

**STANDARD CHEM. & PHARM. CO., LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2015 AND 2014**

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying consolidated balance sheets of Standard Chem & Pharm. Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. For the share of profit or loss of associates and joint ventures and disclosures in Note 13 recognised by Standard Chem & Pharm. Co., Ltd. and its subsidiaries' investment accounted for using equity method – WE CAN MEDICINES CO., LTD. and CNH TECHNOLOGIES, INC. for the years ended December 31, 2015 and 2014 were based on the investees' reports audited by their appointed accountants. The share of profit (loss) of associates and joint ventures accounted for using equity method recognised based on reports audited by other independent accountants amounted to NTD (33,384) thousand and NTD (5,079) thousand for the years ended December 31, 2015 and 2014, respectively. The balance of related investment accounted for using equity method amounted to NTD 193,368 thousand and NTD 226,409 thousand as of December 31, 2015 and 2014, respectively.

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

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Standard Chem & Pharm. Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (FSC).

We have also audited the parent company only financial statements of Standard Chem & Pharm. Co., Ltd. as of and for the years ended December 31, 2015 and 2014, on which we have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 25, 2016

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

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

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 766,379	13	\$ 543,233	10
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		159,920	3	164,537	3
1125	Available-for-sale financial assets	6(3)				
	- current		10,200	-	15,056	-
1150	Notes receivable, net	6(4)(28) and 7	290,651	5	293,075	6
1170	Accounts receivable, net	6(5)(28) and 7	598,699	11	597,731	11
1200	Other receivables	7	7,406	-	3,540	-
130X	Inventory	5(2), 6(6)(9)(28)	649,536	11	749,687	14
1410	Prepayments		120,813	2	84,457	2
11XX	Total current assets		2,603,604	45	2,451,316	46
Non-current assets						
1523	Available-for-sale financial assets	5(2), 6(3) and 7				
	- non-current		414,039	7	335,031	6
1543	Financial assets carried at cost -	5(2) and 6(7)				
	non-current		30,651	1	34,147	1
1550	Investments accounted for using	6(8), 7 and 8				
	the equity method		193,490	3	226,614	4
1600	Property, plant and equipment	6(9)(28) and 8	2,186,890	38	1,950,608	36
1780	Intangible assets	6(10)(11)	134,512	2	145,910	3
1840	Deferred income tax assets	5(2) and 6(26)	102,654	2	102,239	2
1915	Prepayments for equipment	6(9)(28)	31,388	1	45,385	1
1920	Guarantee deposits paid		19,162	-	11,157	-
1980	Other non-current financial assets	8	5,383	-	3,349	-
1985	Long-term prepaid rent	6(12)	59,019	1	61,115	1
1990	Other non-current assets	6(9)(16)(28)	14,495	-	7,776	-
15XX	Total non-current assets		3,191,683	55	2,923,331	54
1XXX	Total assets		\$ 5,795,287	100	\$ 5,374,647	100

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**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13) and 8	\$ 86,123	1	\$ 60,968	1
2110	Short-term notes and bills payable	6(14)	100,000	2	109,990	2
2150	Notes payable	6(28) and 7	219,075	4	267,379	5
2170	Accounts payable	7	132,023	2	101,449	2
2200	Other payables	6(28)	345,945	6	334,709	6
2230	Current income tax liabilities	6(26)	66,622	1	47,179	1
2310	Advance receipts		104,797	2	103,647	2
2320	Long-term liabilities, current portion	6(15) and 8	123,257	2	28,000	1
21XX	Total current liabilities		1,177,842	20	1,053,321	20
Non-current liabilities						
2540	Long-term borrowings	6(15) and 8	21,111	1	180,750	3
2570	Deferred income tax liabilities	6(26)	62,792	1	63,825	1
2610	Long-term notes and accounts payable	6(9)(28)	192,057	3	-	-
2640	Accrued pension liabilities	5(2) and 6(16)	449,068	8	468,564	9
2645	Guarantee deposits received		5,496	-	2,435	-
25XX	Total non-current liabilities		730,524	13	715,574	13
2XXX	Total liabilities		1,908,366	33	1,768,895	33
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(17)	1,786,961	31	1,786,961	33
3200	Capital surplus	6(18)	335,467	6	423,902	8
	Retained earnings	6(19)(25)(26)				
3310	Legal reserve		479,790	8	442,366	8
3350	Unappropriated retained earnings		691,487	12	437,144	8
3400	Other equity interest		250,918	4	214,155	4
31XX	Equity attributable to owners of the parent		3,544,623	61	3,304,528	61
36XX	Non-controlling interest		342,298	6	301,224	6
3XXX	Total equity		3,886,921	67	3,605,752	67
Significant contingent liabilities and unrecognised contract commitments		9				
3X2X	Total liabilities and equity		\$ 5,795,287	100	\$ 5,374,647	100

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

See report of independent accountants dated March 25, 2016.

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
4000 <b>Sales revenue</b>	6(20) and 7	\$ 3,321,366	100	\$ 3,295,656	100
5000 <b>Operating costs</b>	6(6)(10)(24)(25), 7 and 9	( 1,826,285)	( 55)	( 1,847,958)	( 56)
5900 <b>Net operating margin</b>		<u>1,495,081</u>	<u>45</u>	<u>1,447,698</u>	<u>44</u>
<b>Operating expenses</b>	6(10)(12)(24)(25) , 7 and 9				
6100 Selling expenses		( 619,271)	( 19)	( 539,385)	( 17)
6200 General and administrative expenses		( 253,343)	( 7)	( 288,219)	( 9)
6300 Research and development expenses		( 238,982)	( 7)	( 242,770)	( 7)
6000 <b>Total operating expenses</b>		( 1,111,596)	( 33)	( 1,070,374)	( 33)
6900 <b>Operating profit</b>		<u>383,485</u>	<u>12</u>	<u>377,324</u>	<u>11</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(21)	112,987	3	67,654	2
7020 Other gains and losses	6(2)(7)(10)(11)(2) 2) and 12	4,761	-	25,130	1
7050 Finance costs	6(9)(23)(28)	( 4,059)	-	( 6,353)	-
7060 Share of (loss) profit of associates and joint ventures accounted for using the equity method	6(8)	( 33,472)	( 1)	( 5,161)	-
7000 <b>Total non-operating income and expenses</b>		<u>80,217</u>	<u>2</u>	<u>81,270</u>	<u>3</u>
7900 <b>Profit before income tax</b>		<u>463,702</u>	<u>14</u>	<u>458,594</u>	<u>14</u>
7950 Income tax expense	6(26)	( 95,803)	( 3)	( 74,864)	( 2)
8200 <b>Net income for the year</b>		<u>\$ 367,899</u>	<u>11</u>	<u>\$ 383,730</u>	<u>12</u>

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**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Gain (loss) on remeasurements of defined benefit plans	6(8)(16)	\$ 40,089	1	(\$ 5,850)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	( 6,815)	-	1,274	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operation	6(8)	( 19)	-	10,655	-
8362 Unrealised gain on valuation of available-for-sale financial assets	6(3)	38,242	1	71,159	2
8300 <b>Total other comprehensive income for the year</b>		<u>\$ 71,497</u>	<u>2</u>	<u>\$ 77,238</u>	<u>2</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 439,396</u>	<u>13</u>	<u>\$ 460,968</u>	<u>14</u>
<b>Profit attributable to:</b>					
8610 Owners of the parent		\$ 347,894	10	\$ 374,235	12
8620 Non-controlling interest		20,005	1	9,495	-
		<u>\$ 367,899</u>	<u>11</u>	<u>\$ 383,730</u>	<u>12</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 417,878	12	\$ 447,521	14
8720 Non-controlling interest		21,518	1	13,447	-
		<u>\$ 439,396</u>	<u>13</u>	<u>\$ 460,968</u>	<u>14</u>
<b>Basic earnings per share (in dollars)</b>					
9750 <b>Net income for the year</b>	6(27)	<u>\$ 1.95</u>		<u>\$ 2.09</u>	
<b>Diluted earnings per share (in dollars)</b>					
9850 <b>Net income for the year</b>	6(27)	<u>\$ 1.95</u>		<u>\$ 2.09</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2016.

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								Total	Non-controlling interest	Total equity
		Common stock	Additional paid-in capital	Capital Surplus		Retained Earnings		Other Equity Interest				
				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	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on valuation of available-for-sale financial assets			
<u>For the year ended December 31, 2014</u>												
Balance at January 1, 2014		\$ 1,786,961	\$ 411,397	\$ -	\$ -	\$ 412,527	\$ 547,081	\$ 4,992	\$ 128,284	\$ 3,291,242	\$ 291,215	\$ 3,582,457
Difference between the price for acquisition or disposal of subsidiaries and carrying amount		-	-	9,045	-	-	-	-	-	9,045	-	9,045
Change in net equity of associates and joint ventures accounted for using the equity method	6(8)	-	-	-	3,460	-	-	-	-	3,460	-	3,460
Distribution of 2013 consolidated net income:												
Legal reserve		-	-	-	-	29,839	( 29,839 )	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	( 446,740 )	-	-	( 446,740 )	-	( 446,740 )
Net income for the year		-	-	-	-	-	374,235	-	-	374,235	9,495	383,730
Other comprehensive income for the year		-	-	-	-	-	( 7,593 )	10,655	70,224	73,286	3,952	77,238
Non-controlling interest		-	-	-	-	-	-	-	-	-	( 3,438 )	( 3,438 )
Balance at December 31, 2014		<u>\$ 1,786,961</u>	<u>\$ 411,397</u>	<u>\$ 9,045</u>	<u>\$ 3,460</u>	<u>\$ 442,366</u>	<u>\$ 437,144</u>	<u>\$ 15,647</u>	<u>\$ 198,508</u>	<u>\$ 3,304,528</u>	<u>\$ 301,224</u>	<u>\$ 3,605,752</u>
<u>For the year ended December 31, 2015</u>												
Balance at January 1, 2015		\$ 1,786,961	\$ 411,397	\$ 9,045	\$ 3,460	\$ 442,366	\$ 437,144	\$ 15,647	\$ 198,508	\$ 3,304,528	\$ 301,224	\$ 3,605,752
Cash dividends from capital surplus	6(18)	-	( 89,348 )	-	-	-	-	-	-	( 89,348 )	-	( 89,348 )
Difference between the price for acquisition or disposal of subsidiaries and carrying amount		-	-	913	-	-	-	-	-	913	-	913
Distribution of 2014 consolidated net income:												
Legal reserve		-	-	-	-	37,424	( 37,424 )	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	( 89,348 )	-	-	( 89,348 )	-	( 89,348 )
Net income for the year		-	-	-	-	-	347,894	-	-	347,894	20,005	367,899
Other comprehensive income for the year		-	-	-	-	-	33,221	( 19 )	36,782	69,984	1,513	71,497
Non-controlling interest		-	-	-	-	-	-	-	-	-	19,556	19,556
Balance at December 31, 2015		<u>\$ 1,786,961</u>	<u>\$ 322,049</u>	<u>\$ 9,958</u>	<u>\$ 3,460</u>	<u>\$ 479,790</u>	<u>\$ 691,487</u>	<u>\$ 15,628</u>	<u>\$ 235,290</u>	<u>\$ 3,544,623</u>	<u>\$ 342,298</u>	<u>\$ 3,886,921</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2016.



**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 463,702	\$ 458,594
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on financial assets at fair value through profit and loss		449	( 1,630 )
Provision for doubtful accounts	6(4)(5)	-	10,178
Reversal of allowance for doubtful accounts	6(4)(5)	( 3,180 )	-
Provision for inventory market price decline	6(6)	20,084	9,553
Gain on disposal of financial assets carried at cost - non-current	6(7)	-	( 788 )
Share of profit of associates and joint ventures accounted for using the equity method	6(8)	33,472	5,161
Property, plant and equipment transferred to expense	6(9)	1,722	1,423
Depreciation	6(9)(24)	156,877	146,124
Net loss on disposal of property, plant and equipment	6(22)	178	610
Amortisation	6(10)(24)	8,187	6,438
Impairment loss	6(10)(11)	4,493	2,630
Amortisation of long-term prepaid rent	6(12)	1,316	1,281
Dividend income	6(21)	( 12,361 )	( 7,186 )
Interest income	6(21)	( 2,619 )	( 3,946 )
Interest expense	6(23)	4,059	6,353
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		4,168	80,482
Notes receivable		1,728	4,369
Accounts receivable		2,908	( 58,005 )
Other receivables	( 3,918 )	18,393	
Inventories	71,271	( 208,311 )	
Prepayments	( 36,356 )	103,495	
Other non-current assets	( 1,696 )	( 1,027 )	
Changes in operating liabilities			
Notes payable	( 45,902 )	68,742	
Accounts payable	30,574	( 35,034 )	
Other payables	( 4,214 )	9,443	
Advance receipts	1,150	21,051	
Accrued pension liabilities	20,593	11,266	
Cash inflow generated from operations		716,685	649,659
Dividend received		12,361	7,186
Interest received		2,671	4,032
Interest paid	( 3,044 )	( 6,678 )	
Income tax paid	( 77,808 )	( 73,168 )	
Net cash flows from operating activities		650,865	581,031

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**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of available-for-sale financial assets - non-current		(\$ 35,910 )	(\$ 66,846 )
Proceeds from liquidation of financial assets carried at cost	6(7)	-	788
Proceeds from capital reduction of financial assets carried at cost	6(7)	3,496	-
Acquisition of investments accounted for using the equity method	6(8) and 7	-	( 40,359 )
Cash paid for acquisition of property, plant and equipment	6(28)	( 125,050 )	( 113,475 )
Interest paid for acquisition of property, plant and equipment	6(9)(23)(28)	( 244 )	( 269 )
Proceeds from disposal of property, plant and equipment		2,103	1,073
Acquisition of intangible assets	6(10)	( 859 )	( 6,429 )
Increase in prepayments for equipment		( 53,072 )	( 57,624 )
(Increase) decrease in guarantee deposits paid		( 8,005 )	1,434
Increase in other non-current financial assets		( 2,034 )	( 3,349 )
Decrease (increase) in other non-current assets		361	( 810 )
Net cash flows used in investing activities		( 219,214 )	( 285,866 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term borrowings		25,155	( 154,287 )
Decrease (increase) in short-term notes and bills payable		( 10,000 )	30,000
Increase in long-term borrowings		90,923	81,750
Decrease in long-term borrowings		( 155,305 )	( 40,000 )
Increase in guarantee deposit received		3,061	2,195
Cash dividends from capital surplus	6(18)	( 89,348 )	-
Payment of cash dividends	6(19)	( 89,348 )	( 446,740 )
Increase (decrease) in non-controlling interests		19,556	( 3,438 )
Net cash flows used in financing activities		( 205,306 )	( 530,520 )
Effect of foreign exchange rate changes on cash and cash equivalents		( 3,199 )	10,647
Net increase (decrease) in cash and cash equivalents		223,146	( 224,708 )
Cash and cash equivalents at beginning of year	6(1)	543,233	767,941
Cash and cash equivalents at end of year	6(1)	<u>\$ 766,379</u>	<u>\$ 543,233</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2016.

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

**1. HISTORY AND ORGANIZATION**

- (1) The Company was incorporated on June 30, 1967 under the provisions of the Company Act of the Republic of China (R.O.C.) and other regulations. The Company is primarily engaged in the manufacturing and sales of Chinese and western medicine, cosmetics, beverage, normal instruments and medical instruments. Furthermore, the Company is engaged in developing new cities and neighbourhoods, international trading and consulting.
- (2) The Company has been listed on the Taiwan Stock Exchange starting from December 1995.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 25, 2016.

**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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

**A. IAS 1, ‘Presentation of financial statements’**

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

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

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

**C. IFRS 13, ‘Fair value measurement’**

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

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

None.

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus present value of defined benefit obligation.

B. The preparation of financial statements in conformity with the “IFRSs” requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, Critical accounting judgements, estimates and key sources of assumption uncertainty.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

<u>Name of investors</u>	<u>Name of subsidiaries</u>	<u>Main business activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>December 31, 2015</u>	<u>December 31, 2014</u>	
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	General investment	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Import and export of various medical products, medicine, supplements	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Wholesale of multi-function printers and information software	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd.	Manufacturing of western medicine and retail and wholesale of various medicine	91.82	91.82	—

Name of investors	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2015	December 31, 2014	
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	90.72	90.72	—
Standard Chem & Pharm. Co., Ltd.	Advpharma Inc.	Research and development, manufacturing and sale of various medicine	84.58	84.58	—
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Manufacturing, wholesale, and property rights of various chemical materials within various medicine	53.46	53.68	—
Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	100.00	100.00	—
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	55.00	55.00	—

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

- (1) As of December 31, 2015 and 2014, the non-controlling interest amounted to \$343,298 and \$301,224, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Ownership		Description
		December 31, 2015	December 31, 2014	Amount	(%)	
Syngen Biotech Co.,	Taiwan	<u>\$186,855</u>		<u>\$132,847</u>	46.32%	—

- (2) Summarised financial information of the subsidiary, Syngen Biotech Co., Ltd.:

A. Balance sheets

	December 31, 2015	December 31, 2014
Current assets	\$ 318,384	\$ 317,780
Non-current assets	497,134	247,981
Current liabilities	( 200,570)	( 198,209)
Non-current liabilities	( 213,454)	( 80,750)
Total net assets	<u>\$ 401,494</u>	<u>\$ 286,802</u>

B. Statements of comprehensive income

	Years ended December 31,	
	2015	2014
Revenue	<u>\$ 644,458</u>	<u>\$ 555,899</u>
Profit before income tax	\$ 85,386	\$ 43,581
Income tax expense	( 18,431)	( 8,807)
Net income for the year	<u>\$ 66,955</u>	<u>\$ 34,774</u>
Total comprehensive income for the year	<u>\$ 66,874</u>	<u>\$ 36,139</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 31,030</u>	<u>\$ 16,740</u>



### C. Statements of cash flows

	Years ended December 31,	
	2015	2014
Net cash flows provided by operating activities	\$ 94,538	\$ 48,989
Net cash flows used in investing activities	( 63,581)	( 80,397)
Net cash flows (used in) provided by financing activities	( 38,320)	22,336
Net decrease in cash and cash equivalents	( 7,363)	( 9,072)
Cash and cash equivalents at beginning of year	51,821	60,893
Cash and cash equivalents at end of year	<u>\$ 44,458</u>	<u>\$ 51,821</u>

### (4) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Where the foreign entity reports in the currency of a hyperinflationary economy, the financial statements of the foreign entity should be restated for the changes in the general purchasing power of the functional currency before translated into the presentation currency at the balance sheet date. The financial statements of the foreign entity are restated based on the relevant price indexes at the balance sheet date, and then translated into the Group's presentation currency using the closing exchange rates on that date.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting, and financial assets initially recognised at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

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

(9) Loans and receivables

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

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within credit balance and is recognised as deduction of operating costs.

(11) Impairment of financial assets

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

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

(12) Derecognition of financial assets

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

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

(13) Investments accounted for using equity method / associates

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

previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

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

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

(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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. 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</u>	<u>Useful Life</u>
Buildings	2 ~ 60 years
Machinery and equipment	2 ~ 15 years
Utility equipment	2 ~ 15 years
Transportation equipment	2 ~ 6 years
Office equipment	2 ~ 6 years
Other equipment	2 ~ 15 years

(15) Intangible assets

- A. Technical skill transfer fee, royalty paid for acquisition of techniques and distribution rights,

trademarks and property rights are stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

**B. Computer software**

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

**C. Goodwill**

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

**(16) Leases (lessee)**

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

**(17) Impairment of non-financial assets**

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

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

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

**(18) Borrowings**

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

**(19) Notes and accounts payable**

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

**(20) Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires. Financial liabilities are classified in this category of held for

trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

iii. Pastservice costs are recognised immediately in profit or loss

C. Employees' compensation (bonus) and directors' and supervisors' remuneration

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

(23) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or



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

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, etc., to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) 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.

(25) Revenue recognition

A. Sales of goods

The Group manufactures and sells Chinese and western medicine products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales

revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

**B. Rendering of services**

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

**(26) Operating segments**

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

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

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

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

**Financial assets—impairment of equity investments**

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

**(2) Critical accounting estimates and assumptions**

**A. Evaluation of inventories**

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

- (b) As of December 31, 2015, the carrying amount of inventories was \$649,536.

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

- (a) The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent fund raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) , Fair value estimation for the financial instruments fair value information.
- (b) As of December 31, 2015, the carrying amount of unlisted stocks without active market was \$140,498.

C. Realisability of deferred tax assets

- (a) Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.
- (b) As of December 31, 2015, the Group recognised deferred tax assets amounting to \$102,654.

D. Calculation of accrued pension obligations

- (a) When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.
- (b) As of December 31, 2015, the Group recognised accrued pension obligation amounting to \$449,068.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash:		
Revolving funds and petty cash	\$ 4, 928	\$ 5, 455
Checking accounts and demand deposits	<u>592, 596</u>	<u>342, 614</u>
	<u>597, 524</u>	<u>348, 069</u>
Cash equivalents:		
Time deposits	138, 530	159, 980
Repurchase bonds	<u>30, 325</u>	<u>35, 184</u>
	<u>168, 855</u>	<u>195, 164</u>
	<u>\$ 766, 379</u>	<u>\$ 543, 233</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2015 and 2014, details of the Group's cash and cash equivalents pledged to others as collateral (shown as "other financial assets – non-current") are provided in Note 8, Pledged assets.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading		
Beneficiary certificates	\$ 157, 588	\$ 161, 756
Valuation adjustment of financial assets held for trading	<u>2, 332</u>	<u>2, 781</u>
	<u>\$ 159, 920</u>	<u>\$ 164, 537</u>

A. The Group recognised loss (shown as "Other gains and losses") of (\$104) and \$1,876 for the years ended December 31, 2015 and 2014, respectively.

B. As of December 31, 2015 and 2014, the Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Unlisted stocks	\$ 12,000	\$ 12,000
Valuation adjustment of available-for-sale financial assets	( 1,800)	3,056
	<u>\$ 10,200</u>	<u>\$ 15,056</u>
Non-current items:		
Listed stocks	\$ 124,189	\$ 88,279
Unlisted stocks	<u>50,366</u>	<u>50,366</u>
	174,555	138,645
Valuation adjustment of available-for-sale financial assets	<u>239,484</u>	<u>196,386</u>
	<u>\$ 414,039</u>	<u>\$ 335,031</u>

A. The Group recognised \$38,242 and \$71,159 in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014, respectively.

B. As of December 31, 2015 and 2014, the Group has no available-for-sale financial assets pledged to others.

(4) Notes receivable, net

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Notes receivable	\$ 293,561	\$ 295,303
Less: allowance for bad debts	( 2,910)	( 2,228)
	<u>\$ 290,651</u>	<u>\$ 293,075</u>

A. None of the notes receivable was past due and impaired as of December 31, 2015 and 2014.

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>Group provision</u>	<u>Group provision</u>
Beginning balance	\$ 2,228	\$ 2,576
Provision for impairment	696	-
Reversal of impairment	- (	71)
Write-offs during the year	( 14)	( 277)
Ending balance	<u>\$ 2,910</u>	<u>\$ 2,228</u>

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

D. As of December 31, 2015 and 2014, the Group has no notes receivable pledged to others.

(5) Accounts receivable, net

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 609,010	\$ 612,234
Less: allowance for bad debts	( 10,311)	( 14,503)
	<u>\$ 598,699</u>	<u>\$ 597,731</u>

A. None of the accounts receivable was past due and impaired as of December 31, 2015 and 2014.

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

	Years ended December 31,	
	2015	2014
	Group provision	Group provision
Beginning balance	\$ 14,503	\$ 8,766
Provision for impairment	–	10,249
Reversal of impairment	( 3,876)	–
Write-offs during the year	( 316)	( 4,512)
Ending balance	<u>\$ 10,311</u>	<u>\$ 14,503</u>

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

D. As of December 31, 2015 and 2014, the Group has no accounts receivable pledged to others.

(6) Inventories

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 188,144	(\$ 16,810)	\$ 171,334
Raw materials	127,640	( 6,700)	120,940
Supplies	46,338	( 3,532)	42,806
Work in process	90,224	( 16,190)	74,034
Finished goods	254,078	( 13,656)	240,422
	<u>\$ 706,424</u>	<u>(\$ 56,888)</u>	<u>\$ 649,536</u>
	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 267,640	(\$ 12,353)	\$ 255,287
Raw materials	149,703	( 5,393)	144,310
Supplies	44,217	( 2,429)	41,788
Work in process	110,263	( 9,291)	100,972
Finished goods	213,948	( 6,618)	207,330
	<u>\$ 785,771</u>	<u>(\$ 36,084)</u>	<u>\$ 749,687</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2015	2014
Cost of goods sold	\$ 1,750,086	\$ 1,813,968
Loss on disposal of inventory	26,578	21,565
Under-applied fixed manufacturing overhead	19,014	–
Provision for loss on inventory market price decline	20,084	9,553
Gain on physical inventory	( 777)	( 491)
Total cost of goods sold	<u>\$ 1,814,985</u>	<u>\$ 1,844,595</u>

(7) Financial assets measured at cost—Non-current

	December 31, 2015	December 31, 2014
Unlisted stocks	<u>\$ 30,651</u>	<u>\$ 34,147</u>

- A. According to the Group's intention, its investment in company stocks should be classified as 'available-for-sale financial assets'. However, as the company stocks are not traded in active market, and sufficient industry information of companies similar to the company or the company's financial information cannot be obtained, the fair value of the investment in company stocks cannot be measured reliably. Accordingly the Group classified those stocks as 'financial assets measured at cost'.
- B. The Group's financial assets measured at cost – Der Yang Biotechnology Venture Capital conducted a capital reduction and returned total share capital of \$3,495 in November 2015. The Group has reversed 349 thousand shares at the initial investment price of \$3,496 proportionately.
- C. The Group's financial assets measured at cost – Zhong Shan Venture Capital Co., Ltd. and ANS Technology Corp. were liquidated in December 2014. The Group has recognised gain (loss) on related disposal of \$788 (shown as 'other gains and losses').
- D. As of December 31, 2015 and 2014, the Group has no financial asset measured at cost pledged to others.

(8) Investments accounted for using equity method

A. Movements of investments accounted for using equity method:

	Years ended December 31,	
	2015	2014
At January 1	\$ 226,614	\$ 189,407
Acquisition of investments accounted for using the equity method	–	40,359
Share of profit or loss of investments accounted for using the equity method	( 33,472)	( 5,161)
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	461	( 1,451)
Other equity interest — Actuarial losses of defined benefit plans	( 113)	–
At December 31	<u>\$ 193,490</u>	<u>\$ 226,614</u>

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

	December 31, 2015	December 31, 2014
WE CAN MEDICINES CO., LTD.	\$ 180,586	\$ 214,795
CNH TECHNOLOGIES, INC.	12,782	11,614
SAWAI USA INC.	122	205
	<u>\$ 193,490</u>	<u>\$ 226,614</u>

C. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2015	December 31, 2014		
WE CAN MEDICINES CO., LTD.	Taiwan	33.10%	33.10%	Associates	Equity method



- (b) The summarised financial information of the associate that is material to the Group is shown below:

Balance sheet

WE CAN MEDICINES CO., LTD.		
	December 31, 2015	December 31, 2014
Current assets	\$ 641,755	\$ 709,741
Non-current assets	263,384	318,654
Current liabilities	( 344,317)	( 358,147)
Non-current liabilities	( 15,423)	( 21,668)
Total net assets	<u>\$ 545,399</u>	<u>\$ 648,580</u>
Share in associate's net assets	<u>\$ 180,527</u>	<u>\$ 214,680</u>
Carrying amount of the associate	<u>\$ 180,568</u>	<u>\$ 214,795</u>

Statement of comprehensive income

WE CAN MEDICINES CO., LTD.		
	Years ended December 31,	
	2015	2014
Revenue	<u>\$ 2,400,337</u>	<u>\$ 2,335,640</u>
Net loss for the year	<u>(\$ 103,008)</u>	<u>(\$ 12,588)</u>
Total comprehensive loss for the year	<u>(\$ 103,182)</u>	<u>(\$ 12,421)</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2015 and 2014, the carrying amount of the Group's individually immaterial associates amounted to \$12,904 and \$11,819, respectively.

	Years ended December 31,	
	2015	2014
Net profit (loss) for the year	<u>\$ 312</u>	<u>(\$ 2,136)</u>
Total comprehensive income (loss) for the year	<u>\$ 312</u>	<u>(\$ 2,136)</u>

- (d) As of December 31, 2015 and 2014, share of profit (loss) of associates and joint ventures accounted for using equity method are (\$33,472) and (\$5,161), respectively. In particular, share of profit (loss) of associates and joint ventures accounted for using equity method recognised by We Can Medicines Co., Ltd. and CNH TECHNOLOGIES, INC. in each year are (\$33,384) AND (\$5,079), respectively. It is recognised based on the valuation in the audited financial statements of the companies. As of December 31, 2015 and 2014, the balance of the investment accounted for using equity method are \$193,368 and \$226,409, respectively.
- (e) As of December 31, 2015 and 2014, the Group has no investment accounted for under equity method pledged to others.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2015</u>									
Cost	\$ 499,630	\$ 924,361	\$ 774,063	\$ 198,580	\$ 2,930	\$ 4,511	\$ 957,174	\$ 68,741	\$ 3,429,990
Accumulated depreciation	—	( 249,889)	( 534,207)	( 122,234)	( 1,623)	( 2,476)	( 568,953)	—	( 1,479,382)
	<u>\$ 499,630</u>	<u>\$ 674,472</u>	<u>\$ 239,856</u>	<u>\$ 76,346</u>	<u>\$ 1,307</u>	<u>\$ 2,035</u>	<u>\$ 388,221</u>	<u>\$ 68,741</u>	<u>\$ 1,950,608</u>
<u>2015</u>									
At January 1	\$ 499,630	\$ 674,472	\$ 239,856	\$ 76,346	\$ 1,307	\$ 2,035	\$ 388,221	\$ 68,741	\$ 1,950,608
Additions — cost	11,515	7,643	22,678	1,787	—	314	24,202	261,255	329,394
Transferred — cost (Note 1)	3,999	56,744	53,324	661	( 975)	16,511	22,497	( 84,722)	68,039
Transferred — accumulated depreciation	—	—	( 4,364)	—	310	( 258)	4,312	—	—
Transferred upon completion	—	3,568	—	—	—	—	—	( 3,568)	—
Depreciation charge	—	( 28,178)	( 44,392)	( 9,085)	( 362)	( 1,026)	( 73,834)	—	( 156,877)
Disposals — cost	—	( 5,548)	( 31,226)	( 77)	—	( 196)	( 25,428)	—	( 62,475)
Disposals — accumulated depreciation	—	4,032	31,119	77	—	143	24,823	—	60,194
Net exchange differences	—	( 8,817)	4,173	132	907	( 155)	1,827	( 60)	( 1,993)
At December 31	<u>\$ 515,144</u>	<u>\$ 703,916</u>	<u>\$ 271,168</u>	<u>\$ 69,841</u>	<u>\$ 1,187</u>	<u>\$ 17,368</u>	<u>\$ 366,620</u>	<u>\$ 241,646</u>	<u>\$ 2,186,890</u>
<u>At December 31, 2015</u>									
Cost	\$ 515,144	\$ 954,330	\$ 781,342	\$ 187,616	\$ 2,849	\$ 21,119	\$ 935,681	\$ 241,646	\$ 3,639,727
Accumulated depreciation	—	( 250,414)	( 510,174)	( 117,775)	( 1,662)	( 3,751)	( 569,061)	—	( 1,452,837)
	<u>\$ 515,144</u>	<u>\$ 703,916</u>	<u>\$ 271,168</u>	<u>\$ 69,841</u>	<u>\$ 1,187</u>	<u>\$ 17,368</u>	<u>\$ 366,620</u>	<u>\$ 241,646</u>	<u>\$ 2,186,890</u>

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2014</u>									
Cost	\$ 499,630	\$ 914,867	\$ 769,174	\$ 197,022	\$ 1,791	\$ 2,723	\$ 903,641	\$ 4,846	\$ 3,293,694
Accumulated depreciation	<u>—</u>	<u>( 222,091)</u>	<u>( 510,564)</u>	<u>( 112,683)</u>	<u>( 1,278)</u>	<u>( 1,852)</u>	<u>( 498,196)</u>	<u>—</u>	<u>( 1,346,664)</u>
Net book value	<u>\$ 499,630</u>	<u>\$ 692,776</u>	<u>\$ 258,610</u>	<u>\$ 84,339</u>	<u>\$ 513</u>	<u>\$ 871</u>	<u>\$ 405,445</u>	<u>\$ 4,846</u>	<u>\$ 1,947,030</u>
<u>2014</u>									
At January 1	\$ 499,630	\$ 692,776	\$ 258,610	\$ 84,339	\$ 513	\$ 871	\$ 405,445	\$ 4,846	\$ 1,947,030
Additions — Cost	—	1,761	14,231	1,625	722	676	24,055	65,214	108,284
Transferred — Cost (Note 2)	—	( 1,198)	( 10,078)	—	377	—	46,414	( 1,352)	34,163
Transferred — Accumulated depreciation	—	—	17,042	—	—	—	( 17,042)	—	—
Transferred upon completion	—	—	—	—	—	—	143	( 143)	—
Depreciation charge	—	( 27,755)	( 38,392)	( 9,613)	( 314)	( 657)	( 69,393)	—	( 146,124)
Disposals — cost	—	—	( 929)	( 67)	—	—	( 16,972)	—	( 17,968)
Disposals — accumulated depreciation	—	—	921	62	—	—	15,302	—	16,285
Net exchange differences	<u>—</u>	<u>8,888</u>	<u>( 1,549)</u>	<u>—</u>	<u>9</u>	<u>1,145</u>	<u>269</u>	<u>176</u>	<u>8,938</u>
At December 31	<u>\$ 499,630</u>	<u>\$ 674,472</u>	<u>\$ 239,856</u>	<u>\$ 76,346</u>	<u>\$ 1,307</u>	<u>\$ 2,035</u>	<u>\$ 388,221</u>	<u>\$ 68,741</u>	<u>\$ 1,950,608</u>
<u>At December 31, 2014</u>									
Cost	\$ 499,630	\$ 924,361	\$ 774,063	\$ 198,580	\$ 2,930	\$ 4,511	\$ 957,174	\$ 68,741	\$ 3,429,990
Accumulated depreciation	<u>—</u>	<u>( 249,889)</u>	<u>( 534,207)</u>	<u>( 122,234)</u>	<u>( 1,623)</u>	<u>( 2,476)</u>	<u>( 568,953)</u>	<u>—</u>	<u>( 1,479,382)</u>
	<u>\$ 499,630</u>	<u>\$ 674,472</u>	<u>\$ 239,856</u>	<u>\$ 76,346</u>	<u>\$ 1,307</u>	<u>\$ 2,035</u>	<u>\$ 388,221</u>	<u>\$ 68,741</u>	<u>\$ 1,950,608</u>

(Note 1) Including transfer of \$8,076 from ‘inventory’; transfer of \$67,069 from ‘prepayment for equipment’ ; transfer of \$5,384 into ‘other non-current asset’; transfer of \$1,722 into expense.

(Note 2) Including transfer of \$4,541 from ‘inventory’; transfer of \$31,045 from ‘prepayment for equipment’ ; transfer of \$1,423 into expense.

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

	Years ended December 31,	
	2015	2014
Capitalised interest payments	\$ 244	\$ 269
Interest rate	1.62%	1.03%

B. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2015 and 2014 is provided in Note 8, Pledged assets.

C. The board of directors of Syngen Biotech Co., Ltd., the subsidiary, resolved to purchase part of plant and equipment, located in Southern Taiwan Science Park, from Tuck-More Biotechnology Co., Ltd. on January 14, 2015. The purchase contract was signed on February 16, 2015 for the purchase price of \$253,000 (tax included), stating February 15, 2017 as the settlement date. Under the contract, the Group has obtained the right to use the plant and equipment since 2015. The amount of the plant and equipment is classified as construction in progress because the inspection has not yet been completed. The unpaid amount of \$192,057, remaining due after one year, is classified as long-term notes and accounts payable.

(10) Intangible assets

	<u>Royalty</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>				
Cost	\$ 102,678	\$ 34,018	\$ 106,819	\$ 243,515
Accumulated amortisation	( 71,015)	( 16,302)	( 8,160)	( 95,477)
Accumulated impairment	( 2,630)	–	–	( 2,630)
Net exchange differences	–	5	497	502
	<u>\$ 29,033</u>	<u>\$ 17,721</u>	<u>\$ 99,156</u>	<u>\$ 145,910</u>
<u>2015</u>				
At January 1	\$ 29,033	\$ 17,721	\$ 99,156	\$ 145,910
Additions - separately acquired	–	771	88	859
Amortisation	( 1,419)	( 3,424)	( 3,344)	( 8,187)
Disposals - cost	( 19,836)	( 278)	( 612)	( 20,726)
Disposals - accumulated amortisation	19,836	278	612	20,726
Impairment	( 4,493)	–	–	( 4,493)
Net exchange differences	–	( 3)	426	423
At December 31	<u>\$ 23,121</u>	<u>\$ 15,065</u>	<u>\$ 96,326</u>	<u>\$ 134,512</u>
<u>At December 31, 2015</u>				
Cost	\$ 82,842	\$ 34,511	\$ 106,295	\$ 223,648
Accumulated amortisation	( 52,598)	( 19,448)	( 10,892)	( 82,938)
Accumulated impairment	( 7,123)	–	–	( 7,123)
Net exchange differences	–	2	923	925
	<u>\$ 23,121</u>	<u>\$ 15,065</u>	<u>\$ 96,326</u>	<u>\$ 134,512</u>

	<u>Royalty</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2014</u>				
Cost	\$ 102,678	\$ 30,770	\$ 103,638	\$ 237,086
Accumulated amortisation	( 70,382)	( 13,508)	( 5,149)	( 89,039)
Net exchange differences	<u>–</u>	<u>2</u>	<u>(247)</u>	<u>(245)</u>
	<u>\$ 32,296</u>	<u>\$ 17,264</u>	<u>\$ 98,242</u>	<u>\$ 147,802</u>
<u>2014</u>				
At January 1	\$ 32,296	\$ 17,264	\$ 98,242	\$ 147,802
Additions - separately acquired	–	3,248	3,181	6,429
Amortisation	( 633)	( 2,794)	( 3,011)	( 6,438)
Impairment	( 2,630)	–	–	( 2,630)
Net exchange differences	<u>–</u>	<u>3</u>	<u>744</u>	<u>747</u>
At December 31	<u>\$ 29,033</u>	<u>\$ 17,721</u>	<u>\$ 99,156</u>	<u>\$ 145,910</u>
<u>At December 31, 2014</u>				
Cost	\$ 102,678	\$ 34,018	\$ 106,819	\$ 243,515
Accumulated amortisation	( 71,015)	( 16,302)	( 8,160)	( 95,477)
Accumulated impairment	( 2,630)	–	–	( 2,630)
Net exchange differences	<u>–</u>	<u>5</u>	<u>497</u>	<u>502</u>
	<u>\$ 29,033</u>	<u>\$ 17,721</u>	<u>\$ 99,156</u>	<u>\$ 145,910</u>

A. No borrowing costs were capitalised as part of intangible assets as of December 31, 2015 and 2014.

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating costs	\$ 2,591	\$ 2,880
Selling expenses	977	1,011
General and administrative expenses	4,488	2,493
Research and development expenses	<u>131</u>	<u>54</u>
	<u>\$ 8,187</u>	<u>\$ 6,438</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Multipower Enterprise Corp.	<u>\$ 70,265</u>	<u>\$ 70,265</u>

D. Impairment information about the intangible assets is provided in Note 6(11), Impairment of non-financial assets.

E. As of December 31, 2015 and 2014, the Group has no intangible assets pledged to others.

(11) Impairment of non-financial assets

A. The Group recognised impairment loss (shown as ‘other gains and losses’) for the years ended December 31, 2015 and 2014 of \$4,493 and \$2,630, respectively. Details of such loss are as follows:

	Year ended December 31,			
	2015		2014	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - royalty	\$ 4,493	\$ –	\$ 2,630	\$ –

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

	Year ended December 31,			
	2015		2014	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Syngen Biotech Co., Ltd.	\$ 4,493	\$ –	\$ 2,630	\$ –

C. Goodwill is tested annually for impairment. Goodwill is allocated to the Group’s cash-generating units - Multipower Enterprise Corp. identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the cash-generating units - Multipower Enterprise Corp. covering a five-year period. Cash flow of financial budgets is prepared based on forecasts of growth of future annual revenue, profit and capital expenditure. The Group estimated the growth of future annual revenue at 10~15% as of December 31, 2015 and 2014. The estimation of capital expenditure is based on the current market needs and is calculated using the annual discount rate of 5.18% and 7.71% on December 31, 2015 and 2014 to reflect risks arising from related cash-generating units.

D. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired for the years ended December 31, 2015 and 2014.

(12) Long-term prepaid rent

	December 31, 2015	December 31, 2014
Land use right	\$ 59,019	\$ 61,115

On December 31, 2011, the Group signed a land use right contract amounting to \$65,042 (approximately RMB13,021 thousand) with the People’s Republic of China Government for use of the land at Taizhou City, Jiangsu Province, China for a term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses (shown as ‘operating expenses’) of \$1,316 and \$1,281 for the years ended December 31, 2015 and 2014, respectively.

(13) Short-term borrowings

	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 50,000	1.08%~1.24%	Land and buildings
Unsecured bank borrowings	36,123	1.08%	None
	<u>\$ 86,123</u>		
	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 50,000	1.14%	Land and buildings
Unsecured bank borrowings	10,968	3.45%	None
	<u>\$ 60,968</u>		

(14) Short-term notes and bills payable

	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	<u>\$ 100,000</u>	0.712%~0.87%	None
	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 110,000	0.87%~1.32%	None
Less: discount on commercial paper payable	( 10)		
	<u>\$ 109,990</u>		

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

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Maturity date range</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2015</u>
Unsecured bank borrowings	2016.09.15~ 2017.03.09	0.952%~1.90%	None	\$ 100,278
Secured bank borrowings	2017.05.26~ 2020.07.24	1.31%~1.65%	Bank deposit and buildings	44,090
				144,368
Less: current portion of long-term borrowings				( 123,257)
				<u>\$ 21,111</u>
<u>Type of borrowings</u>	<u>Maturity date range</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Unsecured bank borrowings	2016.09.15	1.10%	None	\$ 108,750
Secured bank borrowings	2017.04.03~ 2022.10.15	1.53%~1.73%	Bank deposit and buildings	100,000
				208,750
Less: current portion of long-term borrowings				( 28,000)
				<u>\$ 180,750</u>



(16) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Law, covering all regular employees' service years prior to the enforcement of the Labour 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 and its domestic subsidiaries contributes monthly an amount equal to 2%~6% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	(\$ 507,884)	(\$ 533,536)
Fair value of plan assets	<u>61,539</u>	<u>65,999</u>
	<u>(\$ 446,345)</u>	<u>(\$ 467,537)</u>
Net defined benefit liability in the balance sheet (Note 1)	(\$ 449,068)	(\$ 468,564)
Net defined benefit asset in the balance sheet (Note 2)	<u>2,723</u>	<u>1,027</u>
	<u>(\$ 446,345)</u>	<u>(\$ 467,537)</u>

Note 1: Shown as 'accrued pension liabilities'.

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	(\$ 533,536)	\$ 65,999	(\$ 467,537)
Current service cost	( 7,345)	–	( 7,345)
Past service cost	( 14,365)	–	( 14,365)
Interest (expense) income	( 10,591)	1,355	( 9,236)
	<u>( 565,837)</u>	<u>67,354</u>	<u>( 498,483)</u>
Remeasurements:			
Return on plan assets	–	437	437
Change in demographic assumptions	( 2,588)	–	( 2,588)
Change in financial assumptions	( 15,567)	–	( 15,567)
Experience adjustments	<u>57,807</u>	<u>–</u>	<u>57,807</u>
	<u>39,652</u>	<u>437</u>	<u>40,089</u>
Pension fund contribution	–	12,049	12,049
Paid pension	<u>18,301</u>	<u>( 18,301)</u>	<u>–</u>
Balance at December 31	<u>(\$ 507,884)</u>	<u>\$ 61,539</u>	<u>(\$ 446,345)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2014</u>			
Balance at January 1	(\$ 524,216)	\$ 72,768	(\$ 451,448)
Current service cost	( 8,240)	–	( 8,240)
Interest (expense) income	( 10,398)	1,491	( 8,907)
	<u>( 542,854)</u>	<u>74,259</u>	<u>( 468,595)</u>
Remeasurements:			
Return on plan assets	–	289	289
Change in demographic assumptions	( 3,025)	–	( 3,025)
Change in financial assumptions	66	–	66
Experience adjustments	<u>( 3,180)</u>	<u>–</u>	<u>( 3,180)</u>
	<u>( 6,139)</u>	<u>289</u>	<u>( 5,850)</u>
Pension fund contribution	–	5,551	5,551
Paid pension	<u>15,457</u>	<u>( 14,100)</u>	<u>1,357</u>
Balance at December 31	<u>(\$ 533,536)</u>	<u>\$ 65,999</u>	<u>(\$ 467,537)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the

Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and its domestic subsidiaries has no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labour Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31,	
	2015	2014
Discount rate	1.25% ~ 1.5%	1.75% ~ 2%
Future salary increases	2% ~ 2.5%	2% ~ 3%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2015 and 2014.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 15,447)	\$ 16,113	\$ 15,876	(\$ 15,302)
<u>December 31, 2014</u>				
Effect on present value of defined benefit obligation	(\$ 16,921)	\$ 17,674	\$ 17,374	(\$ 16,723)

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2015 is \$10,686.
- (g) As of December 31, 2015, the weighted average duration of that retirement plan is 12~16 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	9,540
2-5 years		48,847
Over 5 years		558,190
	\$	<u>616,577</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group’s subsidiaries, Jiangsu Standard Biotech Pharmaceutical Co., Ltd. and Jiangsu Standard-Dia Biopharma Co., Ltd., in mainland China are subject to the government sponsored defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. For the years ended December 31, 2015 and 2014, the contribution rates are from 20% to 29%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were \$30,303 and \$27,186, respectively.

(17) Share capital-Common stock

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

	Years ended December 31,	
	2015	December 31, 2014
Beginning and ending balance	<u>178,696</u>	<u>178,696</u>

As of December 31, 2015, the Company’s authorised capital was \$2,000,000, and the paid-in capital was \$1,786,961, consisting of 178,696 thousand shares of ordinary stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

A. 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 capitalised 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.

B. On March 25, 2016, the Board of Directors has proposed to distribute cash of \$89,348 (\$0.5 per common share) using capital surplus.

C. On June 16, 2015, the stockholders have resolved to distribute cash of \$89,348, constituting \$0.5 (in dollars) per share using capital surplus.

(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 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 the regulations.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The Company recognised dividends distributed to owners amounting to \$89,348 (\$0.5 in dollars per share) and \$446,740 (\$2.5 in dollars per share) for the years ended December 31, 2015 and 2014, respectively. On March 25, 2016, the Board of Directors proposed for the distribution of dividends from 2015 earnings of \$178,696 (\$1 in dollars per share).
- F. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(25), Employee benefit expenses.

(20) Operating revenue

	Years ended December 31,	
	2015	2014
Sales revenue	\$ 3,304,169	\$ 3,255,355
Processing revenue	10,916	31,701
Other operating revenue	6,281	8,600
	<u>\$ 3,321,366</u>	<u>\$ 3,295,656</u>

(21) Other income

	Years ended December 31,	
	2015	2014
Dividend income	\$ 12,631	\$ 7,186
Interest income	2,619	3,946
Rental income	1,030	373
Research income	49,378	–
Other income	47,329	56,149
	<u>\$ 112,987</u>	<u>\$ 67,654</u>

(22) Other gains and losses

	Years ended December 31,	
	2015	2014
Net currency exchange gain	\$ 10,976	\$ 28,657
Gain on disposal of investments	–	788
Net (loss) gain on financial assets at fair value through profit or loss	( 104)	1,876
Net loss on disposal of property, plant and equipment	( 178)	( 610)
Impairment loss	( 4,493)	( 2,630)
Other losses	( 1,440)	( 2,951)
	<u>\$ 4,761</u>	<u>\$ 25,130</u>

(23) Finance costs

	Years ended December 31,	
	2015	2014
Interest expense:		
Bank borrowings	\$ 4,303	\$ 6,574
Short-term notes and bills payable	–	48
	4,303	6,622
Less: capitalisation of qualifying assets	( 244)	( 269)
	<u>\$ 4,059</u>	<u>\$ 6,353</u>

(24) Expenses by nature

Year ended December 31, 2015			
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 338,272	\$ 518,069	\$ 856,341
Depreciation charges on property, plant and equipment	122,678	34,199	156,877
Amortisation charges on intangible assets	2,591	5,596	8,187
	<u>\$ 463,541</u>	<u>\$ 557,864</u>	<u>\$ 1,021,405</u>
Year ended December 31, 2014			
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 317,046	\$ 527,423	\$ 844,469
Depreciation charges on property, plant and equipment	115,970	30,154	146,124
Amortisation charges on intangible assets	2,880	3,558	6,438
	<u>\$ 435,896</u>	<u>\$ 561,135</u>	<u>\$ 997,031</u>

(25) Employee benefit expenses

Year ended December 31, 2015			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 269,175	\$ 431,267	\$ 700,442
Labour and health insurance expenses	27,035	36,406	63,441
Pension costs	26,332	34,917	61,249
Other personnel expenses	15,730	15,479	31,209
	<u>\$ 338,272</u>	<u>\$ 518,069</u>	<u>\$ 856,341</u>
Year ended December 31, 2014			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 255,717	\$ 451,734	\$ 707,451
Labour and health insurance expenses	25,141	35,039	60,180
Pension costs	21,145	23,188	44,333
Other personnel expenses	15,043	17,462	32,505
	<u>\$ 317,046</u>	<u>\$ 527,423</u>	<u>\$ 844,469</u>

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be 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 if need.
  - (e) Appropriate 1% of the remainder of (a)~(d) as employees' bonus.
  - (f) Appropriate 3% of the remainder of (a)~(d) as directors' and supervisors' remuneration.
- However, in accordance with the Company Act amended on May 20, 2015, the Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on December 18, 2015. According to the amended articles, a ratio of profit of the current year distributable (pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. Employees' compensation will be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) and directors' and supervisors' remuneration were accrued at \$12,872 and \$12,924, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on a certain percentage prescribed in the Articles of Incorporation and profit of current year distributable for the year ended December 31, 2015. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors was \$12,699, and the employees' compensation will be distributed in the form of cash. The difference between the aforementioned amount and the amount of \$12,872 recognised in the 2015 financial statements by (\$173) mainly caused by estimated differences, had been adjusted in the profit or loss for 2016. The expenses recognised for 2014 were accrued based on the net income for 2014 and the percentage prescribed in the Articles of Incorporation for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. The difference between employees' bonus and directors' and supervisors' remuneration amounting to \$12,924 as resolved by the shareholders during their meeting and the amount of \$13,169 recognised in the 2014 financial statements by \$245, mainly caused by estimated differences, had been adjusted in the profit or loss for 2015. Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders during their meeting will be posted in the "Market Observation



Post System” at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense :

(a) Components of income tax expense:

	Years ended December 31,	
	2015	2014
Current tax:		
Current tax on profits for the year	\$ 72,738	\$ 76,314
Additional 10% tax on undistributed earnings	\$ 31,343	\$ 2,452
Over provision of prior year's income tax	( 15)	( 5,253)
Total current tax	<u>104,066</u>	<u>73,513</u>
Deferred tax:		
Origination and reversal of temporary differences	( 8,263)	1,351
Total income tax expense	<u>\$ 95,803</u>	<u>\$ 74,864</u>

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

	Years ended December 31,	
	2015	2014
Remeasurement of defined benefit obligations	<u>\$ 6,815</u>	<u>(\$ 1,274)</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 95,021	\$ 98,809
Effect of amounts not allowed to be recognised under regulations	( 18,186)	( 16,915)
Effect from tax-exempt income	( 8,103)	( 3,580)
Effect from investment tax credits	( 590)	( 649)
Effect from net operating loss carryforward	( 3,667)	–
Additional 10% tax on undistributed earnings	31,343	2,452
Over provision of prior year's income tax	( 15)	( 5,253)
Income tax expense	<u>\$ 95,803</u>	<u>\$ 74,864</u>

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

Year ended December 31, 2015				
			Recognised in other	
	January 1	Recognised in comprehensive profit or loss	income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 4,079	(\$ 711)	–	3,368
Unrealised loss on inventories from market value decline	6,134	2,422	–	8,556
Investment loss	4,209	8,026	–	12,235
Unrealised loss on impairment of intangible asset	–	1,211		1,211
Unrealised sales discount and allowances	6,052	(4,046)	–	2,006
Unused compensated absences	3,799	403	–	4,202
Unrealised expenses	–	126	–	126
Pensions	74,135	3,466	(6,815)	70,786
Loss carryforward	<u>3,831</u>	<u>(3,667)</u>	<u>–</u>	<u>164</u>
	<u>\$ 102,239</u>	<u>\$ 7,230</u>	<u>(\$ 6,815)</u>	<u>\$ 102,654</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value incremental tax	(\$ 61,992)	\$ –	\$ –	(\$ 61,992)
Unrealised exchange gain	<u>(1,833)</u>	<u>1,033</u>	<u>–</u>	<u>(800)</u>
	<u>(\$ 63,825)</u>	<u>\$ 1,033</u>	<u>\$ –</u>	<u>(\$ 62,792)</u>
	<u>\$ 38,414</u>	<u>\$ 8,263</u>	<u>(\$ 6,815)</u>	<u>\$ 39,862</u>

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

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

December 31, 2015				
Year incurred	Amount filed / approved	Unused amount	Unrecognised deferred tax assets	Usable until year
2005~2015	<u>\$ 376,867</u>	<u>\$ 327,491</u>	<u>\$ 326,527</u>	2016~2025
December 31, 2014				
Year incurred	Amount filed / approved	Unused amount	Unrecognised deferred tax assets	Usable until year
2005~2014	<u>\$ 366,550</u>	<u>\$ 361,874</u>	<u>\$ 339,852</u>	2015~2024

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 25, 2016.

F. Unappropriated retained earnings:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Earnings generated in and before 1997	\$ 5, 177	\$ 5, 177
Earnings generated in and after 1998	<u>686, 310</u>	<u>431, 967</u>
	<u>\$ 691, 487</u>	<u>\$ 437, 144</u>

G. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$83,371 and \$32,915, respectively. As dividends were approved at the shareholders' meeting on June 16, 2015 and June 17, 2014 and with the dividend distribution date set on August 8, 2015 and August 5, 2014 by the Board of Directors, the creditable tax rates for the unappropriated retained earnings of 2014 and 2013 are 17.41% and 21.17%, respectively. The creditable tax rate is estimated to be 19.52% for 2015. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2015; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(27) Earnings per share

	<u>Year ended December 31, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 374, 894</u>	<u>178, 696</u>	<u>\$ 1. 95</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 374, 894	178, 696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>—</u>	<u>151</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 374, 894</u>	<u>178, 847</u>	<u>\$ 1. 95</u>

	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 of the parent	\$ 374,235	178,696	\$ 2.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 374,235	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	—	92	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 374,235	178,788	\$ 2.09

As employees' compensation (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 compensation (bonus) to employees as determined by the shareholders in the prior year, into the weighted-average number of common shares outstanding. As capitalisation of employee compensation (bonus) is no longer considered as stock dividend issuance, thus, basic and diluted earnings per share computations are not adjusted retrospectively.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2015	2014
(a) Purchase of property, plant and equipment	\$ 329,394	\$ 108,284
Add: Opening balance of notes payable	3,846	13,299
Opening balance of payable on equipment (shown as "other payables")	11,540	7,547
Less: Ending balance of notes payable	( 1,444)	( 3,846)
Ending balance of payable on equipment (shown as "other payables")	( 25,985)	( 11,540)
Ending balance of long-term account payable	( 192,057)	–
Capitalisation of interest	( 244)	( 269)
Cash paid for acquisition of property, plant and equipment	<u>\$ 125,050</u>	<u>\$ 113,475</u>

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

	Years ended December 31,	
	2015	2014
(a) Elimination of allowance for bad debts	<u>\$ 330</u>	<u>\$ 4,789</u>
	Years ended December 31,	
	2015	2014
(b) Inventory transferred to property, plant and equipment	<u>\$ 8,076</u>	<u>\$ 4,541</u>
	Years ended December 31,	
	2015	2014
(c) Prepayment for equipment transferred to property, plant and equipment	<u>\$ 67,069</u>	<u>\$ 31,045</u>
	Years ended December 31,	
	2015	2014
(d) Property, plant and equipment transferred to other asset—non-current	<u>\$ 5,384</u>	<u>\$ –</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant related party transactions

#### A. Sales of goods

	Years ended December 31,	
	2015	2014
Associates	\$ 85,289	\$ 86,160
Other related parties	8,264	8,845
	<u>\$ 93,553</u>	<u>\$ 95,005</u>

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

#### B. Purchases of goods

	Years ended December 31,	
	2015	2014
Other related parties	<u>\$ 54,552</u>	<u>\$ 48,806</u>

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

#### C. Other expenses

	Years ended December 31,	
	2015	2014
Advertising expense:		
Associates	<u>\$ 4,125</u>	<u>\$ -</u>

#### D. Other income

	Years ended December 31,	
	2015	2014
Other related parties	<u>\$ 578</u>	<u>\$ 399</u>

#### E. Equity transactions

- (a) The Group participated in cash capital increase of We Can Medicines Co., Ltd. by investing \$40,359 in April 2014.
- (c) The Group participated in cash capital increase of the available-for-sale financial assets – non-current – SYN-TECH CHEM & PHARM CO., LTD. by investing \$54,846 in October 2014.

F. Ending balance of sales of goods

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from related parties:		
Associates	\$ 12,765	\$ 9,042
Other related parties	<u>4,217</u>	<u>5,325</u>
	<u>\$ 16,982</u>	<u>\$ 14,367</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.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from related parties:		
Associate	\$ 1,528	\$ -
Other related parties	<u>-</u>	<u>461</u>
	<u>\$ 1,528</u>	<u>\$ 461</u>

H. Ending balance of purchasing goods

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payables to related parties:		
Other related parties	<u>\$ 18,642</u>	<u>\$ 14,748</u>

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

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	<u>\$ 26,478</u>	<u>\$ 29,231</u>



## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purposes
	December 31, 2015	December 31, 2014	
Investments accounted for using equity method (Note 1,2)	\$ 132, 905	\$ 224, 827	Long-term borrowings
Land (Note 3)	288, 489	259, 043	Short-term and long-term borrowings
Buildings - net (Note 3)	183, 399	184, 516	Short-term and long-term borrowings
Machinery and equipment – net (Note 3)	11, 330	12, 242	Long-term borrowings
Utility equipment – net (Note 3)	8, 243	9, 352	Long-term borrowings
Other equipment – net (Note 3)	481	464	Long-term borrowings
Demand deposit (Note 4)	5, 383	3, 349	Long-term borrowings
	<u>\$ 630, 230</u>	<u>\$ 693, 793</u>	

Note 1: As of December 31, 2015 and 2014, the Group provided 22,980 thousand shares in its subsidiary – Advpharma Inc. as collateral for long-term borrowings for both years with the carrying value of \$132,905 and \$132,316, respectively. The pledged investments accounted for using equity method have been eliminated during the consolidation.

Note 2: As of December 31, 2014, the Group provided 6,184 thousand shares in its subsidiary –Syngen Biotech Co., Ltd. as collateral for long-term borrowings, with the carrying value of \$92,511. The pledged investments accounted for using equity method have been eliminated during the consolidation.

Note 3: Shown as “Property, plant and equipment”.

Note 4: Shown as “Other non-current financial assets”.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2015 and 2014, the balances for contracts that the Group entered into for the purchase of property, plant and equipment, but not yet due were \$35,306 and \$54,233, respectively.

(2) A. As of December 31, 2015 and 2014, endorsements/guarantees for financing within the Group are as follows:

<u>Endorser/ guarantor</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Purpose</u>
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	\$ 200, 000	\$ 200, 000	Secured borrowings
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	98, 490	94, 950	Secured borrowings
		<u>\$ 298, 490</u>	<u>\$ 294, 950</u>	

B. As of December 31, 2015 and 2014, the actual endorsement/guarantee amount drawn which was provided by the Group for the above subsidiaries both amounted to \$ –.

- (3) A. The Company leases in land in Tuku Vil., Xinying Dist., Tainan City under non-cancellable operating lease agreements. Lease agreements are renewable at the market price at the end of the lease period. The lease terms are from October 1, 2007 to September 30, 2016. The Group recognised rental expenses under “Operating costs and Operating expenses” amounting to \$630 and \$630 for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 473	\$ 630
Between 2 and 5 years	–	473
	<u>\$ 473</u>	<u>\$ 1, 103</u>

- B. The subsidiary – Multipower Enterprise Corp. leases in land on Songjiang Rd., Zhongshan Dist., Taipei City under non-cancellable operating lease agreements. Lease agreements are renewable at the market price at the end of the lease period. The lease terms are from January 1, 2012 to December 31, 2016. The Group recognised rental expenses under “Operating expenses” amounting to \$744 and \$732 for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 744	\$ 744
Between 2 and 5 years	–	744
	<u>\$ 744</u>	<u>\$ 1, 488</u>

- (4) 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, 2015 and 2014, the royalty for technical

skill transfer paid was \$5,994 and \$4,941, respectively.

- (5) The subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) has signed a mid-term line of credit agreement with CTBC Bank on March 24, 2014. The total line of credit is \$50,000 and the duration of grant is 3 years. Syngen Biotech has to maintain current ratio over 120% and debt-to-equity ratio of less than 120%. Should Syngen Biotech default on the above covenants, and could not improve within the improvement period provided by the bank, the bank can reduce the amount or duration of the line of credit, or deem the borrowing as matured at any moment. As of December 31, 2015, Syngen Biotech's financial ratios did not violate the above covenants.
- (6) Consumers' Foundation, Chinese Taipei (CFCT) has filed a complaint for DEHP incident against the subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) in Banqiao District Court to claim for consolation payment and punitive damages of \$4,201 for customer benefit in March 2012. Taiwan New Taipei District Court has rendered the first ruling of no damage. However, CFCT disagreed with the ruling and will file an appeal. The appointed lawyer indicates that 'Although 3 court hearings have been held on April 15, July 1 and December 9, 2014 as the High Court accepted the case, the judge believes the evidence and amounts of the case are out of order and should separate the case to different trials. Thus, the result of the case is uncertain. However, Syngen Biotech has won the first ruling and one of the reasons for winning is that CFCT did not provide documents for customers' purchase from Syngen Biotech, which should be beneficial to Syngen Biotech in the future ruling.' The Group could not reasonably assess the loss.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

#### 12. OTHERS

##### (1) Capital management

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

##### (2) Financial instruments

###### A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3), Fair value estimation for the financial instruments value information.

## B. Financial risk management policies

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

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and JPY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The Group has certain sales and purchases denominated in USD and other foreign currencies. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of asset and liability positions in foreign currencies are close, market risk can be offset. The Group does not expect significant interest rate risk.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the net investments of foreign operations are strategic investments, thus the Group does not hedge the investments.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, PHP and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015				
(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	\$ 11,295	32.83	\$	370,815
EUR: NTD	363	35.88		13,024
JPY: NTD	45,435	0.2727		12,390
RMB: NTD	583	4.995		2,912
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	3,295	32.83		108,175
EUR: NTD	237	35.88		8,504
JPY: NTD	8,820	0.2727		2,405

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	\$ 7,281	31.65	\$	230,444
RMB: NTD	9,459	5.1015		48,255
EUR: NTD	53	38.47		2,039
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	3,574	31.65		113,117
RMB: NTD	3,832	5.1015		19,549
JPY: NTD	42,400	0.2646		11,219
EUR: NTD	117	38.47		4,501

With regard to sensitivity analysis of foreign currency exchange rate risk, as of December 31, 2015 and 2014, if the exchange rates of NTD to all foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the Group net income for the years ended December 31, 2015 and 2014 would have increased/decreased by \$2,324 and \$1,136, respectively.

- v. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014 amounted \$10,976 and \$28,657, respectively.

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop-loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, net income for the years ended December 31, 2015 and 2014 would have increased/decreased by \$1,576 and \$1,618, 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 \$1,866 and \$1,506, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2015 and 2014, the Group's borrowings at variable rate were denominated in the NTD.
- ii. With regard to sensitivity analysis of interest rate risk, at December 31, 2015 and 2014, 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, 2015 and 2014 would have been \$43 and \$66 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance

with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and outstanding receivables.

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

(c) Liquidity risk

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

December 31, 2015	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 86, 243	\$ –	\$ –	\$ –
Short-term notes and bills payable	100, 000	–	–	–
Notes payable	219, 075	–	–	–
Accounts payable	132, 023	–	–	–
Other payables	345, 945	–	–	–
Long-term borrowings (including current portion)	124, 351	2, 315	19, 135	–
Long-term notes and bills payable	–	192, 057	–	–
Guarantee deposit received	203	5, 293	–	–
December 31, 2014	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 61, 208	\$ –	\$ –	\$ –
Short-term notes and bills payable	110, 000	–	–	–
Notes payable	267, 379	–	–	–
Accounts payable	101, 449	–	–	–
Other payables	334, 709	–	–	–
Long-term borrowings (including current portion)	28, 461	140, 585	32, 014	11, 431
Guarantee deposit received	1, 378	1, 057	–	–

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

(3) Fair value estimation for the financial instruments fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A, Fair value information of financial instruments.
- B. 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 that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates is included.



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.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 159,920	\$ -	\$ -	\$ 159,920
Available-for-sale financial assets				
Equity securities	<u>314,392</u>	<u>-</u>	<u>109,847</u>	<u>424,239</u>
	<u>\$ 474,312</u>	<u>\$ -</u>	<u>\$ 109,847</u>	<u>\$ 584,159</u>
 <u>December 31, 2014</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>	 <u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 164,537	\$ -	\$ -	\$ 164,537
Available-for-sale financial assets				
Equity securities	<u>224,899</u>	<u>-</u>	<u>125,188</u>	<u>350,087</u>
	<u>\$ 389,436</u>	<u>\$ -</u>	<u>\$ 125,188</u>	<u>\$ 514,624</u>

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

(a) The instruments that the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed Shares</u>	<u>Open-end Fund</u>	<u>Non-listed Shares</u>
Market quoted price	Closing price	Net asset value	Closing price on the Balance Sheet date

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

(c) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with

additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments as at December 31, 2015 and 2014.

	Years ended December 31,	
	2015	2014
At January 1	\$ 125,188	\$ 97,415
(Loss) gain recognised in other comprehensive income (Note)	(15,341)	27,773
At December 31	<u>\$ 109,847</u>	<u>\$ 125,188</u>

(Note) Shown as "Unrealised (loss) gain on available-for-sale financial asset"

G. For the years ended December 31, 2015 and 2014, there was no transfer from or to Level 3.

H. Financial planning division is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationships of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 26,200	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	83,647	Discounted cash flow	Discount rate	1.79%	The higher the discount rate, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income of financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2015					
		Recognised in profit or loss		Recognised in other comprehensive income			
		Favourable change	Unfavourable change	Favourable change	Unfavourable change		
Financial assets	Input	Change					
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 655	(\$ 655)	
	Discount rate	± 10%	-	-	190	(190)	
			\$ -	\$ -	\$ 845	(\$ 845)	

			December 31, 2014			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 987	(\$ 987)
	Discount rate	± 10%	-	-	48	( 48)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,035</u>	<u>(\$ 1,035)</u>

### 13. SUPPLEMENTARY DISCLOSURES

Information related to the year ended December 31, 2015 will be disclosed. Information regarding the disclosures of investee companies is prepared based on the financial reports audited by other auditors and is disclosed by each consolidated entity while the adjustments and eliminations will not be taken into account.

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- 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. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.

- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

#### 14. SEGMENT INFORMATION

##### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

##### (2) Measurement of segment information

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

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

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

Year ended December 31, 2015					
	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Multipower Enterprise Corp.	Others	Total
Segment revenue	\$ 2, 205, 463	\$ 644, 458	\$ 540, 718	\$ 67, 864	\$ 3, 458, 503
Revenue from internal customers	4, 897	82, 286	12, 766	37, 188	137, 137
Revenue from external customers, net	2, 200, 566	562, 172	527, 952	30, 676	3, 321, 366
Interest income	487	98	231	1, 803	2, 619
Depreciation and amortisation	118, 932	24, 263	2, 840	19, 029	165, 064
Interest expense	2, 338	1, 650	33	38	4, 059
Inter-segment profit (loss) before tax	410, 413	85, 386	62, 916 (	72, 631)	486, 084
Segment assets	3, 407, 460	792, 278	610, 357	985, 192	5, 795, 287
Segment liabilities	1, 320, 720	409, 574	159, 733	18, 339	1, 908, 366

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

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

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

	Years ended December 31,	
	2015	2014
Reportable segments income before tax	\$ 558,715	\$ 572,862
Other segments loss before tax	( 72,631)	( 67,376)
Including inter-segment loss	( 22,382)	( 46,892)
Net income before tax from continuing operations	<u>\$ 463,702</u>	<u>\$ 458,594</u>

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

(5) Information on product and service

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

	Years ended December 31,	
	2015	2014
Revenue from sales of medicine	\$ 1,914,792	\$ 1,869,015
Revenue from sales of food	991,878	1,024,919
Others	414,696	401,722
	<u>\$ 3,321,366</u>	<u>\$ 3,295,656</u>

(6) Geographical information

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

	Year ended December 31, 2015		Year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,875,724	\$ 2,158,162	\$ 2,851,181	\$ 1,912,959
Mainland China	97,000	253,337	119,114	277,064
Philippines	70,099	–	69,843	–
Thailand	29,624	–	48,742	–
America	29,848	12,082	10,181	12,995
Others	219,071	–	196,595	–
	<u>\$ 3,321,366</u>	<u>\$ 2,423,581</u>	<u>\$ 3,295,656</u>	<u>\$ 2,203,018</u>

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated comprehensive income statement for the years ended December 31, 2015 and 2014.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2015

Table 1

Expressed in thousands of NTD

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual	Interest rate	Nature of loan	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, 2015	December 31, 2015	amount drawn down						Item	Value			
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 98,490	\$ 98,490	\$ 98,490	2.5%	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 177,231	\$ 354,462	Notes 2 and 3
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical	Other receivables	Yes	98,490	98,490	98,490	2.5%	2	-	Operating capital	-	—	-	177,231	354,462	Notes 2 and 3
2	Multipower Enterprise Corp.	Souriree Biotech & Pharm. Co., Ltd.2	Other receivables	Yes	9,000	9,000	2,000	2.896%	2	-	Operating capital	-	—	-	10,935	43,740	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, 2015 as follows: USD: NTD 1:32.83.



STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2015

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Company name	Relationship with the endorser/guarantor											
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Note 1	\$ 708,925	\$ 98,490	\$ 98,490	\$ -	\$ -	2.78%	\$ 1,772,312	Y	N	N	-
0	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Note 1	708,925	200,000	200,000	-	-	5.64%	1,772,312	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, 2015 as follows: USD: NTD 1:32.83.

**STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES**  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2015

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the	General	As of December 31, 2015				Note
		securities issuer	ledger account	shares	Book value	Ownership (%)	Fair value	
Standard Chem & Pharm. Co., Ltd.	Stocks (investment certificate):							
	Original BioMedicals Co., Ltd.	—	3	200	\$ 10,200	0.82%	\$ 10,200	-
	SUN YOU BIOTECH PHARM CO., LTD.	The Company's legal representative is SUN YOU BIOTECH PHARM CO., LTD.'s chairman (Note 3)	4	2,863	24,461	18.43%	24,461	-
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055	83,647	17.71%	83,647	-
	SYN-TECH CHEM & PHARM CO.,	Same chairman	4	2,923	254,051	9.73%	254,051	-
	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	2.68%	-	-
Chia Scheng Investment Co., Ltd.	Beneficiary certificates:							
	Taishin 1699 Money Market Fund	—	2	1,159	15,482	-	15,482	-
	Hua Nan Kirin Money Market Fund	—	2	869	10,284	-	10,284	-
	Taishin Ta-Chong Money Market Fund	—	2	368	5,163	-	5,163	-
	Stocks:							
	SUN YOU BIOTECH PHARM CO., LTD.	The Company's legal representative is SUN YOU BIOTECH PHARM CO., LTD.'s chairman (Note 3)	4	204	1,739	1.30%	1,739	-
Inforight Technology Co., Ltd.	Beneficiary certificates:							
	Capital Money Market Fund	—	2	122	1,943	-	1,943	-
Advpharma Inc.	Bonds with repurchase agreement:							
	China Bills Finance Corporation	—	1	-	15,178	-	15,178	-
	Ta Ching Bills Finance Corporation	—	1	-	15,147	-	15,147	-
	Beneficiary certificates:							
	Taiwan Cooperative Bank Money Market Fund	—	2	4,000	40,135	-	40,135	-
	Mega Diamond Money Market Fund	—	2	3,167	39,193	-	39,193	-
	Eastspring Inv Well Pool Money Market Fund	—	2	1,529	20,536	-	20,536	-
	Manulife Asia Pacific Bond A TWD	—	2	428	4,993	-	4,993	-
	Shin Kong Multi Return Fund of Funds	—	2	485	4,776	-	4,776	-
	Eastspring Investments Asian Inc Bal TWD A	—	2	520	4,501	-	4,501	-

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2015				Note
				shares	Book value	Ownership (%)	Fair value	
Advpharma Inc.	Eastspring Investments Asian Inc	—	2	300	\$ 2,911	-	\$ 2,911	-
	Bal TWD A							
	Stocks:							
	SYN-TECH CHEM & PHARM CO.,	Same chairman	4	577	50,141	1.92%	50,141	-
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	5	350	3,496	0	-	-
Syngen Biotech Co., Ltd.	JENKEN BIOSCIENCES, INC.	—	5	8	70	0.11%	-	-
	Beneficiary certificates:							
	FSITC Taiwan Money Market Fund	—	2	606	10,003	-	10,003	-
	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: SUN YOU BIOTECH PHARM CO., LTD.'s chairman is no longer a legal representative of the Company after the re-election of directors at the shareholders' meeting on June 16, 2015.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2015 as follows: USD: NTD 1:32.83 .

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Syngen Biotech Co., Ltd.	Plant and equipments on land number 0018-0000 in Southern Taiwan Science Park	2015.2.16	\$ 240,952	Deposit of \$43,000	Tuck-More Biotechnology Co., Ltd.	—	—	—	—	\$ -	Based on valuation report issued by CCIS Real Estate Appraisers Firm and China Credit Information Service, Ltd.	For operation use and is under inspection	Registration of transfers of real estate will be completed on February 15, 2017.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2015

Table 5

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	1	Other receivables	\$ 98,695	—	2%
				Endorsements and guarantee:	98,490	—	2%
		Souriree Biotech & Pharm. Co., Ltd.	1	Purchases	17,999	Pay cheques with a maturity of 3~4 months after inspection had passed	1%
		Multipower Enterprise Corp.	1	Advertisement expense	22,455	—	1%
		Syngen Biotech Co., Ltd.	1	Purchases	59,345	Pay cheques with a maturity of 3~4 months after inspection had passed	2%
				Notes payable	16,717	—	—
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Endorsements and guarantee:	200,000	—	3%
				Other receivables	98,490	—	2%
2	Syngen Biotech Co., Ltd.	Multipower Enterprise Corp.	3	Sales revenue	21,934	Promissory notes with 3~4 months after the acceptance of inspection	1%
3	Multipower Enterprise Corp.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Sales revenue	12,419	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.

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2015 as follows: USD: NTD 1:32.83.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognised by the Company for the year ended December 31, 2015		Note
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value				
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 271,790	\$ 240,000	9,000,000	100.00	\$ 219,517	(\$ 47,211)	(\$ 47,211)		Subsidiary
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	161,030	159,726	16,103,000	100.00	159,942	( 1,547)	( 1,547)		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	6,037	( 324)	( 324)		Subsidiary
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,366	253	253		Subsidiary
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicine	62,889	62,889	11,936,374	91.82	18,427	( 1,673)	( 2,922)		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	293,057	19,840,600	90.72	480,534	48,513	43,247		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	293,495	( 8,423)	( 7,061)		Subsidiary (Note 1)
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd	Taiwan	Manufacturing, wholesale and property rights of various chemical materials within various medicine	240,822	216,331	9,922,146	53.46	197,935	66,955	35,586		Subsidiary
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINES CO., LTD.	Taiwan	Wholesale of various medicine	177,201	177,201	10,273,272	33.10	180,586	( 103,008)	( 34,096)	-	
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	America	Research and development, trading, investment and other business of medical products	95,713	95,713	3,101,500	100.00	17,245	( 15,844)	-		Subsidiary (Note 2)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Note
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
Chia Scheng Investment Co., Ltd.	SAWAI USA, INC.	America	Research and development of various medicines	\$ 657	\$ 657	20,000	20.00	\$ 122	(\$ 438)	\$ -	(Note 2)
Advpharma Inc.	CNH TECHNOLOGIES INC.	America	Research and development of various medicines	13,245	13,245	400,000	35.60	12,782	750	-	(Note 2)

Note 1: Including 22,980 thousand shares amounting to \$132,905 are pledged as collateral for long-term borrowings.

Note 2: Not required to disclose income (loss) recognized by the Company.

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2015 as follows: USD: NTD 1:32.83 .

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

Year ended December 31, 2015

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income (loss) of investee for the year ended December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	\$ 262,640	Note 1	\$ 229,810	\$ 32,830	\$ -	\$ 262,640	(\$ 48,172)	100.00	(\$ 48,172)	\$ 182,024	\$ -	Note 3
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, manufacturing and sale of various medicine	211,763	Note 2	-	-	-	-	( 31,092)	55.00	( 17,101)	66,198	-	Note 3
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	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.	\$ 262,032	\$ 295,470	\$ 2,332,153										

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: Recognition is based on investees' financial statements audited and attested by independent accountants.

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

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2015 as follows: USD: NTD 1:32.83 and RMB: NTD 1:4.995.