Banqiao District Court to claim for consolation payment and punitive damages of \$4,201 for customer benefit in March 2012. Taiwan New Taipei District Court has rendered the first ruling of no damage. However, CFCT disagreed with the ruling and will file an appeal. The appointed lawyer indicates that 'Although 3 court hearings have been held on April 15, July 1 and December 9, 2014 as the High Court accepted the case, the judge believes the evidence and amounts of the case are out of order and should separate the case to different trials. Thus, the result of the case is uncertain. However, Syngen Biotech has won the first ruling and one of the reasons for winning is that CFCT did not provide documents for customers' purchase from Syngen Biotech, which should be beneficial to Syngen Biotech in the future ruling.' The Group could not reasonably assess the loss.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The subsidiary – Syngen Biotech Co., Ltd. in order to expand the current productivity to fulfil future growth of momentum, based on valuation report of professional valuers, on January 14, 2015, the Board of Directors has approved the purchase of certain office equipment in plants located in Southern Taiwan Science Park from Tuckmore Biotechnology Co., Ltd. The trading contract was signed by both parties on February 16, 2015 at a purchase price of \$253,000. The trading date will be February 15, 2017.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values. The fair value

information of financial instruments measured at fair value is provided in Note 12(3), Fair value estimation.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Group has certain sales and purchases denominated in USD and other foreign currencies. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of asset and liability positions in foreign currencies are close, market risk can be offset. The Group does not expect significant interest rate risk.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the net investments of foreign operations are strategic investments, thus the Group does not hedge the investments.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, PHP and RMB). 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, 2014			
(Foreign currency: functional currency)	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 7,281	31.65	\$ 230,444
RMB: NTD	9,459	5.1015	48,255
EUR: NTD	53	38.47	2,039
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	3,574	31.65	113,117
RMB: NTD	3,832	5.1015	19,549
JPY: NTD	42,400	0.2646	11,219
EUR: NTD	117	38.47	4,501
December 31, 2013			
(Foreign currency: functional currency)	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 9,771	29.81	\$ 291,274
JPY: NTD	11,035	0.2839	3,133
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY: NTD	72,756	0.2839	20,655
USD: NTD	219	29.81	6,528

With regard to sensitivity analysis of foreign currency exchange rate risk, as of December 31, 2014 and 2013, if the exchange rates of NTD to all foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the Company's post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by \$1,136 and \$2,508, respectively.

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop-loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by \$1,618 and \$2,422, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,506 and \$838, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2014 and 2013, the Group's borrowings at variable rate were denominated in the NTD.
- ii. With regard to sensitivity analysis of interest rate risk, at December 31, 2014 and 2013, if interest rates on borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been \$66 and \$51 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and outstanding receivables.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

- iii. The Group provides endorsements and guarantees based on the Group's policies and procedures on endorsements and guarantees. The Group only provides endorsement or guarantee for subsidiaries that the Group directly holds more than 50% ownership, or for entities that the Group holds more than 50% ownership, either directly or indirectly, as well as the power to govern the policies. No collateral is requested for the endorsements and guarantees as the Group can control the credit risk of the subsidiary. The maximum credit risk is the guaranteed amount.
- iv. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial assets in Note 6.
- v. The ageing analysis of financial assets that were past due but not impaired is provided in the statement for each type of financial assets in Note 6.
- vi. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

December 31, 2014	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 61,208	\$ -	\$ -	\$ -
Short-term notes and bills payable	110,000	-	-	-
Notes payable	267,379	-	-	-
Accounts payable	101,449	-	-	-
Other payables	334,709	-	-	-
Long-term borrowings (including current portion)	28,461	140,585	32,014	11,431
Guarantee deposit received	2,435	-	-	-

December 31, 2013	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$215,768	\$ -	\$ -	\$ -
Short-term notes and bills payable	80,000	-	-	-
Notes payable	208,090	-	-	-
Accounts payable	136,483	-	-	-
Other payables	321,646	-	-	-
Long-term borrowings (including current portion)	40,094	101,142	-	31,158
Guarantee deposit received	240	-	-	-

- iv. For non-derivative financial liabilities, the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(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 that are measured at fair value at December 31, 2014 and 2013:

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 164,537	\$ -	\$ -	\$ 164,537
Available-for-sale financial assets				
Equity securities	224,899	-	125,188	350,087
	<u>\$ 389,436</u>	<u>\$ -</u>	<u>\$ 125,188</u>	<u>\$ 514,624</u>
December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 243,389	\$ -	\$ -	\$ 243,389
Available-for-sale financial assets				
Equity securities	114,667	-	97,415	212,082
	<u>\$ 358,056</u>	<u>\$ -</u>	<u>\$ 97,415</u>	<u>\$ 455,471</u>

- 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 and available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise 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:
- Quoted market prices or dealer quotes for similar instruments.
 - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- F. The following table presents the changes in level 3 instruments as at December 31, 2014 and 2013.

	Equity securities	Derivative financial instruments	Total
At January 1, 2014	\$ 97,415	\$ -	\$ 97,415
Gains recognized in other comprehensive income	27,773	-	27,773
At December 31, 2014	<u>\$ 125,188</u>	<u>\$ -</u>	<u>\$ 125,188</u>
	Equity securities	Derivative financial instruments	Total
At January 1, 2013	\$ 69,559	(\$ 249)	\$ 69,310
Gains recognized in profit or loss	-	310	310
Gains recognized in other comprehensive income	27,856	-	27,856
Conversion of convertible bonds to common stock	-	(61)	(61)
At December 31, 2013	<u>\$ 97,415</u>	<u>\$ -</u>	<u>\$ 97,415</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2014. The financial information of investees was audited by their independent accountants in 2014. And the information was based on each consolidated entity, without eliminations upon consolidation.)

A. Loans to others:

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding		Actual amount drawn	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
					December 31, 2014	December 31, 2014							Item	Value			
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 94,950	\$ 94,950	\$ 94,950	2.5%	2	-	Operating capital	\$ -	-	\$ -	\$ 165,226	\$ 330,453	Note 2 and 3
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Other receivables	Yes	94,950	94,950	94,950	2.5%	2	-	Operating capital	-	-	-	165,226	330,453	Note 2 and 3
2	Multipower Enterprise Corp.	Sourree Biotech & Pharm. Co., Ltd.	Other receivables	Yes	9,000	9,000	-	2.890%	2	-	Operating capital	-	-	-	9,941	39,764	Note 2 and 3

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

(1) Trading partner.

(2) Short-term financing.

Note 2: Calculation of limit on loans granted to a single party and ceiling on total loans granted:

(1) Limit on loans granted to a single party:

- (a) For the companies having business relationship with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during current or latest year on the year of financing.
- (b) For short-term financing, limit on loans granted to a single party is 5% of the Company's net assets based on the latest audited or reviewed consolidated financial statements.
- (c) Limit on loans granted by Standard Pharmaceutical Co., Ltd. to a single party is 5% of the parent company's net assets based on the latest audited or reviewed consolidated financial statements.
- (d) Limit on loans granted by Multipower Enterprise Corp. to a single party is 5% of the creditor's paid-in capital.

(2) Ceiling on total loans granted: Except total loans granted by Multipower Enterprise Corp. is limited to 20% of the creditor's paid-in capital, others are limited to 10% of the Company's net assets.

(3) For short-term financing, ceiling on total loans granted to all direct or indirect wholly-owned domestic and foreign subsidiaries of the Company is not limited to 40% of the creditors' net assets.

Note 3: Ending balance is the ceiling approved by the Board of Directors.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2014 as follows: USD: NTD 1:31.65.

B. Provision of endorsements and guarantees to others:

Number	Party being endorsed/guaranteed		Limit on endorsement/guarantee provided for a single party (Note 2)	Maximum outstanding endorsement/guarantee amount as of December 31, 2014	Outstanding endorsement/guarantee amount at December 31, 2014	Actual amount drawn down	Amount of endorsement/guarantee secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsement/guarantee provided (Note 2)	Provision of endorsement/guarantee by parent company to subsidiary	Provision of endorsement/guarantee by subsidiary to parent company	Provision of endorsement/guarantee to the party in Mainland China	Note
	Endorser/guarantor	Company name											
0	Standard Chen & Pharm. Co., Ltd.	Standard Pharm. Co., Ltd.	Note 1 \$ 600,000	\$ 94,000	\$ 94,000	\$ 94,000	\$ -	3%	\$ 1,632,264	Y	N	N	-
0	Standard Chen & Pharm. Co., Ltd.	Syngene Biotech Co., Ltd.	Note 1 600,000	200,000	200,000	200,000	-	6%	1,632,264	Y	N	N	-

Note 1: The Company directly owned more than 50% ownership of the subsidiary.

Note 2: Under “Procedures for Provision of Endorsements and Guarantees”, the total endorsement and guarantee provided shall not exceed 50% of the Company’s net assets; the amount provided for each counterparty shall not exceed 20% of the Company’s net assets.

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2014 as follows: USD: NTD 1:31.65.

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

As of December 31, 2014								
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account (Note 1)	Number of shares (in thousand of shares/units)	Book value	Ownership (%)	Fair value	Note
Standard Chem & Pharm. Co., Ltd.	Stocks (investment certificate): Original BioMedicals Co., Ltd.	—	3	200	\$ 15,056	0.82%	\$ 15,056	-
	SUN YOU BIOTECH PHARM CO., LTD.	The Company's legal representative is SUN YOU BIOTECH PHARM CO., LTD.'s chairman.	4	2,863	36,870	18.43%	36,870	-
	HER-SING CO., LTD.	The Company is HER-SING CO., LTD.'s corporate director	4	3,055	85,698	17.71%	85,698	-
	SYN-TECH CHEM & PHARM CO., LTD.	Same chairman	4	2,399	169,164	8.26%	169,164	-
	Green Management International Co., Ltd.	—	5	70	800	5.14%	-	-
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	5	1,000	10,000	4.17%	-	-
	NTU Innovation & Incubation Co., Ltd.	—	5	480	4,800	3.76%	-	-
	JENKEN BIOSCIENCES, INC.	—	5	198	1,485	2.78%	-	-
	Beneficiary certificates: Taishin 1699 Money Market Fund	—	2	1,159	15,399	-	15,399	-
	Hua Nan Kirin Money Market Fund	—	2	869	10,240	-	10,240	-
Chia Scheng Investment Co., Ltd.	Taishin Ta-Chong Money Market Fund	—	2	368	5,136	-	5,136	-
	Stocks : SUN YOU BIOTECH PHARM CO., LTD.	The Company's legal representative is SUN YOU BIOTECH PHARM CO., LTD.'s chairman.	4	204	2,620	1.31%	2,620	-
	Beneficiary certificates: Capital Money Market Fund	—	2	185	2,932	-	2,932	-

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2014			
				Number of shares (In thousand of shares/units)	Book value	Ownership (%)	Fair value
Advpharma Inc.	Bonds with repurchase agreement: China Bills Finance Corporation	—	1	—	\$ 15,101	—	\$ 15,101
	Ta Ching Bills Finance Corporation	—	1	—	15,074	—	15,074
	Taiwan Cooperative Bank	—	1	—	5,009	—	5,009
	Beneficiary certificates: Jih Sun Money Market Fund	—	2	2,770	40,277	—	40,277
	Mega Diamond Money Market Fund	—	2	3,167	38,969	—	38,969
	Eastspring Inv Well Pool Money Market Fund	—	2	1,529	20,430	—	20,430
	Manulife Asia Pacific Bond A TWD	—	2	941	10,085	—	10,085
	Shin Kong Multi Return Fund of Funds	—	2	467	4,966	—	4,966
	Capital RMB Money Market TWD	—	2	299	3,085	—	3,085
	Eastrapring Investments Asian Inc Bal TWD A	—	2	300	3,010	—	3,010
	Stocks : SYN-TECH CHEM & PHARM CO., LTD.	Same chairman	4	577	40,679	1.92%	40,679
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	5	699	6,992	3.70%	—
	JENKEN BIOSCIENCES, INC.	—	5	8	70	0.11%	—
	Beneficiary certificates: FSITC Taiwan Money Market Fund	—	2	666	10,008	—	10,008
	Stocks: NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	5	1,000	10,000	4.17%	—

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: The general ledger account is classified into the following five categories:

1. Cash and cash equivalents
2. Financial assets at fair value through profit or loss - current
3. Available-for-sale financial assets - current
4. Available-for-sale financial assets - noncurrent
5. Financial assets measured at cost - noncurrent

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2014 as follows: USD: NTD 1:31.65 and RMB: NTD 1:5.1015.

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

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Derivative financial instruments undertaken during the year ended December 31, 2014: None.

J. Significant inter-company transactions during the year ended December 31, 2014:

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	1	Other receivables	\$ 95,148	—	2%
				Endorsements and guarantees	94,950	—	2%
		Syngen Biotech Co., Ltd.	1	Sales revenue	(35,188)	Obtain cheques with a maturity of 3—4 months after monthly	(1%)
				Disposal of property, plant and equipment	(50,325)	—	(1%)
				Purchases	95,245	Pay cheques with a maturity of 3—4 months after inspection	3%
				Notes payable	(23,370)	—	—
				Endorsements and guarantees	200,000	—	4%
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Other receivables	95,148	—	2%
3	Multipower Enterprise Corp.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Sales revenue	(14,516)	90 days after delivery, T/T	—

Note 1: As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

(2) Information on investees (not including investees in Mainland China)

(According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2014. The financial information of investees was audited by their independent accountants in 2014. And the information was based on each consolidated entity, without eliminations upon consolidation.)

Information of the name of investee, locations, etc. (not including investees in Mainland China)

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014		Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2014		Investment income (loss) recognised by the Company for the year	Note
				December 31, 2014	December 31, 2013	Number of shares	\$			31, 2014	\$		
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 240,000	\$ 209,870	8,000,000	\$ 235,943	100.00	\$ 235,943	23,720	\$	23,720	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	159,726	159,726	15,990,000	77,741	100.00	77,741	2,320	(	2,320	Subsidiary
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,802	6,802	192,195	6,421	100.00	6,421	199	(	199	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Infoclight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	4,112	100.00	4,112	318	(	318	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Souritree Biotech & Pharm. Co., Ltd.	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicine	62,889	52,889	11,936,374	21,488	91.82	21,488	13,248	(	10,747	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Taiwan	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	293,057	275,601	18,036,796	455,324	90.72	455,324	87,996		74,602	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Advpharma, Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	507,332	507,332	50,746,706	292,193	84.58	292,193	9,546	(	8,010	Subsidiary (Note 1)
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Taiwan	Manufacturing, wholesale, and property rights of various chemical materials within various medicine	216,331	221,339	9,157,040	136,984	53.68	136,984	31,280		16,249	Subsidiary (Note 2)

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014		Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2014		Investment income (loss) recognised by the Company for the year	Note
				December 31, 2014	December 31, 2013	Number of shares				31, 2014	(\$)		
Standard Chem & Pharm Co., Ltd.	WE CAN MEDICINES CO., LTD.	Taiwan	Wholesale of various medicine	\$ 177,201	\$ 136,842	10,273,272		33.10	\$ 214,795	(\$ 12,588)	(\$ 4,463)	-	
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	America	Research and development, trading, investment and other business of medical products	98,182	97,846	3,191,500		100.00	18,204	(2,207)	-	-	Subsidiary (Note 3)
Chia Scheng Investment Co., Ltd.	SAWAI USA, INC.	America	Research and development of various medicine	633	633	20,000		20.00	205	(411)	-	-	Note 3
Advpharma Inc.	CNH TECHNOLOGIES, INC.	America	Research and development of various medicine	12,769	12,769	400,000		35.72	11,614	(1,725)	-	-	Note 3

Note 1: Including 22,980 thousand shares with amount of \$132,316 are pledged as collateral for short-term and long-term borrowings.

Note 2: Including 6,184 thousand shares with amount of \$92,511 are pledged as collateral for short-term and long-term borrowings.

Note 3: Not required to disclose income (loss) recognised by the Company.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2014 as follows: USD: NTD 1:31.65 and PHP: NTD 1:0.7238.

(3) Information on investments in Mainland China

(According to the current regulatory requirements, the Group was only required to disclose the information for the year ended December 31, 2014. The financial information of investees was audited by their independent accountants in 2014. And the information was based on each consolidated entity, without eliminations upon consolidation.)

A. Basic information:

Investee in Mainland China	Main business activities	Paid-in capital	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Investment method	Amount remitted from Taiwan to Mainland China as of December 31, 2014		Net income (loss) of investee for the year ended December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 3)	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote
			Remitted to Mainland China	Remitted back to Taiwan			December 31, 2014	December 31, 2014						
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	\$ 221,550	\$ 31,650	\$ -	\$ 189,900	Note 1	\$ -	\$ 221,550	\$ (31,200)	100.00	\$ (23,883)	\$ 199,160	\$ -	Note 3
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	214,387	-	-	-	Note 2	-	-	(31,200)	55.00	(17,160)	85,075	-	Note 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	
	\$		\$		\$	
Standard Chem & Pharm. Co., Ltd.			221,550		2,163,451	

Note 1: Indirect investment in Mainland China through an existing company (Standard Pharmaceutical Co., Ltd.) located in the third area.

Note 2: Indirect investment in Mainland China through an existing company (Jiangsu Standard Biotech Pharmaceutical Co., Ltd.) located in Mainland China.

Note 3: The financial statements were audited by the independent accountants of parent company in Taiwan.

Note 4: Ceiling is the higher of net assets or 60% of consolidated net assets.

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2014 as follows: USD: NTD 1:31.65 and RMB: NTD 1:5.1015.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision maker in order for him to make strategic decisions. The basis of identification and measurement of segment information had no significant changes in this period. However, the Group's reportable segment – Health Life International Co., Ltd. has completed merger with WE CAN MEDICINES CO., LTD. on April 1, 2013. (Details are provided in Note 6(6), Non-current assets held for sale, net and discontinued operations.) Thus, Health Life International Co., Ltd is not included in the segment information in 2013.

(2) Measurement of segment information

The chief operating decision maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2014				
	Standard Chem & Pharm. Co., Ltd.		Syngen Biotech Co., Ltd.		Total
				Multipower Enterprise Corp.	
Segment revenue	\$ 2,238,079	\$ 555,899	\$ 619,698	\$ 60,584	\$ 3,474,260
Revenue from internal customers	40,268	101,159	14,521	22,656	178,604
Revenue from external customers, net	2,197,811	454,740	605,177	37,928	3,295,656
Interest income	934	102	659	2,251	3,946
Depreciation and amortisation	110,943	22,051	1,568	18,000	152,562
Interest expense	2,807	2,109	947	490	6,353
Inter-segment profit (loss) before tax	418,742	43,581	110,539	(67,376)	505,486
Segment assets	3,289,398	533,408	604,721	947,120	5,374,647
Segment liabilities	1,284,370	275,957	175,469	33,099	1,768,895

Year ended December 31, 2013

	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Multipower Enterprise Corp.	Others	Total
Segment revenue	\$ 2,222,927	\$ 275,470	\$ 566,358	\$ 43,927	\$ 3,108,682
Revenue from internal customers	6,313	19,870	19,483	9,033	54,699
Revenue from external customers, net	2,216,614	255,600	546,875	34,894	3,053,983
Interest income	861	91	914	2,531	4,397
Depreciation and amortisation	109,725	16,671	1,527	13,339	141,262
Interest expense	7,242	1,327	128	892	9,589
Inter-segment profit (loss) before tax	347,826	13,184	116,737	(62,941)	414,806
Segment assets	3,266,145	400,295	592,936	1,093,817	5,353,193
Segment liabilities	1,253,663	166,695	248,974	101,404	1,770,736

(4) Reconciliation for segment income (loss), assets and liabilities

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations are provided as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Reportable segments income/(loss) before tax	\$ 572,862	\$ 477,747
Other segments income/(loss) before tax	(67,376)	(62,941)
Including inter-segment loss (profit)	(46,892)	(45,887)
Net income before tax from continuing operations	<u>\$ 458,594</u>	<u>\$ 368,919</u>

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. No reconciliation is needed.

(5) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,851,181	\$ 1,912,959	\$ 2,652,045	\$ 1,818,201
Mainland China	119,114	277,064	118,157	341,663
Philippines	69,843	-	58,230	-
Thailand	48,742	-	42,691	-
America	10,181	12,995	12,324	14,077
Others	196,595	-	170,536	-
	<u>\$ 3,295,656</u>	<u>\$ 2,203,018</u>	<u>\$ 3,053,983</u>	<u>\$ 2,173,941</u>

(6) Information on product and service

Revenue from external customers is mainly from manufacturing, research and development, sale and wholesale of various medicine, food and medical products. Detail of revenue is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Revenue from sale of medicine	\$ 1,869,015	\$ 1,847,494
Revenue from sale of food	1,024,919	905,191
Others	401,722	301,298
	<u>\$ 3,295,656</u>	<u>\$ 3,053,983</u>

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated comprehensive income statement for the years ended December 31, 2014 and 2013.