

**STANDARD CHEM. & PHARM CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

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.

Opinion

We have audited the accompanying consolidated balance sheets of STANDARD CHEM. & PHARM. CO., LTD. and its subsidiaries (collectively referred herein as the “Group”) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the current period are as follows:

Valuation of inventories

Description

Refer to Note 4(10) for accounting policies on the valuation of inventories, Note 5(2) for the uncertainty of significant accounting estimations and assumptions relating to valuation of inventories, and Note 6(5) for the details of allowance for inventory valuation loss. As of December 31, 2018, the carrying amount of inventories and allowance for inventory valuation loss are \$829,214 thousand and \$36,086 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of human medicine and dietary supplement. Due to the influence of market demand and short expiration date of medicines, there is a risk in market price decline and obsolescence of inventories. The Group measures inventories at the lower of cost and net realisable value. The net realisable values of obsolete inventories are determined based on the historical information on the selling price.

Given that the valuation of inventories is subject to uncertainty of assumptions and the accounting estimations will have significant influence on the inventory values, we consider the valuation of inventories a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operation of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Tested whether the basis of inventory aging used in calculating the net realisable value of inventory is consistent with the Group's policy.
4. Validated the net realisable value of inventories and the adequacy of allowance for inventory valuation loss.

Existence of domestic sales revenue from human medicines and dietary supplements

Description

Refer to Note 4(26) for accounting policies on revenue recognition. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group is primarily engaged in the manufacturing and sales of human medicines and dietary supplements. The Group's sales is mainly domestic-based and its customers are numerous, including hospitals, clinics, pharmacies, food and drug administrations all over the country. Since the sales transactions are numerous and would require a longer period for verification, we consider the existence of domestic sales revenue from human medicines and dietary supplements a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures for the above matter:

1. Assessed the consistency and effectiveness of internal control relevant to sales recognition.
2. Assessed basic information of the major customers, including the details of chairman and major shareholders, registered address, principal place of business, capital and main business activities, etc.
3. Selected samples of sales transactions and checked against related supporting documentation, including unit prices, quantities, reasonableness of sales allowance recognition, waybill and subsequent cash collection.

Other matter –Reference to the audits of other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. These investments amounted to \$140,967 thousand and \$143,705 thousand, constituting 2.19% and 2.25% of consolidated total assets as of December 31, 2018 and 2017, respectively, and the share of loss and other comprehensive income of associates accounted for under the equity method was (\$2,557) thousand and (\$5,756) thousand, constituting (0.73%) and (2.00%) of consolidated total comprehensive income for the years then ended, respectively. The financial statements of these investee companies were audited by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other

independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of STANDARD CHEM. & PHARM. CO., LTD. as of and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on

the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 19, 2019

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
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,254,061	19	\$ 1,192,512	19
1110	Financial assets at fair value through profit or loss - current	3(1), 6(2) and 12	145,404	2	142,331	2
1125	Available-for-sale financial assets - current	3(1) and 12	-	-	5,801	-
1150	Notes receivable, net	6(4), 7 and 12	235,357	4	295,127	5
1170	Accounts receivable, net	6(4), 7 and 12	677,802	11	572,687	9
1200	Other receivables	6(5) and 7	18,098	-	68,899	1
1220	Current income tax assets	6(25)	5,352	-	-	-
130X	Inventory	5(2), 6(5)(7)	793,128	12	727,894	11
1410	Prepayments		115,959	2	91,068	2
1476	Other financial assets - current	6(1)	51,080	1	64,520	1
1479	Other current assets		2,743	-	2,052	-
11XX	Total current assets		3,298,984	51	3,162,891	50
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	3(1), 5(2) and 6(2)	14,078	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	3(1), 5(2), 6(3) and 7	415,967	7	-	-
1523	Available-for-sale financial assets - non-current	12	-	-	341,888	5
1543	Financial assets carried at cost - non-current	3(1) and 12	-	-	149,192	2
1550	Investments accounted for under equity method	6(6) and 7	156,345	3	159,091	3
1600	Property, plant and equipment	6(7) and 8	2,134,253	33	2,156,720	34
1780	Intangible assets	6(8)(9)	111,326	2	119,186	2
1840	Deferred income tax assets	6(25)	136,627	2	93,961	1
1915	Prepayments for equipment	6(7)	72,919	1	78,092	1
1920	Guarantee deposits paid		25,205	-	33,407	1
1985	Long-term prepaid rent	6(10)	48,940	1	51,177	1
1990	Other non-current assets	6(14)	24,469	-	28,612	-
15XX	Total non-current assets		3,140,129	49	3,211,326	50
1XXX	TOTAL ASSETS		\$ 6,439,113	100	\$ 6,374,217	100

(Continued)

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)(29) and 8	\$ 485,000	7	\$ 520,000	8
2110	Short-term notes and bills payable	6(12)(29)	250,000	4	200,000	3
2130	Contract liabilities - current	6(19) and 12	61,798	1	-	-
2150	Notes payable	7	270,850	4	211,985	3
2170	Accounts payable	7	114,816	2	121,263	2
2200	Other payables		361,240	6	370,717	6
2230	Current income tax liabilities	6(25)	81,426	1	95,879	2
2310	Receipts in advance	3(1)	2,371	-	96,514	2
2320	Current portion of long-term borrowings	6(13)(29) and 8	60,029	1	29,983	-
21XX	Total current liabilities		1,687,530	26	1,646,341	26
Non-current liabilities						
2540	Long-term borrowings	6(13)(29) and 8	152,283	3	187,312	3
2570	Deferred income tax liabilities	6(25)	67,981	1	62,016	1
2640	Net defined benefit liability - non-current	6(14)	271,670	4	270,987	4
2645	Guarantee deposits received	6(29)	13,337	-	5,376	-
25XX	Total non-current liabilities		505,271	8	525,691	8
2XXX	Total liabilities		2,192,801	34	2,172,032	34
Equity attributable to owners of the parent						
Share capital						
3110	Common stock	6(15)	1,786,961	28	1,786,961	28
3200	Capital surplus	6(16)(27)	197,315	3	197,212	3
	Retained earnings	3(1) and 6(17)				
3310	Legal reserve		584,929	9	548,600	9
3350	Unappropriated retained earnings		1,022,410	16	982,791	15
3400	Other equity interest	3(1), 6(3)(18)	89,610	1	156,859	3
31XX	Equity attributable to owners of the parent		3,681,225	57	3,672,423	58
36XX	Non-controlling interest	3(1), 4(3), 6(6)(27)	565,087	9	529,762	8
3XXX	Total equity		4,246,312	66	4,202,185	66
Significant contingent liabilities and unrecognised contract commitments						
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 6,439,113	100	\$ 6,374,217	100

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

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	For the years ended December 31,			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19), 7 and 12(5)	\$ 3,573,093	100	\$ 3,848,684	100
5000 Operating costs	6(5)(8)(14)(23)(24) and 7	(2,028,483)	(57)	(2,099,686)	(55)
5900 Gross profit		<u>1,544,610</u>	<u>43</u>	<u>1,748,998</u>	<u>45</u>
Operating expenses	6(8)(10)(14)(23)(24) and 7				
6100 Selling expenses		(625,483)	(18)	(643,215)	(17)
6200 General and administrative expenses		(295,427)	(8)	(324,675)	(8)
6300 Research and development expenses		(224,918)	(6)	(239,633)	(6)
6450 Expected credit losses	12	(10,524)	-	-	-
6000 Total operating expenses		(1,156,352)	(32)	(1,207,523)	(31)
6900 Operating profit		<u>388,258</u>	<u>11</u>	<u>541,475</u>	<u>14</u>
Non-operating income and expenses					
7010 Other income	6(20) and 7	114,289	3	91,095	2
7020 Other gains and losses	6(2)(9)(21) and 12	27,317	1	(69,329)	(2)
7050 Finance costs	6(7)(22)	(9,006)	(1)	(6,529)	-
7060 Share of loss of associates and joint ventures accounted for under equity method	6(6)	(3,392)	-	(6,500)	-
7000 Total non-operating income and expenses		<u>129,208</u>	<u>3</u>	<u>8,737</u>	<u>-</u>
7900 Profit before income tax		<u>517,466</u>	<u>14</u>	<u>550,212</u>	<u>14</u>
7950 Income tax expense	6(25)	(89,530)	(2)	(116,873)	(3)
8200 Profit for the year		<u>\$ 427,936</u>	<u>12</u>	<u>\$ 433,339</u>	<u>11</u>

(Continued)

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	For the years ended December 31,			
		2018		2017	
		AMOUNT	%	AMOUNT	%
Other comprehensive (loss) income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	6(14)	(\$ 22,804)	(1)	(\$ 16,334)	-
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)				
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(6)	(54,523)	(1)	-	-
8349 Income tax related to components of other comprehensive income	6(25)	(181)	-	235	-
		2,636	-	2,777	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(18)	(1,044)	-	(6,878)	-
8362 Unrealised loss on valuation of available-for-sale financial assets	12	-	-	(123,019)	(4)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(6)				
		337	-	1,706	-
8300 Total other comprehensive loss for the year		(\$ 75,579)	(2)	(\$ 144,925)	(4)
8500 Total comprehensive income for the year		\$ 352,357	10	\$ 288,414	7
Profit attributable to:					
8610 Owners of the parent		\$ 374,359	10	\$ 363,286	9
8620 Non-controlling interest		53,577	2	70,053	2
		\$ 427,936	12	\$ 433,339	11
Total comprehensive income attributable to:					
8710 Owners of the parent		\$ 298,244	8	\$ 221,318	5
8720 Non-controlling interest		54,113	2	67,096	2
		\$ 352,357	10	\$ 288,414	7
Earnings per share	6(26)				
9750 Basic		\$ 2.09		\$ 2.03	
9850 Diluted		\$ 2.09		\$ 2.03	

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

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent											Non-controlling interest	Total equity
	Capital Surplus				Retained Earnings			Other Equity Interest					
	Additional paid-in capital	Difference between proceeds from acquisition or disposal of subsidiaries and book value	Change in net equity of joint ventures accounted for using equity method	Others	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or losses from financial assets measured at fair value through other comprehensive income					
								Unrealised gain or loss on available-for-sale financial assets	Total				
Notes	Common stock												
	\$ 1,786,961	\$ 232,701	\$ 50,602	\$ 3,460	\$ -	\$ 514,579	\$ 844,876	\$ 562	\$ -	\$ 286,735	\$ 3,719,352	\$ 477,312	\$ 4,196,664
	-	-	-	-	-	-	363,286	-	-	-	363,286	70,053	433,339
6(18)	-	-	-	-	-	-	(12,654)	(8,584)	-	(120,730)	(141,968)	(2,957)	(144,925)
	-	-	-	-	-	-	350,632	(8,584)	-	(120,730)	221,318	67,096	288,414
6(16)	-	(89,348)	-	-	-	-	-	-	-	-	(89,348)	-	(89,348)
6(27)	-	-	(203)	-	-	-	-	-	-	-	(203)	-	(203)
	Appropriations of 2016 earnings:												
	Legal reserve	-	-	-	-	34,021	(34,021)	-	-	-	-	-	-
6(17)	Cash dividends	-	-	-	-	-	(178,696)	-	-	-	(178,696)	-	(178,696)
	Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(14,646)	(14,646)
	Balance at December 31, 2017	\$ 1,786,961	\$ 143,353	\$ 50,399	\$ 3,460	\$ 548,600	\$ 982,791	\$ 9,146	\$ -	\$ 166,005	\$ 3,672,423	\$ 529,762	\$ 4,202,185
For the year ended December 31, 2018													
	Balance at January 1, 2018	\$ 1,786,961	\$ 143,353	\$ 50,399	\$ 3,460	\$ 548,600	\$ 982,791	\$ 9,146	\$ -	\$ 166,005	\$ 3,672,423	\$ 529,762	\$ 4,202,185
3(1)	Effects of retrospective application	-	-	-	-	-	7,826	-	154,548	(166,005)	(3,631)	(1,864)	(5,495)
	Adjusted balance at January 1, 2018	1,786,961	143,353	50,399	3,460	548,600	990,617	(9,146)	154,548	-	3,668,792	527,898	4,196,690
	Profit for the year	-	-	-	-	-	374,359	-	-	-	374,359	53,577	427,936
6(18)	Other comprehensive loss for the year	-	-	-	-	-	(20,323)	(707)	(55,085)	-	(76,115)	536	(75,579)
	Total comprehensive income (loss) for the year	-	-	-	-	-	354,036	(707)	(55,085)	-	298,244	54,113	352,357
6(27)	Difference between proceeds from acquisition or disposal of subsidiaries and book value	-	-	-	-	-	-	-	-	-	-	-	-
6(16)	Cash dividends payable expired	-	-	54	-	-	-	-	-	-	54	-	54
	Appropriations of 2017 earnings:	-	-	-	-	-	-	-	-	-	49	-	49
	Legal reserve	-	-	-	-	36,329	(36,329)	-	-	-	-	-	-
6(17)	Cash dividends	-	-	-	-	-	(285,914)	-	-	-	(285,914)	-	(285,914)
	Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(16,924)	(16,924)
	Balance at December 31, 2018	\$ 1,786,961	\$ 143,353	\$ 50,453	\$ 3,460	\$ 584,929	\$ 1,022,410	\$ 9,853	\$ 99,463	\$ -	\$ 3,681,225	\$ 565,087	\$ 4,246,312

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

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLAR)

	Notes	For the years ended December 31,	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 517,466	\$ 550,212
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial asstes at fair value through profit or loss		2,854 (	369)
Impairment loss on financial assets	6(21) and 12	-	24,180
Expected credit loss	12	10,524	-
Reversal of allowance for doubtful accounts	12	- (	8,881)
(Reversal of allowance) provision for loss on inventory market price decline	6(5)	(64,952)	50,467
Share of loss of associates and joint ventures accounted for under the equity method	6(6)	3,392	6,500
Depreciation	6(7)(23)	187,911	184,016
Net loss (gain) on disposal of property, plant and equipment	6(21)	1,212 (	456)
Property, plant and equipment transferred to expenses	6(7)(28)	107	-
Amortisation	6(8)(23)	10,022	9,121
Reversal of impairment loss on non-financial assets	6(8)(9)(21)	- (	1,462)
Amortisation of long-term prepaid rent	6(10)	1,187	1,172
Dividend income	6(20)	(10,513 ) (	16,693)
Interest income	6(20)	(14,339 ) (	6,017)
Interest expense	6(22)	9,006	6,529
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		880	73,892
Notes receivable		60,968	24,809
Accounts receivable	(	116,837)	81,172
Other receivables		52,518 (	58,444)
Inventories	(	6,959 ) (	50,495)
Prepayments	(	24,891 ) (	10,033)
Other current assets	(	691 ) (	2,052)
Other non-current assets	(	2,081 ) (	1,096)
Changes in operating liabilities			
Contract liabilities - current	(	34,699)	-
Notes payable		80,161 (	28,424)
Accounts payable	(	6,447 ) (	76,681)
Other payables	(	24,320)	12,331
Receipts in advance		2,354	4,862
Net defined benefit liability - non-current	(	19,666)	10,030)
Cash inflow generated from operations		614,167	758,130
Dividends received		10,513	16,693
Interest received		12,622	6,017
Interest paid	(	8,967 ) (	6,255)
Income tax paid	(	143,400)	65,847)
Net cash flows from operating activities		484,935	708,738

(Continued)

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLAR)

	Notes	For the years ended December 31,	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets - current		\$ -	(\$ 1,999)
Decrease (increase) in other financial assets - current		13,440	(20)
Proceeds from capital reduction of financial assets at fair value through profit and loss - non-current	6(2) and 12(3)	8,111	-
Acquisition of financial assets at fair value through other comprehensive income - non-current		(8,100)	-
Proceeds from capital reduction of financial assets carried at cost - non-current	12	-	700
Acquisition of investments accounted for under the equity method	6(6) and 7	(490)	(4,500)
Cash paid for acquisition of property, plant and equipment	6(28)	(112,130)	(222,704)
Interest paid for acquisition of property, plant and equipment	6(7)(22)(28)	(85)	(797)
Proceeds from disposal of property, plant and equipment		2,528	680
Acquisition of intangible assets	6(8)	(1,916)	(7,852)
Increase in prepayments for equipment		(55,312)	(155,086)
Decrease (increase) in guarantee deposits paid		8,202	(18,214)
Increase in other non-current assets		(6,137)	(22,595)
Decrease in other non-current assets		12,361	10,474
Net cash flows used in investing activities		(139,528)	(421,913)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(29)	166,000	160,000
Decrease in short-term borrowings	6(29)	(201,000)	(10,486)
Increase in short-term notes and bills payable	6(29)	50,000	-
Increase in long-term borrowings	6(29)	-	170,000
Redemption of long-term borrowings	6(29)	(4,983)	(4,893)
Increase in guarantee deposit received	6(29)	7,961	90
Payment of cash dividends from capital surplus	6(16)	-	(89,348)
Cash dividends payable expired	6(16)	49	-
Payment of cash dividends	6(17)	(285,914)	(178,696)
Decrease in non-controlling interests		(16,924)	(14,646)
Net cash flows (used in) from financing activities		(284,811)	32,021
Effects due to changes in exchange rate		953	(3,154)
Net increase in cash and cash equivalents		61,549	315,692
Cash and cash equivalents at beginning of year	6(1)	1,192,512	876,820
Cash and cash equivalents at end of year	6(1)	\$ 1,254,061	\$ 1,192,512

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

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Standard Chem. & Pharm. Co., Ltd. (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. For the main business activities of the Company's subsidiaries, please refer to Note 4(3).

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 19, 2019.

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")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendments to IAS 7, 'Disclosure initiative'

- (a) This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

B. IFRS 9, 'Financial instruments'

- (a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The Group has elected not to restate the financial statements of the prior period (collectively referred herein as the "modified retrospective approach") under IFRS 9. The significant effects of adopting the modified transition as of January 1, 2018 was to reclassify available-for-sale financial assets-current of \$5,801 and financial assets carried at cost-non-current of \$149,192, by increasing financial assets at fair value through profit or loss-current, financial assets at fair value through profit or loss-non-current and financial assets at fair value through other comprehensive income-non-current in the amounts of \$5,801, \$23,195 and \$120,502, respectively. Accordingly, retained earnings was increased by \$7,826 and other equity interest

and non-controlling interest were decreased in the amounts of \$11,457 and \$1,864, respectively.

C. IFRS 15, 'Revenue from contracts with customers' and amendments

- (a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15, is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

- (b) The Group has elected to apply the modified retrospective approach under IFRS 15. The significant effect of adopting the modified transition as of January 1, 2018 was that liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as 'receipts in advance' in the balance sheet amounting to \$96,497.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends to apply the modified retrospective approach. On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$214,877 and \$163,748, respectively, and prepaid rent (shown as 'prepayments') and long-term prepaid rent will be decreased by \$2,189 and \$48,940, respectively.

(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 IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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) Financial assets at fair value through other comprehensive income/Available for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) 'Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017' and Notes 12(5) 'Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017' for details of significant accounting policies and details of significant accounts.

(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 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:

Name of investors	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
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	—

Name of investors	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd.	Manufacturing of western medicine and retail and wholesale of various medicine	93.17	93.17	—
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	90.45	—
Standard Chem & Pharm. Co., Ltd.	Advpharma Inc.	Research and development, manufacturing and sale of various medicines	84.58	84.58	—
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicines	47.27	47.27	Note
Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicines	100.00	100.00	—

Name of investors	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Syngen Biotech Co., Ltd.	SYNGEN BIOTECH INTERNATIONAL SDN. BHD.	Research and development, manufacturing and sale of APIs and biochemical nutrition, sale of preventive medicines	100.00	100.00	—
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicines	55.00	55.00	—

Note: The subsidiary, Syngen Biotech Co., Ltd. ("Syngen Biotech"), filed for an initial public offering with the Taipei Exchange. As part of the public trading process, the Group allowed its underwriter to exercise the overallotment option, which decreased the Group's ownership percentage in Syngen Biotech down to below 50%. The Group still has control over Syngen Biotech and accordingly, Syngen Biotech was included in the consolidated financial statements.

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, 2018 and 2017, the non-controlling interest amounted to \$565,087 and \$529,762, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership (%)	
Syngen Biotech Co.,	Taiwan	<u>\$ 460,408</u>	52.73%	<u>\$ 402,855</u>	52.73%	—

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

A. Balance sheets

	December 31, 2018	December 31, 2017
Current assets	\$ 657,047	\$ 561,814
Non-current assets	644,034	602,226
Current liabilities	(344,211)	(311,900)
Non-current liabilities	(83,727)	(88,144)
Total net assets	<u>\$ 873,143</u>	<u>\$ 763,996</u>

B. Statements of comprehensive income

	For the years ended December 31,	
	2018	2017
Revenue	<u>\$ 1,080,453</u>	<u>\$ 955,647</u>
Profit before income tax	\$ 176,158	\$ 184,651
Income tax expense	(42,168)	(36,033)
Net income for the year	<u>\$ 133,990</u>	<u>\$ 148,618</u>
Total comprehensive income for the year	<u>\$ 133,692</u>	<u>\$ 147,716</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 70,496</u>	<u>\$ 77,891</u>

C. Statements of cash flows

	For the years ended December 31,	
	2018	2017
Net cash flows provided by operating activities	\$ 66,718	\$ 160,788
Net cash flows used in investing activities	(88,106)	(292,752)
Net cash flows (used in) provided by financing activities	(20,984)	123,620
Net exchange differences	(241)	140
Net decrease in cash and cash equivalents	(42,613)	(8,204)
Cash and cash equivalents at beginning of the year	171,160	179,364
Cash and cash equivalents at end of the year	<u>\$ 128,547</u>	<u>\$ 171,160</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 period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates 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) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (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, if the Group 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 that are not measured at amortised cost or fair value through other comprehensive income.
- 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.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes 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

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Operating lease (Lessor)

Lease income from an operating lease (net of any incentives given to lessee) is recognised in profit or loss on straight-line basis over the lease term.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under 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 do not arise from 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.

(15) Property, plant and equipment

- A. 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 (including auxiliary equipment)	2 ~ 60 years
Machinery and equipment	2 ~ 50 years
Utility equipment	2 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	2 ~ 15 years
Other equipment	2 ~ 35 years

(16) Intangible assets

A. Goodwill

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 20 years.

C. Patents

Patents is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 20 years.

D. Other intangible assets

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 10 years.

(17) Operating 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.

(18) 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.

(19) Borrowings

Borrowings comprise long-term and short-term bank 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.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) 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.

(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 plan

For defined contribution plan, 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 plan

- 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 plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The

rate used to discount is determined by using interest rates of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements 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. Past service costs are recognised immediately in profit or loss.

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

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liability, 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 the stockholders' meeting and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group 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 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) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells human pharmaceuticals and dietary supplements, etc. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Goods are often sold with discounts and allowances based on the price spread given by the National Health Insurance. Revenue is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Reversal of accounts receivable is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The terms of sales transactions are set individually with each clients and usually are made with cash payment in 2 months after billings, or to obtain

cheques with a maturity of 4~6 months upon billings. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Rendering of services

- (a) The Group provides processing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the balance sheet date as a proportion of the total services to be provided.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(27) 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

None.

(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 influence of different market demand and expiration date, etc., 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, 2018, the carrying amount of inventories was \$793,128.

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) for the fair value estimation for the financial instruments fair value information.

(b) As of December 31, 2018, the carrying amount of unlisted stocks without active market was \$154,470.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash:		
Revolving funds and petty cash	\$ 5, 123	\$ 5, 075
Checking accounts and demand deposits	<u>831, 926</u>	<u>721, 887</u>
	<u>837, 049</u>	<u>726, 962</u>
Cash equivalents:		
Time deposits	401, 231	450, 521
Repurchase bonds	<u>15, 781</u>	<u>15, 029</u>
	<u>417, 012</u>	<u>465, 550</u>
	<u>\$ 1, 254, 061</u>	<u>\$ 1, 192, 512</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, 2018 and 2017, the carrying amount of more than 3-month time deposits (shown as "Other financial assets-current") was \$51,080 and \$64,520, respectively.

C. As of December 31, 2018 and 2017, the Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 137,418
Listed stocks	5,229
Unlisted stocks	<u>12,000</u>
	154,647
Valuation adjustment	(9,243)
	<u>\$ 145,404</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	\$ 21,042
Valuation adjustment	(6,964)
	<u>\$ 14,078</u>

- A. The Group recognised net loss (shown as “other gains and losses”) of (\$740) for the year ended December 31, 2018.
- B. The Group’s financial assets at fair value through profit or loss - non-current, Der Yang Biotechnology Venture Capital, conducted a capital reduction in July 2018. The Group has reversed 111 thousand shares at the initial investment price of \$1,111 proportionately.
- C. The Group’s financial assets at fair value through profit or loss - non-current, NCKU Venture Capital Co., Ltd., conducted a capital reduction in August 2018. The Company has reversed 700 thousand shares at the initial investment price of \$7,000 proportionately.
- D. As of December 31, 2018, the Company has no financial assets at fair value through profit or loss pledged to others.
- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial Instruments’.
- F. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4), ‘Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017’.

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2018</u>
Equity instruments:	
Listed stocks	\$ 125,664
Unlisted stocks	<u>189,210</u>
	314,874
Valuation adjustment	<u>101,093</u>
	<u>\$ 415,967</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was its book value.
- B. The Group recognized (\$54,523) in other comprehensive income for fair value change for the year ended December 31, 2018.
- C. As of December 31, 2018, the Group has no financial assets at fair value through other comprehensive income pledged to others.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial Instruments'.
- E. Information on available-for-sale financial assets and financial assets carried at cost as of December 31, 2017 is provided in Note 12(4), 'Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017'.

(4) Notes and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 235,784	\$ 296,752
Less: Allowance for bad debts	(427)	(1,625)
	<u>\$ 235,357</u>	<u>\$ 295,127</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 695,905	\$ 579,722
Less: Allowance for bad debts	(18,103)	(7,035)
	<u>\$ 677,802</u>	<u>\$ 572,687</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable:		
During the credit period	\$ 235,784	\$ 296,160
Overdue up to 270 days	-	550
Overdue over 270 days	-	42
	<u>\$ 235,784</u>	<u>\$ 296,752</u>
Accounts receivable:		
During the credit period	\$ 595,101	\$ 524,832
Overdue up to 90 days	76,492	38,309
Overdue 91 to 180 days	24,066	5,262
Overdue 181 to 270 days	144	6,792
Overdue over 270 days	102	4,527
	<u>\$ 695,905</u>	<u>\$ 579,722</u>

The above ageing analysis was based on days overdue.

- B. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was its book value.
- C. As of December 31, 2018 and 2017, the Group has no notes and accounts receivable pledged to others.
- D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Merchandise	\$ 88,557	(\$ 4,032)	\$ 84,525
Raw materials	284,920	(11,556)	273,364
Supplies	58,042	(2,797)	55,245
Work in process	90,639	(1,099)	89,540
Finished goods	307,056	(16,602)	290,454
	<u>\$ 829,214</u>	<u>(\$ 36,086)</u>	<u>\$ 793,128</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 174,571	(\$ 69,179)	\$ 105,392
Raw materials	260,299	(8,017)	252,282
Supplies	52,131	(2,926)	49,205
Work in process	81,301	(5,489)	75,812
Finished goods	260,630	(15,427)	245,203
	<u>\$ 828,932</u>	<u>(\$ 101,038)</u>	<u>\$ 727,894</u>

A. The cost of inventories recognised as expenses for the year:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	\$ 1,964,628	\$ 2,035,259
Loss on scrapped inventories	148,889	37,667
(Reversal of allowance) provision for loss on inventory market price decline (Note 1)	(64,952)	50,467
Gain on physical inventory	(1,001)	(528)
Purchase discount (Note 2)	(52,673)	(62,063)
Under-applied fixed manufacturing overhead	25,927	28,741
	<u>\$ 2,020,818</u>	<u>\$ 2,089,543</u>

(Note 1) For the year ended December 31, 2018, the Group reversed a previous inventory write-down which was accounted for as reduction of operating costs as these items were subsequently sold or disposed.

(Note 2) The subsidiary, Multipower Enterprise Corp. (the "Multipower"), was affected by its supplier in France, LNS Lactalis Group, which was polluted by salmonella. Because of this, Multipower decided to discontinue to sell some certain milk powder in advance for food safety. As of December 31, 2018, Multipower accrued loss on inventories and purchase discounts totaling \$114,736 for these inventories informed to be regulated by Food and Drug Administration, affected inventories were all scrapped and requested compensation to installment collection within one year. As of March 19, 2019, Multipower had collected all compensation payment based on mutual agreement.

B. The Group recalled heart and hypertension medication for the presence of possible carcinogen in the API manufactured by Zhejiang Huahai Pharmaceutical Co., Ltd and Zhuhai Rundu Pharmaceutical Co., Ltd. The Company recognised a loss on inventories of \$2,367 related to this event for the year ended December 31, 2018.

(6) Investments accounted for under the equity method

A. Movements of investments accounted for under the equity method:

	For the years ended December 31,	
	2018	2017
At January 1	\$ 159,091	\$ 162,562
Acquisition of investments accounted for under the equity method	490	4,500
Share of profit or loss of investments accounted for under the equity method	(3,392)	(6,500)
Other equity interest – Actuarial losses of defined benefit plan	(181)	235
Other equity interest – Financial statements translation differences of foreign operations	337	(1,706)
At December 31	<u>\$ 156,345</u>	<u>\$ 159,091</u>

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

	December 31, 2018	December 31, 2017
WE CAN MEDICINES CO., LTD.	\$ 140,967	\$ 143,705
CNH TECHNOLOGIES, INC.	10,420	10,898
Taiwan Biosim Co., Ltd.	4,958	4,488
	<u>\$ 156,345</u>	<u>\$ 159,091</u>

C. Associate:

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

Company name	Principal place of business	Shareholding ratio	
		December 31,	
		2018	2017
WE CAN MEDICINES CO., LTD.	Taiwan	33.10%	33.10%

(b) The summarised financial information of the associate that is material to the Group is as follows:

i. Balance sheet

	December 31, 2018	December 31, 2017
Current assets	\$ 649,428	\$ 646,126
Non-current assets	170,673	179,950
Current liabilities	(365,287)	(360,378)
Non-current liabilities	(29,110)	(31,723)
Total net assets	<u>\$ 425,704</u>	<u>\$ 433,975</u>
Share in associate's net assets	<u>\$ 140,908</u>	<u>\$ 143,646</u>
Carrying amount of the associate	<u>\$ 140,967</u>	<u>\$ 143,705</u>

ii. Statement of comprehensive income

	For the years ended December 31,	
	2018	2017
Revenue	\$ 2,304,700	\$ 2,307,016
Net loss for the year	(\$ 7,726)	(\$ 17,391)
Total comprehensive loss for the year	(\$ 8,271)	(\$ 16,680)

(c) As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to \$15,378 and \$15,386, respectively. The share in associate's financial performance is as follows:

	For the years ended December 31,	
	2018	2017
Net loss for the year	(\$ 835)	(\$ 744)
Total comprehensive income for the year	(\$ 835)	(\$ 744)

D. For the years ended December 31, 2018 and 2017, the details of the Group's equity transactions are provided in Note 7," Related party transactions".

E. As of December 31, 2018 and 2017, the Group has no investment accounted for under the equity method pledged to others.

(7) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2018									
Cost	\$ 515,143	\$ 1,184,055	\$ 956,022	\$ 189,452	\$ 2,721	\$ 22,527	\$ 1,061,289	\$ 6,120	\$ 3,937,329
Accumulated depreciation	-	(313,250)	(614,211)	(136,644)	(2,098)	(10,588)	(703,818)	-	(1,780,609)
	<u>\$ 515,143</u>	<u>\$ 870,805</u>	<u>\$ 341,811</u>	<u>\$ 52,808</u>	<u>\$ 623</u>	<u>\$ 11,939</u>	<u>\$ 357,471</u>	<u>\$ 6,120</u>	<u>\$ 2,156,720</u>
2018									
At January 1	\$ 515,143	\$ 870,805	\$ 341,811	\$ 52,808	\$ 623	\$ 11,939	\$ 357,471	\$ 6,120	\$ 2,156,720
Additions-cost	-	17,362	54,320	2,199	-	501	30,455	886	105,723
Transfer upon completion	-	-	6,013	-	-	-	-	(6,013)	-
Transfer-cost (Note 1)	-	2,480	35,423	-	-	-	29,259	(107)	67,055
Reclassification-									
accumulated depreciation	-	(2,298)	(157)	-	-	22	2,433	-	-
Depreciation	-	(33,799)	(61,006)	(9,476)	(263)	(3,213)	(80,154)	-	(187,911)
Disposals-cost	-	(299)	(25,502)	(1,230)	(50)	-	(28,397)	-	(55,478)
-accumulated									
depreciation	-	238	23,531	1,004	50	-	26,915	-	51,738
Net exchange differences	-	(3,097)	(460)	-	(7)	(136)	106	-	(3,594)
At December 31	<u>\$ 515,143</u>	<u>\$ 851,392</u>	<u>\$ 373,973</u>	<u>\$ 45,305</u>	<u>\$ 353</u>	<u>\$ 9,113</u>	<u>\$ 338,088</u>	<u>\$ 886</u>	<u>\$ 2,134,253</u>
At December 31, 2018									
Cost	\$ 515,143	\$ 1,200,339	\$ 1,025,378	\$ 190,421	\$ 2,631	\$ 22,817	\$ 1,092,683	\$ 886	\$ 4,050,298
Accumulated depreciation	-	(348,947)	(651,405)	(145,116)	(2,278)	(13,704)	(754,595)	-	(1,916,045)
	<u>\$ 515,143</u>	<u>\$ 851,392</u>	<u>\$ 373,973</u>	<u>\$ 45,305</u>	<u>\$ 353</u>	<u>\$ 9,113</u>	<u>\$ 338,088</u>	<u>\$ 886</u>	<u>\$ 2,134,253</u>

	Construction in progress and equipment to be inspected						
	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment
At January 1, 2017							
Cost	\$515,143	\$1,072,326	\$831,782	\$187,919	\$2,750	\$21,968	\$972,219
Accumulated depreciation	-	(279,857)	(563,036)	(127,011)	(1,851)	(7,294)	(631,168)
	<u>\$515,143</u>	<u>\$792,469</u>	<u>\$268,746</u>	<u>\$60,908</u>	<u>\$899</u>	<u>\$14,674</u>	<u>\$341,051</u>
							<u>\$96,318</u>
							<u>\$3,700,425</u>
							<u>(1,610,217)</u>
							<u>\$2,090,208</u>
2017							
At January 1	\$515,143	\$792,469	\$268,746	\$60,908	\$899	\$14,674	\$341,051
Additions-cost	-	9,684	23,547	1,497	-	600	35,041
Transfer upon completion	-	89,786	3,866	-	-	-	52 (93,704)
Transfer-cost (Note 2)	-	14,662	98,645	36	-	84	66,002
Reclassification-accumulated depreciation	-	-	4,060	-	-	-	(4,060)
Depreciation	-	(33,695)	(56,501)	(9,633)	(262)	(3,550)	(80,375)
Disposals-cost	-	-	(1,157)	-	-	(280)	(11,865)
-accumulated depreciation	-	-	1,124	-	-	261	11,693
Net exchange differences	-	(2,101)	(519)	-	(14)	150	(68)
At December 31	<u>\$515,143</u>	<u>\$870,805</u>	<u>\$341,811</u>	<u>\$52,808</u>	<u>\$623</u>	<u>\$11,939</u>	<u>\$357,471</u>
							<u>\$6,120</u>
							<u>\$2,156,720</u>
At December 31, 2017							
Cost	\$515,143	\$1,184,055	\$956,022	\$189,452	\$2,721	\$22,527	\$1,061,289
Accumulated depreciation	-	(313,250)	(614,211)	(136,644)	(2,098)	(10,588)	(703,818)
	<u>\$515,143</u>	<u>\$870,805</u>	<u>\$341,811</u>	<u>\$52,808</u>	<u>\$623</u>	<u>\$11,939</u>	<u>\$357,471</u>
							<u>\$6,120</u>
							<u>\$2,156,720</u>

(Note 1) Including transfer of \$6,677 from 'inventories'; transfer of \$60,485 from 'prepayment for equipment'; transfer of \$107 to 'other non-current assets'.

(Note 2) Including transfer of \$9,859 from 'inventories'; transfer of \$169,570 from 'prepayment for equipment'.

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the interest rates for such capitalisation for the years ended December 31, 2018 and 2017 are as follows:

	For the years ended December 31,	
	2018	2017
Capitalised interest payments	\$ 85	\$ 797
Interest rate	0.92%	0.84%~1.45%

B. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2018 and 2017 is provided in Note 8.

(8) Intangible assets

	Goodwill	Software	Patents	Others	Total
<u>At January 1, 2018</u>					
Cost	\$ 70,513	\$ 43,978	\$ 35,063	\$ 84,058	\$ 233,612
Accumulated amortisation	(248)	(27,460)	(16,478)	(56,253)	(100,439)
Accumulated impairment	-	-	-	(13,924)	(13,924)
Net exchange differences	-	(2)	(61)	-	(63)
	<u>\$ 70,265</u>	<u>\$ 16,516</u>	<u>\$ 18,524</u>	<u>\$ 13,881</u>	<u>\$ 119,186</u>
<u>2018</u>					
At January 1	\$ 70,265	\$ 16,516	\$ 18,524	\$ 13,881	\$ 119,186
Additions - acquired separately	-	1,916	-	-	1,916
Amortisation	-	(5,350)	(3,172)	(1,500)	(10,022)
Net exchange differences	-	(7)	253	-	246
At December 31	<u>\$ 70,265</u>	<u>\$ 13,075</u>	<u>\$ 15,605</u>	<u>\$ 12,381</u>	<u>\$ 111,326</u>
<u>At December 31, 2018</u>					
Cost	\$ 70,513	\$ 45,894	\$ 35,063	\$ 84,058	\$ 235,528
Accumulated amortisation	(248)	(32,810)	(19,650)	(57,753)	(110,461)
Accumulated impairment	-	-	-	(13,924)	(13,924)
Net exchange differences	-	(9)	192	-	183
	<u>\$ 70,265</u>	<u>\$ 13,075</u>	<u>\$ 15,605</u>	<u>\$ 12,381</u>	<u>\$ 111,326</u>

	Goodwill	Software	Patents	Others	Total
<u>At January 1, 2017</u>					
Cost	\$ 70,513	\$ 36,298	\$ 34,905	\$ 84,044	\$ 225,760
Accumulated amortisation	(248)	(23,053)	(13,266)	(54,751)	(91,318)
Accumulated impairment	-	-	-	(15,386)	(15,386)
Net exchange differences	-	6	714	-	720
	<u>\$ 70,265</u>	<u>\$ 13,251</u>	<u>\$ 22,353</u>	<u>\$ 13,907</u>	<u>\$ 119,776</u>
<u>2017</u>					
At January 1	\$ 70,265	\$ 13,251	\$ 22,353	\$ 13,907	\$ 119,776
Additions - acquired separately	-	7,680	158	14	7,852
Amortisation	-	(4,407)	(3,212)	(1,502)	(9,121)
Reversal of impairment loss	-	-	-	1,462	1,462
Net exchange differences	-	(8)	(775)	-	(783)
At December 31	<u>\$ 70,265</u>	<u>\$ 16,516</u>	<u>\$ 18,524</u>	<u>\$ 13,881</u>	<u>\$ 119,186</u>
<u>At December 31, 2017</u>					
Cost	\$ 70,513	\$ 43,978	\$ 35,063	\$ 84,058	\$ 233,612
Accumulated amortisation	(248)	(27,460)	(16,478)	(56,253)	(100,439)
Accumulated impairment	-	-	-	(13,924)	(13,924)
Net exchange differences	-	(2)	(61)	-	(63)
	<u>\$ 70,265</u>	<u>\$ 16,516</u>	<u>\$ 18,524</u>	<u>\$ 13,881</u>	<u>\$ 119,186</u>

A. No borrowing costs were capitalised as part of intangible assets for the years ended December 31, 2018 and 2017.

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

	For the years ended December 31,	
	2018	2017
Operating costs	\$ 4,679	\$ 3,370
Selling expenses	1,367	1,120
General and administrative expenses	3,509	4,243
Research and development expenses	467	388
	<u>\$ 10,022</u>	<u>\$ 9,121</u>

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

	December 31, 2018	December 31, 2017
Multipower Enterprise Corp.	<u>\$ 70,265</u>	<u>\$ 70,265</u>

D. Impairment information about the intangible assets is provided in Note 6(9) for the impairment of non-financial assets.

E. As of December 31, 2018 and 2017, the Company has no intangible assets pledged to others.

(9) Impairment of non-financial assets

A. The Group recognised reversal of impairment loss (shown as ‘other gains and losses’) for the years ended December 31, 2018 and 2017 of \$— and 1,462, respectively. Details of such losses are as follows:

	For the years ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - royalty	\$ —	\$ —	\$ 1,462	\$ —

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

	For the years ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Syngen Biotech Co., Ltd.	\$ —	\$ —	\$ 1,462	\$ —

C. Goodwill is tested annually for impairment. Goodwill is allocated to the Group’s cash-generating unit - 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 unit - Multipower Enterprise Corp.. Cash flow of financial budgets is prepared based on forecasts of growth of future annual revenue, profit and capital expenditure. Management determined budgeted gross margin based on past performance and its expectation of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

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, 2018 and 2017.

(10) Long-term prepaid rent

	December 31, 2018	December 31, 2017
Land use right	\$ 48,940	\$ 51,177

On December 31, 2011, the Group signed a land use right contract amounting to \$58,232 (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 \$1,187 and \$1,172 for the years ended December 31, 2018 and 2017, respectively.

(11) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured bank borrowings	\$ 310,000	1.00%~1.50%	None
Bank secured borrowings	175,000	1.00%	Land and buildings
	<u>\$ 485,000</u>		
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Unsecured bank borrowings	\$ 345,000	0.92%~1.23%	None
Bank secured borrowings	175,000	0.99%~1.00%	Land and buildings
	<u>\$ 520,000</u>		

For more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2018 and 2017, please refer to Note 6(22), ‘Finance costs’.

(12) Short-term notes and bills payable

	December 31, 2018	Interest rate range	Collateral
Commercial papers payable	<u>\$ 250,000</u>	0.64%~0.66%	None
	December 31, 2017	Interest rate range	Collateral
Commercial papers payable	<u>\$ 200,000</u>	0.50%~0.62%	None

A. The above commercial papers payable are issued and secured by Mega Bills Finance Corporation and other financial institutions.

B. For more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2018 and 2017, please refer to Note 6(22), ‘Finance costs’.

(13) Long-term borrowings

Type of borrowings	Maturity date	December 31, 2018	Interest rate	Collateral
Unsecured bank borrowings	2019. 10. 17~ 2021. 5. 13	\$ 112,312	1.18%~1.82%	None
Secured bank borrowings	2021. 3. 19		1.22%	Buildings, machinery and other equipments
		<u>100,000</u>		
		212,312		
Less: Current portion of long-term borrowings		(60,029)		
		<u>\$ 152,283</u>		

Type of borrowings	Maturity date	December 31, 2017	Interest rate	Collateral
Unsecured bank borrowings	2019. 10. 17~ 2021. 5. 13	\$ 117, 295	1. 17%~1. 82%	None
Secured bank borrowings	2020. 3. 30		1. 22%	Buildings, machinery and other equipments
		100, 000		
		217, 295		
Less: Current portion of long-term borrowings		(29, 983)		
		\$ 187, 312		

For more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2018 and 2017, please refer to Note 6(22), 'Finance costs'.

(14) Pensions

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 contribute monthly an amount equal to 2%~5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by December 31, every year. If the account balances are not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next year. In accordance with defined benefit pension plan, the Company and its domestic subsidiaries disclose the related information as follows:

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	(\$ 507, 119)	(\$ 480, 022)
Fair value of plan assets	243, 079	214, 584
	(\$ 264, 040)	(\$ 265, 438)
Net defined benefit liability in the balance sheet (Note 1)	(\$ 271, 670)	(\$ 270, 987)
Net defined benefit asset in the balance sheet (Note 2)	7, 630	5, 549
	(\$ 264, 040)	(\$ 265, 438)

(Note 1) Shown as 'net defined benefit liability-non-current'.

(Note 2) Shown as 'other non-current assets'.

(b) Movements in defined benefit liability are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2018			
At January 1	(\$ 480,022)	\$ 214,584	(\$ 265,438)
Current service cost	(5,028)	-	(5,028)
Interest (expense) income	(4,779)	2,191	(2,588)
Reversal of past service cost	1,858	-	1,858
	(487,971)	216,775	(271,196)
Remeasurements:			
Return on plan assets	-	6,405	6,405
Change in demographic assumptions	(18)	-	(18)
Change in financial assumptions	(25,957)	-	(25,957)
Experience adjustments	(3,234)	-	(3,234)
	(29,209)	6,405	(22,804)
Pension fund contribution	-	29,960	29,960
Paid pension	10,061	(10,061)	-
At December 31	(\$ 507,119)	\$ 243,079	(\$ 264,040)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2017			
At January 1	(\$ 459,157)	\$ 195,915	(\$ 263,242)
Current service cost	(5,060)	-	(5,060)
Interest (expense) income	(5,714)	2,499	(3,215)
	(469,931)	198,414	(271,517)
Remeasurements:			
Return on plan assets	-	(806)	(806)
Change in demographic assumptions	(668)	-	(668)
Change in financial assumptions	(13,204)	-	(13,204)
Experience adjustments	(1,656)	-	(1,656)
	(15,528)	(806)	(16,334)
Pension fund contribution	-	20,233	20,233
Paid pension	5,437	(3,257)	2,180
At December 31	(\$ 480,022)	\$ 214,584	(\$ 265,438)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its 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 have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labour Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2018	2017
Discount rate	1.00%	1.00%~1.25%
Future salary increases	2.00%~2.50%	2.00%

Assumptions regarding future mortality rate are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 13,557)	\$ 14,083	\$ 13,841	(\$ 13,396)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 13,231)	\$ 13,760	\$ 13,589	(\$ 13,136)

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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Group for the year ended December 31, 2019 amount to \$10,724.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 10~13 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 15,072
2-5 years	83,397
Over 5 years	458,961
	<u>\$ 557,430</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, 2017 and 2016, the contribution rates are from 19% to 30%. 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, 2018 and 2017 were \$35,335 and \$32,856, respectively.

(15) Share capital – common stock

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

	For the years ended December 31,	
	2018	2017
Beginning and ending balance	178,696	178,696

B. As of December 31, 2018, 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 share, with a par value of \$10 (in dollars) per share. Shares can be issued several times. All proceeds from shares issued have been collected.

(16) 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 Act 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. For the year ended December 31, 2018, pursuant of the Business letter No. 10602420200 issued by the Ministry of Economic Affairs in September 2017, the Company reclassified dividends payable of \$49, which was expired and not collected by the shareholders, to capital surplus.

C. On June 16, 2017, the shareholders have resolved to distribute cash of \$89,348 (\$ 0.5 (in dollars) per share) using capital surplus for this years.

(17) 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, the Board of Directors takes into consideration the Company's future capital needs, long-term financial planning and shareholders' needs for cash inflow. The Company's earnings, if any, are distributed in the following order:
- (a) Pay all taxes.
 - (b) Cover accumulated deficit.
 - (c) Appropriate 10% as legal reserve.
 - (d) Appropriate or reverse special reserve in accordance with regulations.
 - (e) At least 10% of the remainder and previous unappropriated retained earnings as stockholders' bonus and cash dividends shall account for at least 20% of total dividends distributed. If the cash dividend is below \$0.5 (in dollars) per share, the Company can distribute stock dividends instead of cash dividends upon resolution of the shareholders.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. As resolved by the shareholders on June 20, 2018 and June 16, 2017, the Company recognised cash dividends distributed to owners amounting to \$285,914 (\$1.6 (in dollars) per share) and \$178,696 (\$1 (in dollars) per share) for the appropriation of 2017 and 2016 earnings, respectively. On March 19, 2019, the Board of Directors proposed for the distribution of dividends from 2018 earnings of \$268,044 (\$1.5 (in dollars) per share).

(18) Other equity

For the year ended December 31, 2018			
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 9,146)	\$ 166,005	\$ 156,859
Effect of retrospective application			
- valuation adjustment	-	(11,717)	(11,717)
- reclassify to retained earnings	-	260	260
Adjusted balance at January 1	(9,146)	154,548	145,402
Currency translation differences			
- Company	(707)	-	(707)
Valuation adjustment			
- Company	-	7,344	7,344
- Subsidiaries	-	(62,429)	(62,429)
At December 31	<u>(\$ 9,853)</u>	<u>\$ 99,463</u>	<u>\$ 89,610</u>
For the year ended December 31, 2017			
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 562)	\$ 286,735	\$ 286,173
Currency translation differences			
- Company	(8,584)	-	(8,584)
Valuation adjustment			
- Company	-	(105,608)	(105,608)
- Subsidiaries	-	(15,122)	(15,122)
At December 31	<u>(\$ 9,146)</u>	<u>\$ 166,005</u>	<u>\$ 156,859</u>

(19) Operating revenue

A. The Group derives revenue from the transfer of goods at a point in time and of services over time in the following major product categories and geographical regions:

	For the year ended December 31, 2018		
	Domestic	International	Total
Revenue from sales of medicine	\$ 1,665,110	\$ 414,933	\$ 2,080,043
Revenue from sales of dietary supplement	917,370	62,331	979,701
Revenue from rendering of services	24,193	–	24,193
Others	305,670	183,486	489,156
	<u>\$ 2,912,343</u>	<u>\$ 660,750</u>	<u>\$ 3,573,093</u>

B. The Group has recognised the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities – sales of medicine	\$ 40,526
Contract liabilities – sales of dietary supplement	17,858
Contract liabilities – others	3,414
	<u>\$ 61,798</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year ended December 31, 2018 was \$53,260.

C. For more information regarding operating revenue for the year ended December 31, 2017, please refer to Note 12(5), 'Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017'.

(20) Other income

	For the years ended December 31,	
	2018	2017
Dividend income	\$ 10,513	\$ 16,693
Interest income	14,339	6,017
Rental income	6,339	3,907
Technology transfer income	50,472	–
Research income	–	3,063
Other income	32,626	61,415
	<u>\$ 114,289</u>	<u>\$ 91,095</u>

(21) Other gains and losses

	For the years ended December 31,	
	2018	2017
Net currency exchange gain (loss)	\$ 29,631	(\$ 46,437)
Net (loss) gain on current financial assets at fair value through profit or loss	(740)	628
Net (loss) gain on disposal of property, plant and equipment	(1,212)	456
Reversal of impairment loss on non-financial assets	-	1,462
Impairment loss on financial assets	-	(24,180)
Other losses	(362)	(1,258)
	<u>\$ 27,317</u>	<u>(\$ 69,329)</u>

(22) Finance costs

	For the years ended December 31,	
	2018	2017
Interest expense		
Bank borrowings	\$ 9,091	\$ 7,326
Less: Capitalisation of qualifying assets	(85)	(797)
	<u>\$ 9,006</u>	<u>\$ 6,529</u>

(23) Expenses by nature

	For the year ended December 31, 2018		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 418,012	\$ 559,068	\$ 977,080
Depreciation on property, plant and equipment	146,445	41,466	187,911
Amortisation on intangible assets	4,679	5,343	10,022
	<u>\$ 569,136</u>	<u>\$ 605,877</u>	<u>\$ 1,175,013</u>

	For the year ended December 31, 2017		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 385,770	\$ 555,369	\$ 941,139
Depreciation on property, plant and equipment	145,010	39,006	184,016
Amortisation on intangible assets	3,370	5,751	9,121
	<u>\$ 534,150</u>	<u>\$ 600,126</u>	<u>\$ 1,134,276</u>

(24) Employee benefit expenses

For the year ended December 31, 2018			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 347,007	\$ 476,736	\$ 823,743
Labour and health insurance expenses	33,192	40,139	73,331
Pension costs	19,341	21,752	41,093
Other personnel expenses	18,472	20,441	38,913
	<u>\$ 418,012</u>	<u>\$ 559,068</u>	<u>\$ 977,080</u>
For the year ended December 31, 2017			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 319,544	\$ 474,753	\$ 794,297
Labour and health insurance expenses	30,502	38,277	68,779
Pension costs	18,285	22,846	41,131
Other personnel expenses	17,439	19,493	36,932
	<u>\$ 385,770</u>	<u>\$ 555,369</u>	<u>\$ 941,139</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (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, are entitled to receive aforementioned stock or cash. 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.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$4,554 and \$4,597, respectively; while directors' and supervisors' remuneration was accrued at \$9,108 and \$9,194, respectively. The aforementioned amounts were recognised in salary expenses that were estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. As resolved by the Board of Directors on March 19, 2019, the employees' compensation and directors' and supervisors' remuneration were \$4,612 and \$9,225, respectively, and the employees' compensation will be distributed in the form of cash. The employees' compensation

and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors was \$13,395. The difference between the aforementioned amount and the amount of \$13,791 recognised in the 2016 financial statements by (\$396), mainly caused by estimation differences, had been adjusted in the profit or loss for 2018. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 117,127	\$ 103,014
Tax on undistributed earnings	11,910	21,946
(Over) under provision of prior year's income tax	(5,442)	203
	<u>123,595</u>	<u>125,163</u>
Deferred tax:		
Origination and reversal of temporary differences	(10,930)	(8,290)
Impact of change in tax rate	(23,135)	—
	<u>(34,065)</u>	<u>(8,290)</u>
Total income tax expense	<u>\$ 89,530</u>	<u>\$ 116,873</u>

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

	For the years ended December 31,	
	2018	2017
Remeasurement of defined benefit obligation	(\$ 4,561)	(\$ 2,777)
Impact of change in tax rate	1,925	—
	<u>(\$ 2,636)</u>	<u>(\$ 2,777)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 124,824	\$ 116,504
Effect of amount not allowed to recognise under regulations	4,972 (	19,085)
Effect from tax-exempt income	(2,529) (	1,614)
Effect from investment tax credits	- (	821)
Effect from net operating loss carryforward	(21,070) (	260)
Tax on undistributed earnings	11,910	21,946
(Over) under provision of prior year's income tax	(5,442)	203
Impact of change in tax rate	(23,135)	-
Income tax expense	<u>\$ 89,530</u>	<u>\$ 116,873</u>

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

For the year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 3,027	\$ 2,044	\$ -	\$ 5,071
Unrealised loss on inventories from market value decline	5,709	1,508	-	7,217
Unrealised exchange loss	6,788	(6,713)	-	75
Investment loss	24,651	8,208	-	32,859
Unrealised impairment loss on intangible assets	2,368	417	-	2,785
Unrealised sales discount	5,912	(1,098)	-	4,814
Unused compensated absences	4,549	1,293	-	5,842
Pensions	40,159	4,178	2,636	46,973
Unrealised loss on scrapped inventories	798	547	-	1,345
Unrealised loss on financial assets through profit of loss	-	250	-	250
Deferred investment tax credits	-	576	-	576
Loss carryforward	-	28,820	-	28,820
	<u>\$ 93,961</u>	<u>\$ 40,030</u>	<u>\$ 2,636</u>	<u>\$ 136,627</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value increment tax	(\$ 61,992)	\$ -	\$ -	(\$ 61,992)
Unrealised exchange gain	(24)	(5,403)	-	(5,427)
Others	-	(562)	-	(562)
	<u>(\$ 62,016)</u>	<u>(\$ 5,965)</u>	<u>\$ -</u>	<u>(\$ 67,981)</u>
	<u>\$ 31,945</u>	<u>\$ 34,065</u>	<u>\$ 2,636</u>	<u>\$ 68,646</u>

For the year ended December 31, 2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 4,305	(\$ 1,278)	\$ -	\$ 3,027
Unrealised loss on inventories				
from market value decline	7,696	(1,987)	-	5,709
Unrealised exchange loss	1,046	5,742	-	6,788
Investment loss	20,533	4,118	-	24,651
Unrealised impairment loss				
on intangible assets	2,616	(248)	-	2,368
Unrealised sales discount	2,221	3,691	-	5,912
Unused compensated absences	4,359	190	-	4,549
Unused expenses	114	(114)	-	-
Pensions	39,784	(2,402)	2,777	40,159
Unrealised loss on scrapped				
inventories	-	798	-	798
Loss carryforward	196	(196)	-	-
	<u>\$ 82,870</u>	<u>\$ 8,314</u>	<u>\$ 2,777</u>	<u>\$ 93,961</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value				
increment tax	(\$ 61,992)	\$ -	\$ -	(\$ 61,992)
Unrealised exchange gain	-	(24)	-	(24)
	<u>(\$ 61,992)</u>	<u>(\$ 24)</u>	<u>\$ -</u>	<u>(\$ 62,016)</u>
	<u>\$ 20,878</u>	<u>\$ 8,290</u>	<u>\$ 2,777</u>	<u>\$ 31,945</u>

D. The Company qualifies for “Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries” and is entitled to income tax exemption for 5 consecutive years starting from 2015.

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

December 31, 2018				
Year incurred	Amount filed/ approved	Unused amount	Unrecognised deferred tax assets	Usable until year
2009~2018	<u>\$ 328,042</u>	<u>\$ 328,042</u>	<u>\$ 183,943</u>	2019~2028

December 31, 2017				
<u>Year incurred</u>	<u>Amount filed/ approved</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year</u>
2008~2017	<u>\$ 253,524</u>	<u>\$ 246,263</u>	<u>\$ 246,263</u>	2018~2027

F. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 19, 2019.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

For the year ended December 31, 2018			
	<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>\$ 374,359</u>	<u>178,696</u>	<u>\$ 2.09</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 374,359	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>172</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 374,359</u>	<u>178,868</u>	<u>\$ 2.09</u>

	For the year ended December 31, 2017		
	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	\$ 363,286	178,696	\$ 2.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 363,286	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	186	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 363,286	178,882	\$ 2.03

(27) Transactions with non-controlling interest

- A. In August 2018, the Group acquired additional shares of the subsidiary, Syngen Biotech Co., Ltd., for a total cash consideration of \$1. The carrying amount of investment accounted for under the equity method was \$3 at the acquisition date. Said transaction resulted in a increase in the equity attributable to owners of the parent by \$2.
- B. In January 2018, the Group acquired additional shares of the subsidiary, Multipower Enterprise Corp., for a total cash consideration of \$1,260. The carrying amount of investment accounted for under the equity method was \$1,312 at the acquisition date. Said transaction resulted in a decrease in the equity attributable to owners of the parent by \$203.
- C. In August 2017, the Group disposed its partial shares in the subsidiary, Multipower Enterprise Corp., for a total cash consideration of \$1,256. The carrying amount of investment accounted for under the equity method was \$1,459 at the disposal date. Said transaction resulted in a decrease in the equity attributable to owners of the parent by \$203.

D. Based on the above transactions, the details of changes in the Group's capital surplus due to transactions with non-controlling interest for the years ended December 31, 2018 and 2017 are as follows:

	For the years ended December 31,	
	2018	2017
Effect on acquisition of shares that are not proportionate to its interest	\$ 54	\$ -
Effect on disposal of equity interest in a subsidiary	-	(203)
Capital surplus - difference between proceeds and carrying amount from acquisition or disposal of equity interest in a subsidiary	<u>\$ 54</u>	<u>(\$ 203)</u>

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Purchases of property, plant and equipment	\$ 105,723	\$ 73,875
Add: Opening balance of notes payable	25,993	4,142
Opening balance of payable on equipment (shown as "Other payables")	23,195	194,672
Less: Ending balance of notes payable	(4,697)	(25,993)
Ending balance of payable on equipment (shown as "Other payables")	(37,999)	(23,195)
Capitalised interest	(85)	(797)
Cash paid for acquisition of property, plant and equipment	<u>\$ 112,130</u>	<u>\$ 222,704</u>

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

	For the years ended December 31,	
	2018	2017
(1) Elimination of allowance for bad debts	<u>\$ 654</u>	<u>\$ 3,134</u>
(2) Inventories transferred to property, plant and equipment	<u>\$ 6,677</u>	<u>\$ 9,859</u>
(3) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 60,485</u>	<u>\$ 169,570</u>
(4) Property, plant and equipment transferred to expenses	<u>\$ 107</u>	<u>\$ -</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Guarantee deposits received	Total
At January 1, 2018	\$ 520,000	\$ 200,000	\$ 217,295	\$ 5,376	\$ 942,671
Changes in cash flow from financing activities	(35,000)	50,000	(4,983)	7,961	17,978
At December 31, 2018	<u>\$ 485,000</u>	<u>\$ 250,000</u>	<u>\$ 212,312</u>	<u>\$ 13,337</u>	<u>\$ 960,649</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
WE CAN MEDICINES CO., LTD. (WE CAN)	Associate
Taiwan Biosim Co., Ltd. (Biosim)	Associate
SUN YOU BIOTECH PHARM CO., LTD. (SUN YOU)	Other related party (The manager of the Company is SUN YOU's corporate director)
SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH)	Other related party (The Company is SYN-TECH's corporate director)
Fan Dao Nan Foundation (Fan Dao Nan)	Other related party (The corporate director of the Company)

(2) Significant related party transactions

A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Associates	\$ 85,532	\$ 106,753
Other related parties	22,282	15,761
	<u>\$ 107,814</u>	<u>\$ 122,514</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 4~6 months upon billing.

B. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties	\$ 59,648	\$ 51,382

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

C. Equity transactions

(a) The Company participated in the cash capital increase of the other related party, SUN YOU, by investing \$6,624 in January 2018.

(b) The Company participated in cash capital increase of the associate, Biosim, by investing \$4,500 in July 2017.

D. Other expenses

	For the years ended December 31,	
	2018	2017
Advertisement expenses:		
Other related parties	\$ 726	\$ 608
Associates	95	4
	<u>\$ 821</u>	<u>\$ 612</u>
Research and development expenses:		
Other related parties	\$ 1,066	\$ 390
Associates	216	48
	<u>\$ 1,282</u>	<u>\$ 438</u>
Miscellaneous expenses:		
Associates	\$ 2,356	\$ 1,966
Other related parties	37	27
	<u>\$ 2,393</u>	<u>\$ 1,993</u>

E. Other income

	For the years ended December 31,	
	2018	2017
Other income:		
Associates	\$ 2,519	\$ 2,439
Other related parties	1,290	1,082
	<u>\$ 3,809</u>	<u>\$ 3,521</u>

F. Ending balance of goods sold

	December 31, 2018	December 31, 2017
Receivables from related parties:		
Associates	\$ 19,165	\$ 15,819
Other related parties	10,267	6,317
	<u>\$ 29,432</u>	<u>\$ 22,136</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-related parties')

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Receivables from related parties:		
Associates	\$ 482	\$ 464
Other related parties	<u>1</u>	<u>2</u>
	<u>\$ 483</u>	<u>\$ 466</u>

H. Ending balance of goods purchased

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Payables to related parties:		
Other related parties	<u>\$ 14,394</u>	<u>\$ 14,876</u>

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

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	<u>\$ 30,912</u>	<u>\$ 34,391</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purposes</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Investment accounted for under the equity method (Note 1)	\$ -	\$ 125,129	Short-term borrowings
Land (Note 2)	288,489	288,489	Short-term and long-term borrowings
Buildings-net (Note 2)	296,253	304,439	Short-term and long-term borrowings
Machinery and equipment -net (Note 2)	19,920	21,882	Long-term borrowings
Other equipment-net (Note 2)	375	493	Long-term borrowings
	<u>\$ 605,037</u>	<u>\$ 740,432</u>	

(Note 1) As of December 31, 2017, the Company provided 22,980 thousand shares in its subsidiary, Advpharma Inc., as collateral for short-term borrowings with the carrying value of \$125,129. As of December 31, 2018, the Company has no shares pledged to others.

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2018 and 2017, the Group's significant contingent liabilities and unrecognised contract commitments are as follows:

- (1) The balances for contracts that the Group entered into for the purchase of property, plant and equipment, but not yet due were \$89,792 and \$95,389, respectively.
- (2) The amounts of the letter of credit that the Group issued but not yet negotiated were \$9,542 and \$2,452, respectively.
- (3) Endorsements/guarantees for financing within the Group are as follows:

<u>Endorsor/guarantor</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Standard Chem. & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	\$ 92,160	\$ 89,280

The actual endorsement/guarantee amount provided by the Group for the above subsidiaries were \$92,160 and \$89,280, respectively.

- (4) 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 compensation 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 High Court has handed down the verdict on August 24, 2016 and issued the judgement that Syngen Biotech is not liable to pay any compensation. CFCT claimed to file an appeal on its losing part. In its judgement dated July 31, 2018, which received on August 15, 2018, the Supreme Court has upheld the decision of the High Court on this case.
- (5) In two voluntary recalls in July and August 2018, the Group recalled heart and hypertension medication for the presence of possible carcinogen in the API manufactured by Zhejiang Huahai Pharmaceutical Co., Ltd and Zhuhai Rundu Pharmaceutical Co., Ltd. As of March 19, 2019, potential lawsuit related to this event was not identified.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT 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. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 159,482	\$ –
Financial assets held for trading	–	142,331
	<u>\$ 159,482</u>	<u>\$ 142,331</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 415,967	\$ –
Available-for-sale financial assets		
Available-for-sale financial assets	–	347,689
Financial assets at cost	–	149,192
	<u>\$ 415,967</u>	<u>\$ 496,881</u>
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	\$ 1,254,061	\$ 1,192,512
Notes receivable	235,357	295,127
Accounts receivable	677,802	572,687
Other receivables	18,098	68,899
Other financial assets	51,080	64,520
Guarantee deposits paid	25,205	33,407
	<u>\$ 2,261,603</u>	<u>\$ 2,227,152</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 485,000	\$ 520,000
Short-term notes and bills payable	250,000	200,000
Notes payable	270,850	211,985
Accounts payable	114,816	121,263
Other payables	361,240	370,717
Long-term borrowings (including current portion)	212,312	217,295
Guarantee deposits received	13,337	5,376
	<u>\$ 1,707,555</u>	<u>\$ 1,646,636</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial

instruments may be used to hedge certain risk.

- (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 co-operation 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 the transactions of the Group used in various functional currency, primarily with respect to the USD, EUR, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- 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, 2018			
Foreign currency			
amount			
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 28,071	30.72	\$ 862,341
EUR: NTD	2,067	35.20	72,758
JPY: NTD	45,188	0.2782	12,571
RMB: NTD	16,406	4.472	73,368
<u>Investments accounted for under the equity method</u>			
USD: NTD	135	30.72	4,147
JPY: NTD	12,320	0.2782	3,427

December 31, 2017			
Foreign currency			
amount			
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 29,810	29.76	\$ 887,146
EUR: NTD	1,114	35.57	39,625
JPY: NTD	132,786	0.2642	35,082
RMB: NTD	6,267	4.5653	28,611
<u>Investments accounted for under the equity method</u>			
USD: NTD	174	29.76	5,178
EUR: NTD	76	35.57	2,703
JPY: NTD	19,792	0.2642	5,229

With regard to sensitivity analysis of foreign currency exchange rate risk, if the exchange rates of NTD to all foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the Group's net income for the years ended December 31, 2018 and 2017 would have increased/decreased by \$8,101 and \$8,387, respectively.

- v. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to \$29,631 and (\$46,437), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$1,757 and \$1,394, 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 \$3,149 and \$1,927, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD.
- ii. With regard to sensitivity analysis of interest rate risk, 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, 2018 and 2017 would have been \$72 and \$54 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire company's concern. 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.
- iii. In line with credit risk management procedure, payment reminders are sent as the contract

payments are past due, whereby the default occurs when the contract payments are past due over certain period of time.

- iv. The Group classifies customer's notes and accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of notes and accounts receivable, whereby rate ranges from 0.05% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	For the year ended December 31, 2018		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 1, 625	\$ 7, 035	\$ 8, 660
(Reversal of) provision for impairment	(1, 198)	11, 722	10, 524
Write-offs during the year	-	(654)	(654)
Ending balance	<u>\$ 427</u>	<u>\$ 18, 103</u>	<u>\$ 18, 530</u>

- v. Credit risk information for 2017 is provided in Note 12(4), 'Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017'.

(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 Group 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 Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	\$ 553, 783	\$ 633, 749
Expiring beyond one year	<u>200, 000</u>	<u>255, 000</u>
	<u>\$ 753, 783</u>	<u>\$ 888, 749</u>

- iv. 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, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 486, 205	\$ -	\$ -	\$ -
Short-term notes and bills payable	250, 000	-	-	-
Notes payable	270, 850	-	-	-
Accounts payable	114, 816	-	-	-
Other payables	316, 240	-	-	-
Long-term borrowings (including current portion)	62, 397	101, 147	52, 335	-
Guarantee deposits received	-	13, 337	-	-
December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 520, 947	\$ -	\$ -	\$ -
Short-term notes and bills payable	200, 000	-	-	-
Notes payable	211, 985	-	-	-
Accounts payable	121, 263	-	-	-
Other payables	370, 717	-	-	-
Long-term borrowings (including current portion)	31, 689	31, 614	158, 137	-
Guarantee deposits received	-	5, 376	-	-

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

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments 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 take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and emerging stocks with active market is included.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly.

Level 3: Unobservable inputs for the asset or liability. The Company's investment in partial equity instruments without active market is included.

- B. 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, other financial assets-current, 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.
- 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 is as follows:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 145,404	\$ -	\$ 14,078	\$ 159,482
Financial assets at fair value through other comprehensive income				
Equity securities	<u>275,575</u>	<u>-</u>	<u>140,392</u>	<u>415,967</u>
	<u>\$ 420,979</u>	<u>\$ -</u>	<u>\$ 154,470</u>	<u>\$ 575,449</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 142,331	\$ -	\$ -	\$ 142,331
Available-for-sale financial assets				
Equity securities	<u>257,836</u>	<u>-</u>	<u>89,853</u>	<u>347,689</u>
	<u>\$ 400,167</u>	<u>\$ -</u>	<u>\$ 89,853</u>	<u>\$ 490,020</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 stocks</u>	<u>Open-end fund</u>	<u>Unlisted stocks</u>
Market quoted price	Closing price	Net asset value	Latest 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 parent company only 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 parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- E. The trading of the shares of Original BioMedicals Co., Ltd. was suspended trading by the Emerging Stock Market since June 6, 2017, therefore, the Group transferred the fair value from Level 1 to Level 2 and recognised impairment loss in the fourth quarter of 2017. There was no transfer between Level 1 and Level 2 in 2018.
- F. The following table presents the changes in Level 3 instruments in 2018 and 2017:

	For the years ended December 31,	
	2018	2017
At January 1	\$ 89,853	\$ 133,890
Effects of retrospective application	143,698	-
Adjusted at January 1	233,551	133,890
Purchase	6,624	-
Capital reduction and return of shares	(8,111)	-
Recognised in profit or loss (Note 1)	(1,006)	-
Recognised in other comprehensive loss (Note 2)	(76,588)	(44,037)
At December 31	\$ 154,470	\$ 89,853

(Note 1) Shown as "Other income or loss".

(Note 2) Shown as "Unrealised gain or loss on financial assets at fair value through other comprehensive income" or "Unrealised gain or loss on available-for-sale financial assets".

- G. Except for the use of modified retrospective approach under IFRS 9, for the years ended December 31, 2018 and 2017, there was no transfer from or to Level 3.
- H. Financial segment 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:

		<u>Fair value at December 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:						
Unlisted stocks	\$	154, 470	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
		<u>Fair value at December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:						
Unlisted stocks	\$	23, 051	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
		66, 802	Discounted cash flow	Discount rate	1. 59%	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 of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		<u>December 31, 2018</u>			
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>
					<u>Unfavourable change</u>
Financial assets					
Equity instrument	Discount for lack of marketability	± 3%	<u>\$ 603</u>	<u>(\$ 603)</u>	<u>\$ 6, 017</u>
					<u>(\$ 6, 017)</u>

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 576	(\$ 576)
	Discount rate	± 10%	-	-	125	(125)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701</u>	<u>(\$ 701)</u>

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

- i. 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.
- ii. 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.
- iii. 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.

(b) Available-for-sale financial assets

- i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. 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 carried at cost'.

(c) Loans and receivables

Accounts receivable are 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.

(d) Impairment of financial assets

- i. 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.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) 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;
 - (iv) 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;
 - (v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. 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:
 - (i) 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.

(ii) Financial assets 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.

(iii) Financial assets at amortised cost

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

B. For reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, please refer to Note 3(1), 'Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards as endorsed by the Financial Supervisory Commission'.

C. The significant accounts as of and for the year ended December 31, 2017 are as follows:

(a) Financial assets at fair value through profit or loss-current

	<u>December 31, 2017</u>
Financial assets held for trading	
Beneficiary certificates	\$ 139,355
Valuation adjustment of financial assets held for trading	<u>2,976</u>
	<u>\$ 142,331</u>

i. The Group recognised net gain (shown as "other gains and losses") of \$628 for the year ended December 31, 2017.

ii. As of December 31, 2017, the Group has no financial assets at fair value through profit or loss pledged to others.

(b) Available-for-sale financial assets

	<u>December 31, 2017</u>
Current items:	
Listed stocks	\$ 6,109
Unlisted stocks	<u>12,000</u>
	18,109
Valuation adjustment of available-for-sale financial assets	(308)
Accumulated impairment loss of available-for-sale financial assets	(<u>12,000</u>)
	<u>\$ 5,801</u>
Non-current items:	
Listed stocks	\$ 124,189
Unlisted stocks	<u>50,366</u>
	174,555
Valuation adjustment of available-for-sale financial assets	<u>167,333</u>
	<u>\$ 341,888</u>

- i. The Group recognised (\$132,550) in other comprehensive income for fair value change for the year ended December 31, 2017.
- ii. The operating performance of the Group's equity investment - Original BioMedicals Co., Ltd. did not meet the original expectation. As the fair value was lower than its initial investment cost, the Group recognised impairment loss of \$12,000 (shown as "other gains and losses") for the year ended December 31, 2017, including the amount of \$9,531 that was transferred from equity to profit or loss.
- iii. As of December 31, 2017, the Company has no available-for-sale financial assets pledged to others.

(c) Financial assets carried at cost-non-current

	<u>December 31, 2017</u>
Unlisted stocks	\$ 161,372
Accumulated impairment	(<u>12,180</u>)
	<u>\$ 149,192</u>

- i. 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 carried at cost'.
- ii. The Group's financial assets measured at cost, Der Yang Biotechnology Venture Capital, conducted a capital reduction in August 2017. The Group has reversed 70 thousand shares at the initial investment price of \$700 proportionately.

iii. For the year ended December 31, 2017, the Group recognised impairment loss of \$12,180, after evaluating the future cash flows for its financial assets carried at cost, Stason Pharmaceuticals, Inc..

iv. As of December 31, 2017, the Group has no financial asset carried at cost pledged to others.

D. Credit risk information for the year ended December 31, 2017 is as follows:

- (a) 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.
- (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) 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.
- (d) Movements of the Group's allowance for doubtful accounts on notes and accounts receivable are as follows:

	For the year ended December 31, 2017		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 2,026	\$ 18,649	\$ 20,675
Reversal of impairment	(401)	(8,480)	(8,881)
Write-offs during the year	-	(3,134)	(3,134)
Ending balance	<u>\$ 1,625</u>	<u>\$ 7,035</u>	<u>\$ 8,660</u>

- (e) As of December 31, 2017, the notes and accounts receivable that were neither past due nor impaired have good credit quality
- (f) The Group has no significant past due but not impaired notes and accounts receivable as of December 31, 2017.
- (g) As of December 31, 2017, the Group has no notes and accounts receivable pledged to others.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

The Group manufactures and sells human pharmaceuticals, etc. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is 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.

B. The revenue recognised by using the above accounting policies for the year ended December 31, 2017 are as follows:

	<u>For the year ended December 31, 2017</u>
Sales revenue	\$ 3,800,851
Processing revenue	36,702
Other operating revenue	<u>11,131</u>
	<u>\$ 3,848,684</u>

C. The effects and description of current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies are as follows:

Under IFRS 15, contract liabilities relating to revenue from contracts with customers, which was previously presented as advance receipts – sales of products (listed as 'Advance receipts') in the balance sheet amounted to \$61,798 as of December 31, 2018.

13. SUPPLEMENTARY DISCLOSURES

(Only 2018 information is disclosed in accordance with the current regulatory requirements.)

(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: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- 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 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 year in accordance with global marketing expansion of the Group. Information for the year ended December 31, 2017 has been restated.

(2) Measurement of segment information

The chief operating decision maker evaluates the performance of operating segments based on pre-tax income. Accounting policies applied on the operating segments are consistent with the significant accounting policies applied in the preparation of the consolidated financial statements set out in Note 4.

(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:

	For the year ended December 31, 2018			
	Medicine	Dietary supplement	Others	Total
Segment revenue	\$ 2,113,243	\$ 1,034,115	\$ 534,461	\$ 3,681,819
Revenue from internal customers	33,200	54,414	21,112	108,726
Revenue from external customers, net	2,080,043	979,701	513,349	3,573,093
Inter-segment profit before income tax	389,529	19,724	57,196	466,449
Segment assets	3,498,276	1,623,500	1,317,337	6,439,113
Segment liabilities	1,419,196	507,463	266,142	2,192,801

	For the year ended December 31, 2017			
	Medicine	Dietary supplement	Others	Total
Segment revenue	\$ 2,184,956	\$ 1,299,756	\$ 487,779	\$ 3,972,491
Revenue from internal customers	38,412	56,104	29,291	123,807
Revenue from external customers, net	2,146,544	1,243,652	458,488	3,848,684
Inter-segment profit before income tax	389,032	193,626	47,032	629,690
Segment assets	3,437,267	1,838,242	1,098,708	6,374,217
Segment liabilities	1,453,585	571,549	146,898	2,172,032

(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 before income tax to the profit before income tax is provided as follows:

	For the years ended December 31,	
	2018	2017
Reportable segment income before income tax	\$ 409,253	\$ 582,658
Other segments profit before income tax	57,196	47,032
Including inter-segment profit (loss)	51,017	(79,478)
Profit before income tax	\$ 517,466	\$ 550,212

B. The amounts provided to the chief operating decision-maker with respect to total assets and total liabilities 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 are as follows:

	For the years ended December 31,	
	2018	2017
Revenue from sales of medicine	\$ 2,080,043	\$ 2,146,544
Revenue from sales of dietary supplement	979,701	1,243,652
Revenue form rendering of services	24,193	36,701
Others	489,156	421,787
	<u>\$ 3,573,093</u>	<u>\$ 3,848,684</u>

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Revenue (NOTE 1)	Non-current asset (NOTE 2)	Revenue (NOTE 1)	Non-current asset (NOTE 2)
Taiwan	\$ 2,887,016	\$ 2,186,603	\$ 3,102,979	\$ 2,194,142
Mainland China	225,474	189,956	273,346	202,389
Vietnam	103,777	-	54,079	-
South Korea	55,770	-	67,154	-
Philippines	40,399	-	82,410	-
Thailand	33,089	-	40,124	-
America	31,863	7,603	46,388	8,511
Others	195,705	115	182,204	157
	<u>\$ 3,573,093</u>	<u>\$ 2,384,277</u>	<u>\$ 3,848,684</u>	<u>\$ 2,405,199</u>

(NOTE 1) Revenue is based on where the clients are located.

(NOTE 2) Non-current assets include property, plant and equipment, intangible assets, prepayments for equipment, long-term prepaid rents and partial other non-current assets.

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2018 and 2017.

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

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance (Note 2)	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 92,160	\$ 92,160	\$ 92,160	2.5%	2	\$ -	- Operating capital	\$ -	-	\$ -	\$ 184,061	\$ 368,123	(Notes 3)
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Other receivables	Yes	92,160	92,160	92,160	2.5%	2	-	- Operating capital	-	-	-	280,113	280,113	(Notes 3)
2	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Other receivables	Yes	4,696	4,696	4,696	2.5%	2	-	- Operating capital	-	-	-	5,267	10,535	(Notes 3)

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

(1) Trading partner.

(2) Short-term financing.

Note 2: The ending balance is the credit limit approved by the Board of Directors.

Note 3: 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 consolidated financial statements.

(c) Limit on loans granted by Standard Pharmaceutical Co., Ltd. to a single party is 200% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.

(d) Limit on loans granted by Jiangsu Standard Biotech Pharmaceutical to a single party is 5% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.
(2) Ceiling on total loans granted to a single party:

(a) Ceiling on total loans granted by the Company to single party is 10% of the Company's net assets.

(b) Ceiling on total loans granted by Standard Pharmaceutical Co., Ltd. to single party is 200% of the creditor's net assets.

(c) Ceiling on total loans granted by Jiangsu Standard Biotech Pharmaceutical to single party is 10% of the creditor'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 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2018 as follows: USD: NTD 1:30.72 and RMB: NTD 1:4.472.

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

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	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 (Note 1)	Provision of			Note
											endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company	endorsements/ guarantees to the party in Mainland China	
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Relationship with the endorser/guarantor	\$ 736,245	\$ 92,160	\$ 92,160	\$ 92,160	\$ -	3%	\$ 1,840,613	Y	N	N	-

Note 1: 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 2: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2018 as follows: USD: NTD 1:30.72.

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, 2018

Table 3

Expressed in thousands of NTD

			As of December 31, 2018			
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)
					Fair value	Note
Standard Chem & Pharm. Co., Ltd.	Bonds with repurchase agreement:	—	1	—	\$ 15,781	\$ 15,781
	Mega Bills Finance Co., Ltd.	—				
	Stocks (investment certificate):	—	2	200,000	—	0.84%
	Original BioMedicals Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	3	650,000	3,328	4.17%
	NCKU Venture Capital Co., Ltd.	—	3	480,000	3,562	3.76%
	NTU Innovation & Incubation Co., Ltd.	—	3	198,080	2,308	4.37%
	JENKEN BIOSCIENCES, INC.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	2,925,484	229,065	9.73%
	SYN-TECH CHEM & PHARM CO., LTD.					
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055,000	41,823	17.71%
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s corporate director	4	3,378,006	41,414	18.13%
Chia Scheng Investment Co., Ltd.	Green Management International Co., Ltd.	—	4	92,960	1,458	5.14%
	Beneficiary certificates:	—				
	Taishin Ta-Chong Money Market Fund	—	2	368,142	5,220	—
	Taishin 1699 Money Market Fund	—	2	50,000	676	—
	Stocks:					
Infonight Technology Co., Ltd.	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s corporate director	4	240,846	2,953	1.29%
	Stason Pharmaceuticals, Inc.	—	4	4,000,000	52,744	13.02%
	Beneficiary certificates:	—				
	Capital Money Market Fund	—	2	121,952	1,964	—
	Beneficiary certificates:	—				
	Taiwan Cooperative Bank Money Market Fund	—	2	4,000,000	40,582	—
	Mega Diamond Money Market Fund	—	2	3,166,588	39,652	—
	FSITC Taiwan Money Market Fund	—	2	1,782,508	27,230	—
	Easpring Inv Well Pool Money Market Fund	—	2	1,084,705	14,735	—
	Shin Kong Global ETF Fund of Funds	—	2	484,871	4,529	—
Advpharma Inc.	Easpring Investments Asian Income Balanced Fund A TWD	—	2	300,000	3,059	—
	Mega USD Money Market Fund	—	2	293,229	2,964	—

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2018		
					Book value	Ownership (%)	Fair value
Advpharma Inc.	Stocks:						
	YungShin Global Holding Corporation	—	2	108,000	\$ 4,250	0.04%	\$ 4,250
	China Chemical & Pharmaceutical Co., Ltd.	—	2	30,000	543	0.03%	543
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	3	168,568	1,327	3.70%	1,327
	JENKEN BIOSCIENCES, INC.	—	3	19,340	225	0.46%	225
Syngen Biotech Co., Ltd.	SYN-TECH CHEM & PHARM CO., Ltd.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	594,000	46,510	1.98%	46,510
	Stocks:						
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	3	650,000	3,328	4.17%	3,328

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. Financial assets at fair value through profit or loss - non-current
4. Fair value through other comprehensive income financial assets- non-current

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2018 as follows: USD: NTD 1:30.72 .

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

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 4

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	\$ 92,352	—	1%
			1	Endorsements and guarantee	92,160	—	1%
		Sourire Biotech & Pharm. Co., Ltd.	1	Purchases	24,060	Pay cheques with a maturity of 3~4 months after inspection had passed	1%
		Syngen Biotech Co., Ltd.	1	Purchases	59,395	Pay cheques with a maturity of 3~4 months after inspection had passed	2%
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	1	Notes payable	(16,923)	—	—
			3	Other receivables	92,397	—	1%

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 ending balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for statement of comprehensive income accounts.

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2018 as follows: USD: NTD 1:30.72.

STANDARD CHEM & PHARM CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018		Investment income (loss) recognised for the year ended December 31, 2018	Note
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	December 31, 2018	December 31, 2017		
Standard Chem & Pharm Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 310,283	\$ 310,283	10,000,000	100.00	\$ 140,057	\$ 17,461	\$ 17,461	(17,461)	Subsidiary
Standard Chem & Pharm Co., Ltd.	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	160,856	160,856	16,103,000	100.00	75,530	(1,552)	(1,552)	(1,552)	Subsidiary
Standard Chem & Pharm Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,762	6,762	192,195	100.00	3,032	(720)	(720)	(720)	Subsidiary
Standard Chem & Pharm Co., Ltd.	Infobright Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,841	564	564	564	Subsidiary
Standard Chem & Pharm Co., Ltd.	Sourice Biotech & Pharm. Co., Ltd	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicines	41,549	41,549	5,649,126	93.17	27,157	(1,802)	(1,802)	(830)	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	293,063	291,803	19,840,600	90.72	375,152	(98,435)	(98,435)	(89,161)	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	275,590	(4,943)	(4,943)	(4,116)	Subsidiary
Standard Chem & Pharm Co., Ltd.	Syngen Biotech Co., Ltd	Taiwan	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicine	122,463	122,462	10,919,971	47.27	395,667	133,990	133,990	63,122	Subsidiary (Note 1)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018		Net profit (loss) of the investee for the year ended December 31, 2018		Investment income (loss) recognised for the year ended December 31, 2018	Note
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	December 31, 2018		
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINES CO., LTD.	Taiwan	Wholesale of various medicine	\$ 213,136	\$ 213,136	10,273,272	33.10	\$ 140,967	\$ 7,726	\$ 2,557	-
Standard Chem & Pharm. Co., Ltd.	Taiwan Biosim, Co., Ltd.	Taiwan	Research and development of various medicine	4,990	4,500	499,000	49.90	4,938	(37)	(20)	-
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	America	Research and development, trading, investment and other business of medical products	94,629	94,193	3,126,510	100.00	12,507	(1,389)	-	Subsidiary (Note 2)
Syngen Biotech Co., Ltd	SYNGEN BIOTECH INTERNATIONAL SDN. BHD.	Malaysia	Research and development, manufacturing and sale of APIs and biochemical nutrition, sale of preventive medicine	7,322	3,515	1,000,000	100.00	4,849	(1,828)	-	Subsidiary (Note 2)
Advplarma Inc.	CHN TECHNOLOGIES INC.	America	Inspection of medicine, retail and wholesale of various chemistry	13,734	13,734	400,000	35.60	10,420	(2,290)	-	Subsidiary (Note 2)

Note 1: In September 2016, the subsidiary, Syngen Biotech Co., Ltd. ("Syngen"), filed for an initial public offering with Taipei Exchange. As part of the public trading process, the Company allowed its underwriter to exercise the overallotment option, which decreased the Company's ownership percentage in Syngen to below 50%. However the Company did not lose control over Syngen.

Note 2: Not required to disclose income (loss) recognised.

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2018 as follows: USD: NTD 1:30.72 .

Information on investments in Mainland China

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2018					Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018			Investment income (loss) of the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan	Net income (loss) of investee for the year ended December 31, 2018	Net income (loss) of the year ended December 31, 2018	Investment income (loss) recognised for the year ended December 31, 2018	Net income (loss) of investee for the year ended December 31, 2018	Net income (loss) of the year ended December 31, 2018	Investment income (loss) recognised for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018				
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and medicine	\$ 276,480	(Note 1)	\$ 276,174	\$ -	\$ -	\$ 276,174	\$ 16,934	\$ 100.00	\$ 16,934	\$ 105,403	\$ -						
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	189,591	(Note 2)	-	-	-	-	(15,727)	55.00	(8,650)	21,954	-						
Standard Chem & Pharm. Co., Ltd.		\$ 276,174		\$ 276,480														

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, 2018 as follows: USD: NTD 1:30.72 and RMB: NTD 1:4.472.