

STANDARD CHEM. & PHARM. CO., LTD.

PARENT COMPANY ONLY 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 non-consolidated balance sheets of Standard Chem & Pharm. Co., Ltd. as of December 31, 2014 and 2013, and the related non-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 disclosures in Note 13 recognised by Standard Chem & Pharm. Co., Ltd.'s investment accounted for using equity method – WE CAN MEDICINES CO., LTD. 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 accounted for using equity method recognised based on reports audited by other independent accountants amounted to NTD (4,463) thousand and NTD 5,510 thousand for the years ended December 31, 2014 and 2013, respectively. The balance of related investment accounted for using equity method amounted to NTD 214,795 thousand and NTD 177,589 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Standard Chem & Pharm. Co., Ltd. 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).



PricewaterhouseCoopers, Taiwan

March 25, 2015

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

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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)	\$ 200,142	\$ 289,658
Financial assets at fair value through profit or loss - current	6(2)	-	389
Available-for-sale financial assets - current	5(1) and 6(3)	15,056	-
Notes receivable, net	6(4)(27) and 7	184,304	213,756
Accounts receivable, net	6(5)(27) and 7	403,449	390,321
Other receivables		1,113	3,683
Other receivables - related parties	7	95,609	91,138
Inventory	5(2) and 6(6)	460,926	385,179
Prepayments		49,522	106,187
Total current Assets		1,410,121	1,480,311
Non-current assets			
Available-for-sale financial assets - non-current	5(1)(2), 6(3) and 7	291,732	210,725
Financial assets carried at cost - non-current	5(1)(2) and 6(8)	17,085	17,085
Investments accounted for using the equity method	5(1), 6(7)(9), 7 and 8	1,444,971	1,312,249
Property, plant and equipment	6(10)(11)(27) and 8	1,247,409	1,344,888
Investment property, net	5(1), 6(10)(11)(27)	46,997	47,110
Intangible assets	6(12)	25,170	25,809
Deferred income tax assets	5(2) and 6(25)	87,914	81,414
Prepayments for equipment	6(10)(27)	32,144	16,809
Guarantee deposits paid		8,005	11,561
Other non-current assets		6,748	5,362
Total non-current assets		3,208,175	3,073,012
Total assets		\$ 4,618,296	\$ 4,553,323

(Continued)

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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(13) and 8	\$ 50,000	\$ 110,000
Short-term notes and bills payable	6(14)	100,000	60,000
Notes payable	6(27)	171,476	164,311
Notes payable - related parties	7	36,480	16,760
Accounts payable	7	56,354	48,104
Other payables	6(27)	176,082	195,734
Current income tax liabilities	6(25)	35,086	25,714
Advance receipts		57,010	33,483
Total current Liabilities		682,488	654,106
Non-current liabilities			
Long-term borrowings	6(15)	100,000	100,000
Deferred income tax liabilities	6(25)	63,979	62,582
Accrued pension liabilities	5(2) and 6(16)	466,244	445,153
Guarantee deposits received		1,057	240
Total non-current liabilities		631,280	607,975
Total Liabilities		1,313,768	1,262,081
Equity			
Share capital			
Common stock	6(17)(27)	1,786,961	1,786,961
Capital surplus	6(9)(17)(18)(27)	423,902	411,397
Retained earnings	6(19)(25)		
Legal reserve		442,366	412,527
Unappropriated retained earnings		437,144	547,081
Other equity interest	6(3)(9)(16)(25)	214,155	133,276
Significant Contingent Liabilities and	7 and 9		
Unrecognized Contract			
Total equity		3,304,528	3,291,242
Total liabilities and equity		\$ 4,618,296	\$ 4,553,323

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

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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 AMOUNT	2013 AMOUNT
Sales revenue	7	\$ 2,238,079	\$ 2,222,927
Operating costs	6(6)(12)(16)(23)(24), 7 and 9	(1,230,865)	(1,280,585)
Net operating margin		1,007,214	942,342
Operating expenses	6(12)(16)(23)(24), 7 and 9		
Selling expenses		(334,983)	(358,434)
General & administrative expenses		(179,926)	(175,935)
Research and development expenses		(183,196)	(167,533)
Total operating expenses		(698,105)	(701,902)
Operating profit		309,109	240,440
Non-operating income and expenses			
Other income	6(11)(20) and 7	50,458	67,679
Other gains and losses	6(2)(8)(21) and 7	20,908 (	477)
Finance costs	6(10)(22)(27) (	2,807) (	7,242)
Share of profit of associates and joint ventures accounted for using the equity method, net	6(9)	41,074	47,426
Total non-operating income and expenses		109,633	107,386
Profit before income tax		418,742	347,826
Income tax expense	6(25)	(44,507)	(49,440)
Profit for the year		\$ 374,235	\$ 298,386
Other comprehensive income			
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)(9)	70,224	44,966
Actuarial (loss) gain on defined benefit plan	6(9)(16)	(8,953)	46,714
Income (loss) tax relating to the components of other comprehensive income	6(25)	1,360 (	8,205)
Total other comprehensive income for the year		\$ 73,286	\$ 96,062
Total comprehensive income for the year		\$ 447,521	\$ 394,448
Basic earnings per share (in dollars)			
Net income	6(26)	\$ 2.09	\$ 1.73
Diluted earnings per share (in dollars)			
Net income	6(26)	\$ 2.09	\$ 1.71

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

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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	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 equity
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
Distribution of 2012 net income (Note):											
Legal reserve		-	-	-	-	-	27,142	(27,142)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(203,749)	-	-	(203,749)
Common stock converted from corporate bonds	6(17)(27)	102,732	185,032	-	-	(41,836)	-	-	-	-	245,928
Net income for the year ended		-	-	-	-	-	-	298,386	-	-	298,386
Other comprehensive income for the year ended	6(3)(9)(16)(25)	-	-	-	-	-	-	38,509	12,587	44,966	96,062
Balance at December 31, 2013		\$ 1,786,961	\$ 411,397	\$ -	\$ -	\$ -	\$ 412,527	\$ 547,081	\$ 4,992	\$ 128,284	\$ 3,291,242
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
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	6(9)	-	-	9,045	-	-	-	-	-	-	9,045
Change in net equity of associates and joint ventures accounted for using the equity method	6(9)	-	-	-	3,460	-	-	-	-	-	3,460
Distribution of 2013 net income (Note):											
Legal reserve		-	-	-	-	-	29,839	(29,839)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(446,740)	-	-	(446,740)
Net income for the year ended		-	-	-	-	-	-	374,235	-	-	374,235
Other comprehensive income for the year ended	6(3)(9)(16)(25)	-	-	-	-	-	-	(7,593)	10,655	70,224	73,286
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

(Note) The employees' bonuses were \$2,442 and \$3,070, and the directors' and supervisors' remuneration were \$7,329 and \$9,212 in 2012 and 2013, respectively, which had been deducted from net income for the years. The accompanying notes are an integral part of these financial statements. See report of independent accountants dated March 25, 2015.

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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		\$ 418,742	\$ 347,826
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		(1,042)	36
Provision for doubtful accounts	6(3)(4)	5,396	4,190
Reversal of allowance for inventory market price decline	6(6)	5,525)	17,821)
Gain on disposal of financial assets carried at cost - non-current	6(8)	788)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	(41,074)	(47,426)
Cash dividends received from investments accounted for using the equity method	6(9)	13,411	40,234
Depreciation	6(10)(11)	107,288	106,972
Net loss on disposal of property, plant and equipment	6(21) and 7	594	8,794
Property, plant and equipment transferred to expense	6(10)	1,423	-
Amortization	6(12)(23)	3,655	2,753
Gain on financial liabilities at fair value through profit and loss	6(2)(21)	-	(310)
Dividend income	6(20)	(7,145)	(6,378)
Interest income	6(20)	(3,161)	(2,535)
Interest expenses	6(22)	2,807	7,242
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		1,431	11,055
Notes receivable		29,632	86,011
Accounts receivable	(	18,704)	(14,568)
Other receivables		2,570	(1,269)
Other receivables - related parties		1,049	(944)
Inventories	(	70,222)	44,248
Prepayments		56,665	(50,273)
Net changes in liabilities relating to operating activities			
Notes payable		16,618	(16,849)
Notes payable - related parties		19,720	(4,441)
Accounts payable		8,250	(16,631)
Other payables	(	16,323)	17,115
Advance receipts		23,527	(7,564)
Accrued pension liabilities		13,091	11,873
Other non-current liabilities		-	(3,436)
Cash generated from operations		561,885	497,904
Dividend received		7,145	6,378
Interest received		3,161	2,535
Interest paid	(	2,807)	(2,150)
Income tax paid	(	38,878)	(49,614)
Net cash provided by operating activities		530,506	455,053

(Continued)

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY 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>			
Increase in available-for-sale financial assets		(\$ 32,226)	\$ -
Increase in other receivables - related parties		(5,520)	(2,136)
Increase in financial assets carried at cost		-	(1,485)
Proceeds from liquidation of financial assets carried at cost		788	-
Proceeds from capital reduction of financial assets carried at cost	6(27)	-	1,755
Acquisition of investments accounted for using the equity method	6(9) and 7	(97,946)	(183,021)
Proceeds from disposal of investments accounted for using the equity method	6(9) and 7	21,481	84,388
Cash paid for acquisition of property, plant and equipment	6(27)	(45,130)	(113,909)
Interest paid for acquisition of property, plant and equipment	6(10)(22)(27)	(269)	(614)
Proceeds from disposal of property, plant and equipment	7	50,325	-
Acquisition of intangible assets	6(12)	(3,016)	(15,183)
Increase in prepayment for equipment		(44,756)	(2,087)
Decrease (increase) in guarantee deposits paid		3,556	(5,336)
(Increase) decrease in other non-current assets		(1,386)	1,319
Net cash used in investing activities		(154,099)	(236,309)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(60,000)	(40,000)
Increase (decrease) in short-term notes and bills payable		40,000	(10,000)
Proceeds from long-term borrowings		-	90,000
Increase (decrease) in guarantee deposit received		817	(517)
Payment of cash dividends	6(19)	(446,740)	(203,749)
Net cash used in financing activities		(465,923)	(164,266)
(Decrease) increase in cash and cash equivalents		(89,516)	54,478
Cash and cash equivalents at beginning of year	6(1)	289,658	235,180
Cash and cash equivalents at end of year	6(1)	<u>\$ 200,142</u>	<u>\$ 289,658</u>

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

STANDARD CHEM. & PHARM. CO., LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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 NON-CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These non-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 non-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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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
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 Company's assessment, the adoption of the 2013 version of IFRSs has no significant impact on the non-consolidated financial statements of the Company, 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 Company will adjust its presentation of the statement of comprehensive income.

B. IFRS 12, 'Disclosure of interests in other entities'

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

C. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value 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 Company's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Company 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 Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the non-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 non-consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The non-consolidated financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

- A. Except for the following items, the 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 recognized 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the non-consolidated financial statements are disclosed in Note 5, Critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The non-consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

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

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be 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.

(5) 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.

(6) 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 recognized and derecognized using trade date accounting, and financial assets initially measured at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

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

(8) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at 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.

(9) 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 recognized in operating costs. If the net realisable value reverses, valuation is eliminated within credit balance and is recognized as deduction of operating costs.

(10) 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.

(11) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) The disappearance of an active market for that financial asset because of financial difficulties;
 - (c) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (d) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at 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 recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) 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 amortization) and current fair value, less any impairment loss on that financial asset previously recognized 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 recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized 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 recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of the financial asset.

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these non-consolidated financial statements.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.
- E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- H. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- M. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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
Other equipment	2 ~ 15 years

(15) Leases (lessee)

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

(16) 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.

(17) Intangible assets

A. Patents

Patents is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 10 years.

(18) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss 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 recognized.

(19) Borrowings

Borrowings are recognized 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 recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) 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 recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at 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.

(22) Derecognition of financial liabilities

A financial liability is derecognized 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.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when

there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Bonds payable

A. Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company 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 recognized 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 recognized 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 recognized 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 Company, which meet the definition of an equity instrument, are initially recognized 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.

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The 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 recognized 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 recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates. The Company calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or

loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the non-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 Company 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 substantially 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 recognized 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, unrecognized and recognized 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 recognized 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 recognized 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.

(27) 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.

(28) Revenue recognition

The Company manufactures and sells Chinese and western medicine and other 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 Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

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

The preparation of these non-consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. 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 Company's accounting policies

A. Financial assets—impairment of equity investments

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

B. Investment property

The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the Company has certain property leased.

(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 Company 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 Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.
- (b) As of December 31, 2014, the carrying amount of inventories was \$460,926.

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

- (a) The fair value of unlisted stocks held by the Company 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 \$139,653.

C. Realisability of deferred tax assets

- (a) Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred 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 Company recognized deferred tax assets amounting to \$87,914.

D. Calculation of accrued pension obligations

- (a) When calculating the present value of defined pension obligations, the Company 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 \$466,244. When the discount rate increased/decreased by 0.25%, the Company recognized accrued

pension liabilities would have decreased by \$16,405 or increased by \$17,132.

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	\$ 4, 770	\$ 3, 035
Checking accounts and demand deposits	<u>147, 602</u>	<u>197, 190</u>
	<u>152, 372</u>	<u>200, 225</u>
Cash equivalents:		
Time deposits	<u>47, 770</u>	<u>89, 433</u>
	<u>\$ 200, 142</u>	<u>\$ 289, 658</u>

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

B. As of December 31, 2014, the Company has no cash and cash equivalents pledged to others.

(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		
Listed stocks	\$ –	\$ 1, 431
Valuation adjustment of financial assets held for trading	<u>–</u>	<u>(1, 042)</u>
	<u>\$ –</u>	<u>\$ 389</u>

A. The Company recognized gain (shown as “Other gains and losses”) of \$75 and \$257 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively, and recognized gain (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 Company 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:		
Unlisted 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	\$ 53,659	\$ 33,433
Unlisted stocks	<u>48,526</u>	<u>48,526</u>
	102,185	81,959
Valuation adjustment of available-for-sale financial assets	<u>189,547</u>	<u>128,766</u>
	<u>\$ 291,732</u>	<u>\$ 210,725</u>

A. The Company recognized \$63,837 and \$45,662 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 Company were pledged as collateral.

(4) Notes receivable, net

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Notes receivable	\$ 185,823	\$ 215,670
Less: allowance for bad debts	<u>(1,519)</u>	<u>(1,914)</u>
	<u>\$ 184,304</u>	<u>\$ 213,756</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:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>Group provision</u>	<u>Group provision</u>
Beginning balance	\$ 1,914	\$ 1,909
Provision for impairment	-	957
Reversal of impairment	<u>(180)</u>	<u>-</u>
Write-offs during the year	<u>(215)</u>	<u>(952)</u>
Ending balance	<u>\$ 1,519</u>	<u>\$ 1,914</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 Company has no notes receivable pledged to others.

(5) Accounts receivable, net

	December 31, 2014	December 31, 2013
Accounts receivable	\$ 413, 148	\$ 395, 013
Less: allowance for bad debts	(9, 699)	(4, 692)
	<u>\$ 403, 449</u>	<u>\$ 390, 321</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	\$ 4, 692	\$ 2, 242
Provision of impairment	5, 576	3, 233
Write-offs during the year	(569)	(783)
Ending balance	<u>\$ 9, 699</u>	<u>\$ 4, 692</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 Company has no accounts receivable pledged to others.

(6) Inventories

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 69, 630	(\$ 407)	\$ 69, 223
Raw materials	118, 643	(3, 934)	114, 709
Supplies	30, 309	(1, 531)	28, 778
Work in process	75, 490	(5, 680)	69, 810
Finished goods	181, 137	(2, 731)	178, 406
	<u>\$ 475, 209</u>	<u>(\$ 14, 283)</u>	<u>\$ 460, 926</u>

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 22, 879	(\$ 780)	\$ 22, 099
Raw materials	108, 292	(6, 173)	102, 119
Supplies	34, 304	(3, 166)	31, 138
Work in process	47, 863	(3, 777)	44, 086
Finished goods	191, 649	(5, 912)	185, 737
	<u>\$ 404, 987</u>	<u>(\$ 19, 808)</u>	<u>\$ 385, 179</u>

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2014	2013
Cost of goods sold	\$ 1, 215, 411	\$ 1, 271, 215
Loss on disposal of inventory	21, 348	27, 586
Reversal of allowance for inventory market price decline (Note)	(5, 525)	(17, 821)
Gain on physical inventory	(369)	(395)
Total cost of goods sold	<u>\$ 1, 230, 865</u>	<u>\$ 1, 280, 585</u>

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

(7) Disposal group held for sale

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 exchange rate is 1 ordinary share of WE CAN MEDICINES CO., LTD. to 2.099809 ordinary shares of Health Life International Co., Ltd. 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.

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

	December 31, 2014	December 31, 2013
Unlisted stocks	\$ 17, 085	\$ 21, 585
Less: Accumulated impairment	-	(4, 500)
	<u>\$ 17, 085</u>	<u>\$ 17, 085</u>

- A. According to the Company's intention, its investment in other company stocks should be classified as 'available-for-sale financial assets'. However, as the other company stocks are not traded in active market, and sufficient industry information of companies similar to the other company or the other company's financial information cannot be obtained, the fair value of the investment in other company stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost'.
- B. The Company's financial assets measured at cost – Zhong Shan Venture Capital Co., Ltd. was liquidated in December 2013. The Company has recognized gain on related disposal of \$788 (shown as 'other gains and losses').
- C. As of December 31, 2014 and 2013, no financial assets measured at cost held by the Company were 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	\$ 1, 312, 249	\$ 1, 196, 086
Acquisition of investments accounted for using the equity method	97, 946	183, 021
Disposal of investments accounted for using the equity method	(21, 481)	(84, 388)
Share of profit or loss of investments accounted for using the equity method	41, 074	47, 426
Earnings distribution of investments accounted for using the equity method	(13, 411)	(40, 234)
Capital surplus — Difference between consideration and carrying amount of subsidiaries acquired or disposed	9, 045	—
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	10, 655	12, 587
Other equity interest — Unrealised gain (loss) on available -for-sale financial assets	6, 387 (	696)
Other equity interest — Actuarial losses of defined benefit plan	(953)	(1, 553)
At December 31	<u>\$ 1, 444, 971</u>	<u>\$ 1, 312, 249</u>

	December 31, 2014	December 31, 2013
Subsidiaries	\$ 1,230,176	\$ 1,134,660
Associates	214,795	177,589
	<u>\$ 1,444,971</u>	<u>\$ 1,312,249</u>

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

	December 31, 2014	December 31, 2013
Standard Pharmaceutical Co., Ltd.	\$ 235,913	\$ 220,848
Chia Scheng Investment Co., Ltd.	77,741	77,699
STANDARD CHEM. & PHARM. PHILIPPINES,	6,421	6,299
Inforight Technology Co., Ltd.	4,112	4,430
Souriree Biotech & Pharm. Co., Ltd.	21,488	22,716
Multipower Enterprise Corp.	455,324	381,195
Advpharma Inc.	292,193	294,192
Syngen Biotech Co., Ltd.	136,984	127,281
WE CAN MEDICINES CO., LTD.	214,795	177,589
	<u>\$ 1,444,971</u>	<u>\$ 1,312,249</u>

C. Information about subsidiaries:

(a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2014 consolidated financial statements.

(b) The Company disposed 66.67% of share capital of Health Life International Co., Ltd. on April 1, 2013. Details are provided in Note 6(7), Disposal group held for sale.

D. The financial information of the Company'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.	<u>\$1,028,395</u>	<u>\$ 379,815</u>	<u>\$ 2,335,640</u>	<u>(\$ 12,588)</u>	33.10%
	December 31, 2013		Year ended December 31, 2013		% interest held
	Assets	Liabilities	Operating revenue	Profit/(Loss)	
WE CAN MEDICINES CO., LTD.	<u>\$ 812,016</u>	<u>\$ 309,357</u>	<u>\$ 1,970,813</u>	<u>\$ 5,944</u>	35.33%

E. As of December 31, 2014 and 2013, the Company pledged subsidiaries' stocks as collateral. Details are provided in Note 8, Pledged assets.

(10) Property, plant and equipment

Year ended December 31, 2014	Land	Buildings	Machinery	Utility equipment	Other equipment	Construction in progress and equipment to be inspected	Total
Beginning balance							
Cost	\$ 298,547	\$ 597,565	\$ 576,257	\$ 143,153	\$ 779,842	\$ 100	\$ 2,395,464
Accumulated depreciation	-	(175,698)	(393,013)	(71,881)	(409,984)	-	(1,050,576)
Net book value	<u>\$ 298,547</u>	<u>\$ 421,867</u>	<u>\$ 183,244</u>	<u>\$ 71,272</u>	<u>\$ 369,858</u>	<u>\$ 100</u>	<u>\$ 1,344,888</u>
Opening net book amount	\$ 298,547	\$ 421,867	\$ 183,244	\$ 71,272	\$ 369,858	\$ 100	\$ 1,344,888
Additions — cost	-	1,089	8,509	1,330	21,546	143	32,617
Transfer from inspection	-	-	-	-	143	(143)	-
Transferred — cost (Note 1)	-	(1,198)	(11,266)	-	40,562	(100)	27,998
Transferred — accumulated depreciation	-	-	17,042	-	(17,042)	-	-
Depreciation charge	-	(14,683)	(25,150)	(7,154)	(60,188)	-	(107,175)
Disposals — cost	-	(55,925)	(59,872)	(13,776)	(58,660)	-	(188,233)
Disposals — accumulated depreciation	-	28,146	39,435	13,468	56,265	-	137,314
Closing net book amount	<u>\$ 298,547</u>	<u>\$ 379,296</u>	<u>\$ 151,942</u>	<u>\$ 65,140</u>	<u>\$ 352,484</u>	<u>\$ -</u>	<u>\$ 1,247,409</u>
Ending balance							
Cost	\$ 298,547	\$ 541,531	\$ 513,628	\$ 130,707	\$ 783,433	\$ -	\$ 2,267,846
Accumulated depreciation	-	(162,235)	(361,686)	(65,567)	(430,949)	-	(1,020,437)
Net book value	<u>\$ 298,547</u>	<u>\$ 379,296</u>	<u>\$ 151,942</u>	<u>\$ 65,140</u>	<u>\$ 352,484</u>	<u>\$ -</u>	<u>\$ 1,247,409</u>

Year ended December 31, 2013	Construction in progress and equipment to be inspected					
	Land	Buildings	Machinery	Utility equipment	Other equipment	Total
Beginning balance						
Cost	\$ 290,596	\$ 579,082	\$ 568,489	\$ 153,246	\$ 771,307	\$ 2,366,127
Accumulated depreciation	-	(160,178)	(401,306)	(74,676)	(375,147)	(1,011,307)
Net book value	<u>\$ 290,596</u>	<u>\$ 418,904</u>	<u>\$ 167,183</u>	<u>\$ 78,570</u>	<u>\$ 396,160</u>	<u>\$ 1,354,820</u>
Opening net book amount	\$ 290,596	\$ 418,904	\$ 167,183	\$ 78,570	\$ 396,160	\$ 1,354,820
Additions—cost	-	15,644	47,300	610	29,951	93,534
Transfer from inspection	-	-	-	-	3,336	(3,336)
Transferred—cost (Note 2)	7,951	8,948	(3,749)	-	1,047	14,197
Transferred—accumulated depreciation (Note 3)	-	(2,010)	1,230	-	(1,230)	(2,010)
Depreciation charge	-	(16,119)	(28,315)	(6,385)	(56,040)	(106,859)
Disposals—cost	-	(6,109)	(35,783)	(10,703)	(25,799)	(78,394)
Disposals—accumulated depreciation	-	2,609	35,378	9,180	22,433	69,600
Closing net book amount	<u>\$ 298,547</u>	<u>\$ 421,867</u>	<u>\$ 183,244</u>	<u>\$ 71,272</u>	<u>\$ 369,858</u>	<u>\$ 1,344,888</u>
Ending balance						
Cost	\$ 298,547	\$ 597,565	\$ 576,257	\$ 143,153	\$ 779,842	\$ 2,395,464
Accumulated depreciation	-	(175,698)	(393,013)	(71,881)	(409,984)	(1,050,576)
Net book value	<u>\$ 298,547</u>	<u>\$ 421,867</u>	<u>\$ 183,244</u>	<u>\$ 71,272</u>	<u>\$ 369,858</u>	<u>\$ 1,344,888</u>

(Note 1) Including transfer of \$29,421 from 'prepayment for equipment'; transfer of \$1,423 into expense.

(Note 2) Including transfer of \$13,529 from 'Investment property'; transfer of \$668 from 'prepayment for equipment'.

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

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the interest rates for such capitalization for the years ended December 31, 2014 and 2013 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, 2014</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning balance			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	—	(2,961)	(2,961)
Net book value	<u>\$ 43,295</u>	<u>\$ 3,815</u>	<u>\$ 47,110</u>
Opening net book amount	\$ 43,295	\$ 3,815	\$ 47,110
Depreciation charge	—	(113)	(113)
Closing net book amount	<u>\$ 43,295</u>	<u>\$ 3,702</u>	<u>\$ 46,997</u>
Ending balance			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	—	(3,074)	(3,074)
Net book value	<u>\$ 43,295</u>	<u>\$ 3,702</u>	<u>\$ 46,997</u>

<u>Year ended December 31, 2013</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning balance			
Cost	\$ 51,246	\$ 12,354	\$ 63,600
Accumulated depreciation	<u>—</u>	<u>(4,858)</u>	<u>(4,858)</u>
Net book value	<u>\$ 51,246</u>	<u>\$ 7,496</u>	<u>\$ 58,742</u>
Opening net book amount	\$ 51,246	\$ 7,496	\$ 58,742
Depreciation charge	—	(113)	(113)
Reclassify to property, plant and equipment			
— cost	(7,951)	(5,578)	(13,529)
Reclassify to property, plant and equipment			
— accumulated depreciation	<u>—</u>	<u>2,010</u>	<u>2,010</u>
Closing net book amount	<u>\$ 43,295</u>	<u>\$ 3,815</u>	<u>\$ 47,110</u>
Ending balance			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>—</u>	<u>(2,961)</u>	<u>(2,961)</u>
Net book value	<u>\$ 43,295</u>	<u>\$ 3,815</u>	<u>\$ 47,110</u>

A. Rental income from investment property (shown as “other income”) is as below:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Rental income from investment property	<u>\$ 4,424</u>	<u>\$ 2,297</u>

B. The fair value of the investment property held by the Company as at December 31, 2014 and 2013 was \$63,190 and \$63,302, respectively, which was valued by independent appraisers.

C. No interest was capitalized on investment property for the years ended December 31, 2014 and 2013.

(12) Intangible assets

	Year ended December 31, 2014		
	Patents	Software	Total
Beginning balance			
Cost	\$ 9,143	\$ 29,836	\$ 38,979
Accumulated amortization	(287)	(12,883)	(13,170)
Net book value	<u>\$ 8,856</u>	<u>\$ 16,953</u>	<u>\$ 25,809</u>
Opening net book amount	\$ 8,856	\$ 16,953	\$ 25,809
Additions—acquired separately	2,459	557	3,016
Amortization	(1,150)	(2,505)	(3,655)
Closing net book amount	<u>\$ 10,165</u>	<u>\$ 15,005</u>	<u>\$ 25,170</u>
Ending balance			
Cost	\$ 11,602	\$ 30,393	\$ 41,995
Accumulated amortization	(1,437)	(15,388)	(16,825)
Net book value	<u>\$ 10,165</u>	<u>\$ 15,005</u>	<u>\$ 25,170</u>

	Year ended December 31, 2013		
	Patents	Software	Total
Beginning balance			
Cost	\$ —	\$ 23,796	\$ 23,796
Accumulated amortization	—	(10,417)	(10,417)
Net book value	<u>\$ —</u>	<u>\$ 13,379</u>	<u>\$ 13,379</u>
Opening net book amount	\$ —	\$ 13,379	\$ 13,379
Additions—acquired separately	9,143	6,040	15,183
Amortization	(287)	(2,466)	(2,753)
Closing net book amount	<u>\$ 8,856</u>	<u>\$ 16,953</u>	<u>\$ 25,809</u>
Ending balance			
Cost	\$ 9,143	\$ 29,836	\$ 38,979
Accumulated amortization	(287)	(12,883)	(13,170)
Net book value	<u>\$ 8,856</u>	<u>\$ 16,953</u>	<u>\$ 25,809</u>

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

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

	Years ended December 31,	
	2014	2013
Operating costs	\$ 786	\$ 458
Selling expenses	459	224
General & administrative expenses	2,358	1,664
Research and development expenses	52	407
	<u>\$ 3,655</u>	<u>\$ 2,753</u>

C. As of December 31, 2014 and 2013, the Company has no intangible assets pledged to others.

(13) Short-term borrowings

	December 31, 2014	Interest rate range	Collateral
Bank secured borrowings	<u>\$ 50,000</u>	1.14%	(Note 1)
	December 31, 2013	Interest rate range	Collateral
Bank secured borrowings	\$ 80,000	1.12%~1.15%	(Note 2)
Unsecured bank borrowings	<u>30,000</u>	1.20%	None
	<u>\$ 110,000</u>		

(Note 1) Land and buildings

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

(14) Short-term notes and bills payable

	December 31, 2014	Interest rate range	Collateral
Commercial paper payable	<u>\$ 100,000</u>	0.87%	None
	December 31, 2013	Interest rate range	Collateral
Commercial paper payable	<u>\$ 60,000</u>	0.75%~0.88%	None

The commercial paper payable is guaranteed and issued by International Bills Finance Corporation and other financial institutions.

(15) Long-term borrowings

Type of borrowings	Maturity date range	Interest rate range	December 31, 2014
Unsecured bank borrowings	2016.09.15	1.10%	<u>\$ 100,000</u>
Type of borrowings	Maturity date range	Interest rate range	December 31, 2013
Unsecured bank borrowings	2015.01.15	1.10%	<u>\$ 100,000</u>

(16) Pensions

A. The Company has 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 5% 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 recognized in the balance sheet (shown as "accrued pension liabilities") are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Present value of funded defined benefit obligations	(\$ 522,211)	(\$ 509,216)
Fair value of plan assets	<u>55,967</u>	<u>64,063</u>
Deficit (Net liability in the balance sheet)	<u>(\$ 466,244)</u>	<u>(\$ 445,153)</u>

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

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
Present value of defined benefit obligations at January 1	(\$ 509,216)	(\$ 564,123)
Current service cost	(8,240)	(9,262)
Interest cost	(10,113)	(8,381)
Actuarial gain (loss)	(8,261)	48,779
Gain (loss) on reduction or settlement	<u>13,619</u>	<u>23,771</u>
Present value of defined benefit obligations at December 31	<u>(\$ 522,211)</u>	<u>(\$ 509,216)</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	\$ 64,063	\$ 82,576
Expected return on plan assets	1,316	1,469
Actuarial gain (loss)	261 (	512)
Employer contributions	3,946	4,301
Benefits paid	(13,619)	(23,771)
Fair value of plan assets at December 31	<u>\$ 55,967</u>	<u>\$ 64,063</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Current service cost	\$ 8,240	\$ 9,262
Interest cost	10,113	8,381
Expected return on plan assets	(1,316)	(1,469)
Current pension cost	<u>\$ 17,037</u>	<u>\$ 16,174</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Operating costs	\$ 11,396	\$ 10,431
Selling expenses	2,340	2,452
General and administrative expenses	2,577	2,331
Research and development expenses	724	960
	<u>\$ 17,037</u>	<u>\$ 16,174</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Recognition for current period	(\$ 8,000)	\$ 48,267
Accumulated amount	<u>\$ 12,356</u>	<u>\$ 20,356</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign

real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. 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 actual returns on plan assets was \$1,577 and \$957, respectively.

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

	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	2.00%	2.00%
Future salary increases	3.00%	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	(\$ 522,211)	(\$ 509,216)	(\$ 564,123)
Fair value of plan assets	55,967	64,063	82,576
Deficit in the plan	(\$ 466,244)	(\$ 445,153)	(\$ 481,547)
Experience adjustments on plan liabilities	(\$ 5,818)	\$ 19,321	(\$ 3,786)
Experience adjustments on plan assets	\$ 261	(\$ 512)	(\$ 1,053)

(i) Expected contributions to the defined benefit pension plan of the Company within one year from December 31, 2014 are \$16,477.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on

6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2014 and 2013 were \$17,786 and \$18,784, respectively.

(17) Share capital – common stock

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

	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 totalling \$92,300 and \$164,600 at \$24.5 (in dollars) per share and \$25.3 (in dollars) per share, respectively. The converted ordinary shares amounted to \$102,732.

C. As of December 31, 2014, the Company's authorized capital was \$2,000,000, consisting of 178,696 thousand shares of ordinary stock, and the paid-in capital was \$1,786,961 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) 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.

(19) 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. 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.
- 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 amounted to \$12,282 as resolved by the stockholders and the amount of \$10,721 recognized in the 2013 financial statements had been adjusted in the 2014 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 recognized 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

(20) Other income

	Years ended December 31,2014	Years ended December 31,2013
Dividend income	\$ 7,145	\$ 6,378
Interest income	3,161	2,535
Rental income	4,424	2,297
Other income	35,728	56,469
	<u>\$ 50,458</u>	<u>\$ 67,679</u>

(21) Other gains and losses

	Years ended December 31,2014	Years ended December 31,2013
Net gain on financial assets at fair value through profit or loss	\$ 75	\$ 257
Net gain on financial liabilities at fair value through profit or loss	-	310
Gain on disposal of investments	788	-
Net currency exchange gain	20,790	8,919
Net loss on disposal of property, plant and equipment	(594)	(8,794)
Other losses	(151)	(1,169)
	<u>\$ 20,908</u>	<u>(\$ 477)</u>

(22) Finance costs

	Years ended December 31,2014	Years ended December 31,2013
Interest expense		
Bank borrowings	\$ 3,076	\$ 2,765
Convertible bonds	-	5,091
	3,076	7,856
Less: capitalisation of qualifying assets	(269)	(614)
	<u>\$ 2,807</u>	<u>\$ 7,242</u>

(23) Expenses by nature

	Years ended December 31,					
	2014			2013		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Employee benefit expenses	\$ 240,354	\$ 355,572	\$ 595,926	\$ 270,171	\$ 364,824	\$ 634,995
Depreciation charges on property, plant and equipment	85,064	22,111	107,175	82,930	23,929	106,859
Amortization charges on intangible assets	786	2,869	3,655	458	2,295	2,753
	<u>\$ 326,204</u>	<u>\$ 380,552</u>	<u>\$ 706,756</u>	<u>\$ 353,559</u>	<u>\$ 391,048</u>	<u>\$ 744,607</u>

(24) Employee benefit expenses

	Years ended December 31,					
	2014			2013		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Wages and salaries	\$ 192,332	\$ 305,000	\$ 497,332	\$ 219,720	\$ 313,940	\$ 533,660
Labor and health insurance expenses	18,840	23,601	42,441	20,207	23,903	44,110
Pension costs	18,036	16,787	34,823	17,901	17,057	34,958
Other personnel expenses	11,146	10,184	21,330	12,343	9,924	22,267
	\$ 240,354	\$ 355,572	\$ 595,926	\$ 270,171	\$ 364,824	\$ 634,995

As of December 31, 2014 and 2013, the Company had 729 and 790 employees, respectively.

(25) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	Years ended December 31,2014	Years ended December 31,2013
Current tax:		
Current tax on profits for the year	\$ 55,208	\$ 47,789
Over provision of prior year's income tax	(6,958)	(1,537)
Total current tax	<u>48,250</u>	<u>46,252</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,743)	3,188
Income tax expense	<u>\$ 44,507</u>	<u>\$ 49,440</u>

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

	Years ended December 31,2014	Years ended December 31,2013
Actuarial gain (loss) on defined benefit obligations	(\$ 1,360)	\$ 8,205

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,2014	Years ended December 31,2013
Tax calculated based on profit before tax and statutory tax rate	\$ 71,186	\$ 59,130
Effect of amount not allowed to recognise under regulations	(16,141)	(9,659)
Effect from tax-exempt income	(3,580)	(2,547)
Over provision of prior year's income tax	(6,958)	(1,537)
Additional 10% tax on undistributed earnings	<u>-</u>	<u>4,053</u>
Income tax expense	<u>\$ 44,507</u>	<u>\$ 49,440</u>

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

Year ended December 31, 2014				
			Recognised in other comprehensiv income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets:				
Temporary differences:				
Unrealized sales discount and allowances	\$ 2,428	(\$ 968)	\$ -	\$ 1,460
Bad debts	2,263	874	-	3,137
Unrealized loss on inventories from market value decline	3,367	(939)	-	2,428
Investment loss	177	4,032	-	4,209
Unused compensated absences	3,446	(85)	-	3,361
Pensions	69,733	2,226	1,360	73,319
	<u>81,414</u>	<u>5,140</u>	<u>1,360</u>	<u>87,914</u>
Deferred tax liabilities:				
Temporary differences:				
Provision for land value increment tax	(61,992)	-	-	(61,992)
Unrealized exchange gains	(590)	(1,397)	-	(1,987)
	<u>(62,582)</u>	<u>(1,397)</u>	<u>-</u>	<u>(63,979)</u>
	<u>\$ 18,832</u>	<u>\$ 3,743</u>	<u>\$ 1,360</u>	<u>\$ 23,935</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	\$ 3,056	(\$ 628)	\$ -	\$ 2,428
Bad debts	1,909	354	-	2,263
Unrealized loss on inventories from market value decline	6,397	(3,030)	-	3,367
Investment loss	-	177	-	177
Unused compensated absences	3,522	(76)	-	3,446
Pensions	81,676	(3,738)	(8,205)	69,733
Unrealized exchange losses	896	(896)	-	-
	<u>97,456</u>	<u>(7,837)</u>	<u>(8,205)</u>	<u>81,414</u>

Deferred tax liabilities:

Temporary differences:

Investment income	(5,239)	5,239	-	-
Provision for land value increment tax	(61,992)	-	-	(61,992)
Unrealized exchange gains	-	(590)	-	(590)
	<u>(67,231)</u>	<u>4,649</u>	<u>-</u>	<u>(62,582)</u>
	<u>\$ 30,225</u>	<u>(\$ 3,188)</u>	<u>(\$ 8,205)</u>	<u>\$ 18,832</u>

D. 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.

E. 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	<u>431,967</u>	<u>541,904</u>
	<u>\$ 437,144</u>	<u>\$ 547,081</u>

F. 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.

(26) Earnings per share

Year ended December 31, 2014			
	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 attributable to ordinary shareholders	\$ 374,235	178,696	\$ 2.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 374,235	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	—	92	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 374,235	178,788	\$ 2.09
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 attributable to ordinary shareholders	\$ 298,386	172,188	\$ 1.73
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 298,386	172,188	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	—	63	
Convertible bonds	5,091	4,919	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 303,477	177,170	\$ 1.71

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.

(27) 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) Purchases of property, plant and equipment	\$ 32,617	\$ 93,534
Add: Opening balance of notes payable	13,299	4,433
Opening balance of payable on equipment (shown as “other payables”)	7,257	37,112
Less: Ending balance of notes payable	(3,846)	(13,299)
Ending balance of payable on equipment (shown as “other payables”)	(3,928)	(7,257)
Capitalized interest payments	(269)	(614)
Cash paid for acquisition of property, plant and equipment	<u>\$ 45,130</u>	<u>\$ 113,909</u>
B. Operating, investing and financing activities with no cash flow effects:		
	Year ended December 31, 2014	Year ended December 31, 2013
(1) Elimination of amount of allowance for bad debts	<u>\$ 784</u>	<u>\$ 1,735</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(2) Investment property transferred to property, plant and equipment	<u>\$ –</u>	<u>\$ 11,519</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(3) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 29,421</u>	<u>\$ 668</u>
	Year ended December 31, 2014	Year ended December 31, 2013
(4) Conversion of convertible bonds to common stock and capital surplus	<u>\$ –</u>	<u>\$ 245,928</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales of goods

	Year ended December 31, 2014	Year ended December 31, 2013
Subsidiaries	\$ 40,268	\$ 6,313
Associates	12,709	32,024
Other associates	8,845	8,496
	<u>\$ 61,822</u>	<u>\$ 46,833</u>

Prices of goods sold to related parties are determined each time when delivering goods. The payment term of the subsidiaries is to obtain cheques with 3~4 months. For other related parties, 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
Subsidiaries	\$ 104,741	\$ 22,350
Other associates	48,806	40,823
	<u>\$ 153,547</u>	<u>\$ 63,173</u>

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

C. Other expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Advertisement expense:		
Subsidiaries	<u>\$ 10,242</u>	<u>\$ -</u>
Miscellaneous expenditure:		
Subsidiaries	<u>\$ 1,550</u>	<u>\$ 6,203</u>

D. Rental income

	Leased assets	Rent collection	Year ended December 31, 2014	Year ended December 31, 2013
Subsidiaries	Land, Buildings	Monthly	<u>\$ 4,400</u>	<u>\$ 2,239</u>

E. Other income

	Year ended December 31, 2014	Year ended December 31, 2013
Subsidiaries	\$ 5,249	\$ 3,053
Other associates	399	502
	<u>\$ 5,648</u>	<u>\$ 3,555</u>

F. Equity transactions

- (a) In response to future operation planning in 2013, the Company has sold certain shares in its subsidiary – Syngen Biotech Co., Ltd. to other related parties at \$10,554.
- (b) The Company participated in cash capital increase of the investment accounted for using equity method – We Can Medicines Co., Ltd. by investing \$40,359 and \$85,217 in April 2014 and October 2013, respectively.
- (c) The Company participated in cash capital increase of the available-for-sale financial assets – non-current – SYN-TECH CHEM & PHARM CO., LTD. by investing \$20,226 in October 2014.

G. Ending balance of goods sold

	December 31, 2014	December 31, 2013
Receivables from related parties:		
Subsidiaries	\$ 3,014	\$ 4,017
Associates	1,003	8,441
Other associates	5,295	4,252
	<u>\$ 9,312</u>	<u>\$ 16,710</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.

H. Ending balance of payment on behalf of others (Shown as ‘other receivables—related parties’)

	December 31, 2014	December 31, 2013
Receivables from related parties:		
Subsidiaries	\$ 198	\$ 1,708
Other associates	461	–
	<u>\$ 659</u>	<u>\$ 1,708</u>

I. Ending balance of goods purchased

	December 31, 2014	December 31, 2013
Payables to related parties:		
Subsidiaries	\$ 25,494	\$ 5,462
Other associates	14,748	11,298
	<u>\$ 40,242</u>	<u>\$ 16,760</u>

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

J. Property transactions

Disposal of property, plant and equipment:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Disposal proceeds	Gain on disposal	Disposal proceeds	Gain on disposal
Subsidiaries	\$ 50,325	\$ 293	\$ –	\$ –

In response to future operation development and based on valuation report of professional appraisers, on December 27, 2013, the Board of Directors has approved the sale of plant and equipment of bio segment to the Company's subsidiary – Syngen Biotech Co., Ltd. The transfer was effective on January 1, 2014.

K. Financing

Receivables from related parties (Shown as 'other receivables – related parties'):

	Year ended December 31, 2014				
	Date of maximum balance	Maximum balance	Ending balance	Annual rate	Interest income
Standard Pharmaceutical Co., Ltd.	2014. 12. 31	\$ 94,950	\$ 94,950	2.5%	\$ 2,227
	Year ended December 31, 2013				
	Date of maximum balance	Maximum balance	Ending balance	Annual rate	Interest income
Standard Pharmaceutical Co., Ltd.	2013. 12. 31	\$ 89,430	\$ 89,430	2.5%	\$ 1,674

L. Endorsements and guarantees provided to related parties

Endorser/ guarantor	Endorsee/guarantee	December 31, 2014	December 31, 2013	Purpose
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
		\$ 294,950	\$ 294,950	

As of December 31, 2014 and 2013, the actual endorsement/guarantee amount which was provided by the Company for its subsidiaries – Syngen Biotech Co., Ltd. and Standard Pharmaceutical Co., Ltd. drawn amounted to \$– and \$– (USD\$– thousand), and \$– and \$47,475 (USD\$1,500 thousand), respectively.

(2) Key management compensation

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and other short-term employee benefits	\$ 22,631	\$ 21,433

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2014	December 31, 2013	
Investment 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)	126,861	128,382	Short-term and long-term borrowings
	<u>\$ 610,731</u>	<u>\$ 602,044</u>	

(Note 1) As of December 31, 2014 and 2013, the Company 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 was \$92,511 and \$81,398, respectively. The shares are pledged as collateral for short-term and long-term borrowings.

(Note 2) Shown as 'property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2014 and 2013, the balances for contracts that the Company entered into for the purchase of property, plant and equipment, but not yet due were \$11,702 and \$23,898, respectively.
- (2) As of December 31, 2014 and 2013, the Company's letter of credit that was used but not negotiated was \$65 and \$787, respectively.
- (3) Significant contingent liabilities and unrecognized contract commitments between related parties are provided in Note 7, Related party.
- (4) 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 Company 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>

- (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.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’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 Company 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 Company’s financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable, other payables, long-term borrowings 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 Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial position and financial performance.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company 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 Company 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 Company does not expect significant interest rate risk.
- iii. The Company 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 Company does not hedge the investments.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2014			
(Foreign currency: functional currency)	Foreign currency		
	amount		
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 9,988	31.65	\$ 316,120
<u>Investments accounted for using equity method</u>			
USD: NTD	10,460	31.65	331,059
PHP: NTD	8,947	0.7238	6,476
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	536	31.65	16,964
December 31, 2013			
(Foreign currency: functional currency)	Foreign currency		
	amount		
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 12,070	29.81	\$ 359,807
<u>Investments accounted for using equity method</u>			
USD: NTD	11,918	29.81	355,276
PHP: NTD	9,293	0.6880	6,394
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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 \$5,285 and \$5,934, respectively.

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the non-consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company has set various stop-loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.
- ii. The Company'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 \$- and \$14, 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 \$1,142 and \$820, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Company 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 Company to fair value interest rate risk. During the years ended December 31, 2014 and 2013, the Company'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 \$31 and \$28 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 Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and 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 utilization 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 Company provides endorsements and guarantees based on the Company's policies and procedures on endorsements and guarantees. The Company only provides endorsement or guarantee for subsidiaries that the Company directly holds more than 50% ownership, or for entities that the Company 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 Company 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 Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.

- ii. Surplus cash held by the Company over and above balance required for working capital management are transferred to the Company treasury. Company 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 Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

<u>December 31, 2014</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 50,047	\$ -	\$ -	\$ -
Short-term notes and bills payable	110,000	-	-	-
Notes payable	171,476	-	-	-
Notes payable-related parties	36,480	-	-	-
Accounts payable	56,354	-	-	-
Other payables	176,082	-	-	-
Long-term borrowings (including current portion)	-	101,971	-	-
<u>December 31, 2013</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$110,105	\$ -	\$ -	\$ -
Short-term notes and bills payable	60,000	-	-	-
Notes payable	164,311	-	-	-
Notes payable-related parties	16,760	-	-	-
Accounts payable	48,104	-	-	-
Other payables	195,734	-	-	-
Long-term borrowings (including current portion)	-	101,142	-	-

- iv. For non-derivative financial liabilities, the Company's non-derivative financial liabilities that do 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 Company's financial assets that are measured at fair value at December 31, 2014 and 2013:

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Available-for-sale financial assets				
Equity securities	<u>\$ 184,220</u>	<u>\$ -</u>	<u>\$ 122,568</u>	<u>\$ 306,788</u>
<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 389	\$ -	\$ -	\$ 389
Available-for-sale financial assets				
Equity securities	<u>114,667</u>	<u>-</u>	<u>96,058</u>	<u>210,725</u>
	<u>\$ 115,056</u>	<u>\$ -</u>	<u>\$ 96,058</u>	<u>\$ 211,114</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 Company 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:

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

(b) 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	\$ 96,058	\$ -	\$ 96,058
Gains recognized in other comprehensive income	26,510	-	26,510
At December 31, 2014	<u>\$ 122,568</u>	<u>\$ -</u>	<u>\$ 122,568</u>

	Equity securities	Derivative financial instruments	Total
At January 1, 2013	\$ 67,719	(\$ 249)	\$ 67,470
Gains recognized in profit or loss	-	310	310
Gains recognized in other comprehensive income	28,339	-	28,339
Conversion of convertible bonds to common stock	-	(61)	(61)
At December 31, 2013	<u>\$ 96,058</u>	<u>\$ -</u>	<u>\$ 96,058</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2014.)

A. Loans to others:

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding		Actual amount drawn down	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	Balance at 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	Notes 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	Notes 2 and 3
2	Multipower Enterprise Corp.	Sourree Biotech & Pharm. Co., Ltd.	Other receivables	Yes	9,000	9,000	-	2.896%	2	-	Operating capital	-	-	-	9,941	39,764	Notes 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 endorsements/guarantees 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 endorsements/guarantees secured with collateral	Ratio of accumulated endorsements/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided (Note 2)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Note
	Endorser/guarantor	Company name	Relationship with the endorser/guarantor										
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Note 1	\$ 660,906	\$ 94,950	\$ -	\$ -	3%	\$ 1,652,264	Y	N	N	-
0	Standard Chem & Pharm. Co., Ltd.	Syngene Biotech Co., Ltd.	Note 1	660,906	200,000	-	-	6%	1,652,264	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 (%)
Standard Chem & Pharm. Co., Ltd.	Stocks (investment certificate): Original BioMedicals Co., Ltd. SUN YOU BIOTECH PHARM CO., LTD.	---	3	200	\$ 15,056	0.82%
		The Company's legal representative is SUN YOU BIOTECH PHARM CO., LTD.'s chairman.	4	2,863	36,870	18.43%
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055	85,698	17.71%
	SYN-TECH CHEM & PHARM CO., LTD.	Same chairman	4	2,399	169,164	8.26%
	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%
Chia Scheng Investment Co., Ltd.	Beneficiary certificates: Taishin 1699 Money Market Fund Hua Nan Kirin Money Market Fund Taishin Ta-Chong Money Market Fund	---	2	1,159	15,399	-
			2	869	10,240	-
			2	368	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%
Inforight Technology Co., Ltd.	Beneficiary certificates: Capital Money Market Fund	---	2	185	2,932	-
					2,620	-
					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
Syngen Biotech Co., Ltd.	Capital RMB Money Market TWD	—	2	299	3,085	—	3,085
	Eastspring 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 billings	(1%)
				Disposal of property, plant and equipment	(50, 325)	—	(1%)
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Purchases	95, 245	Pay cheques with a maturity of 3~4 months after inspection had passed	3%
				Notes payable	(23, 370)	—	—
				Endorsements and guarantees	200, 000	—	4%
				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 Company is only required to disclose the information for the year ended December 31, 2014.)

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 ended December 31, 2014	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		100.00	\$ 235,913	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		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		100.00	6,421	(199)	(	199	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Inforgit Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000		100.00	4,112	(318)	(	318	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Sounree Biotech & Pharm. Co., Ltd.	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicine	62,889	52,889	11,936,374		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		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		84.58	292,193	(9,546)	(	8,010	Subsidiary (Note 1)

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014		Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Note
				December 31, 2014	December 31, 2013	Number of shares	Ownership (%)	Book value		
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	53.68	\$ 136,984	\$ 31,280	16,249 Subsidiary (Note 2)
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	98,162	97,846	3,101,500	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
Advpianna 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) recognized 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 Company is only required to disclose the information for the year ended December 31, 2014. The financial information of investees was audited by independent accountants. The information was based on each consolidated entity, without elimination upon consolidation.)

A. Basic information:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	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	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	Note
				Remitted to Mainland China	Remitted back to Taiwan	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	\$ 221,530	Note 1	\$ 31,050	\$ -	\$ 180,900	Note 1	\$ 221,550	\$ 23,883	(\$ 23,883)	100.00	(\$ 23,883)	\$ 199,160	\$ -	Note 3
Jiangsu Standard-Dia Biopharm Co., Ltd.	Research and development, manufacturing and sale of various medicine	214,587	Note 2	-	-	-	Note 2	-	(31,200)	(55.80)	55.80	(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		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

None.