STANDARD CHEM. & PHARM. CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.

Evaluation of inventories

Description

Please refer to Note 4(10) for accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of significant accounting estimations and assumptions relating to evaluation of inventories, and Note 6(6) for the details of allowance for inventory valuation loss. As of December 31, 2016, the carrying amount of inventories and allowance for inventory valuation loss are $788,296 thousand and $50,571 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, expiration date of medicine, etc., there is a risk in market price decline and obsolescence of inventories. The Group evaluates inventories at the lower of cost and net realisable value. The net realisable values of the aged and obsolete inventories are evaluated based on the historical information of the selling rate and discount rate.

Given that the evaluation of inventories is subject to management's judgement and the accounting estimations will have significant influence on the inventory values, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

Our audit procedures performed for the above matter are summarised below:

1. Assessed the reasonableness of policies on allowance for inventory valuation loss, based on our understanding of the inventory classification and historical information of the selling rate and discount rate, etc.
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 in human medicine and dietary supplement

<u>Description</u>

Please refer to Note 4(26) for accounting policies on revenue recognition. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods 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 Group is primarily engaged in the manufacturing and sales of human medicine and dietary supplement, which amounted to $2,643,394 thousand for the year ended December 31, 2016. 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 need longer period to be verified, we consider the existence of domestic sales revenue in human medicine and dietary supplement a key audit matters.

<u>How our audit addressed the matter</u>

Our audit procedures performed for the above matter are summarised below:

1. Assessed the consistency and effectiveness of sales recognition, taking into consideration customer credit, sales supporting documentation, approval and cash collection procedures.
2. Assessed the reasonableness of sales price and nature, based on the basic information of the major customers, including the details of chairman and major shareholders, registered address, principal plan of business, capital and main business activities, etc.
3. Selected samples of sales transactions and checked against related supporting documentation, including customer orders, delivery orders and subsequent cash collection.
4. Tested the supporting documentation and verified the nature of the manual journal entries of sales revenues.

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. Those investments amounted to $149,226 thousand and $193,368 thousand, constituting 2.40% and 3.34% of consolidated total assets as of December 31, 2016 and 2015, respectively, and the share of loss and other comprehensive income of associates accounted for under the equity method was ($31,089) thousand and ($33,384) thousand, constituting (7.16%) and (7.60%) of consolidated 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, 2016 and 2015.

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.

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 24, 2017

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, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 876,820	14	$ 766,379	13
1110	Financial assets at fair value through profit or loss - current	6(2)	215,854	4	159,920	3
1125	Available-for-sale financial assets - current	6(3)	6,572	-	10,200	-
1150	Notes receivable, net	6(4) and 7	319,535	5	290,651	5
1170	Accounts receivable, net	6(5) and 7	645,379	11	598,699	11
1200	Other receivables	7	10,455	-	7,406	-
130X	Inventories	5(2), 6(6)(9)	737,725	12	649,536	11
1410	Prepayments		81,035	1	120,813	2
1476	Other financial assets - current	6(1)	64,500	1	-	-
11XX	**Total current assets**		2,957,875	48	2,603,604	45
	Non-current assets					
1523	Available-for-sale financial assets - non-current	5(2) and 6(3)	474,137	8	414,039	7
1543	Financial assets carried at cost - non-current	5(2) and 6(7)	162,072	3	30,651	1
1550	Investments accounted for under the equity method	6(8)	162,562	3	193,490	3
1600	Property, plant and equipment	6(9) and 8	2,090,208	33	2,186,890	38
1780	Intangible assets	6(10)(11)	119,776	2	134,512	2
1840	Deferred income tax assets	6(27)	82,870	1	102,654	2
1915	Prepayments for equipment	6(9)	92,576	1	31,388	1
1920	Guarantee deposits paid		15,193	-	19,162	-
1980	Other financial assets - non-current	8	-	-	5,383	-
1985	Long-term prepaid rent	6(12)	53,176	1	59,019	1
1990	Other non-current assets	6(9)(16)	15,395	-	14,495	-
15XX	**Total non-current assets**		3,267,965	52	3,191,683	55
1XXX	**TOTAL ASSETS**		$ 6,225,840	100	$ 5,795,287	100

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

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13) and 8	$ 370,486	6	$ 86,123	1
2110	Short-term notes and bills payable	6(14)	200,000	3	100,000	2
2150	Notes payable	6(9) and 7	218,558	4	219,075	4
2170	Accounts payable	7	197,944	3	132,023	2
2200	Other payables	6(9)	529,589	9	345,945	6
2230	Current income tax liabilities	6(27)	33,786	1	66,622	1
2310	Receipts in advance		91,652	1	104,797	2
2320	Current portion of long-term borrowings	6(15) and 8	4,871	-	123,257	2
21XX	**Total current liabilities**		1,646,886	27	1,177,842	20
	Non-current liabilities					
2540	Long-term borrowings	6(15) and 8	47,317	1	21,111	1
2570	Deferred income tax liabilities	6(27)	61,992	1	62,792	1
2610	Long-term notes and accounts payable	6(9)	-	-	192,057	3
2640	Net defined benefit liability - non-current	5(2) and 6(16)	267,695	4	449,068	8
2645	Guarantee deposits received		5,286	-	5,496	-
25XX	**Total non-current liabilities**		382,290	6	730,524	13
2XXX	**Total liabilities**		2,029,176	33	1,908,366	33
	Equity attributable to owners of the parent					
	Share capital					
3110	Common stock	6(17)	1,786,961	29	1,786,961	31
3200	**Capital surplus**	6(18)(29)	286,763	5	335,467	6
	Retained earnings	6(19)(27)				
3310	Legal reserve		514,579	8	479,790	8
3350	Unappropriated retained earnings		844,876	13	691,487	12
3400	**Other equity interest**	6(3)(8)(20)	286,173	5	250,918	4
31XX	**Equity attributable to owners of the parent**		3,719,352	60	3,544,623	61
36XX	**Non-controlling interest**	4(3) and 6(29)	477,312	7	342,298	6
3XXX	**Total equity**		4,196,664	67	3,886,921	67
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 6,225,840	100	$ 5,795,287	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)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(21) and 7	$ 3,673,801	100	$ 3,321,366	100
5000	**Operating costs**	6(6)(10)(16)(25)(26), 7 and 9	(2,097,542)	(57)	(1,826,285)	(55)
5900	**Gross profit**		1,576,259	43	1,495,081	45
	Operating expenses	6(9)(10)(11)(12)(16)(25)(26), 7 and 9				
6100	Selling expenses		(641,179)	(17)	(619,271)	(19)
6200	General and administrative expenses		(275,828)	(7)	(253,343)	(7)
6300	Research and development expenses		(241,116)	(7)	(238,982)	(7)
6000	**Total operating expenses**		(1,158,123)	(31)	(1,111,596)	(33)
6900	**Operating profit**		418,136	12	383,485	12
	Non-operating income and expenses					
7010	Other income	6(22) and 7	100,550	3	112,987	3
7020	Other gains and losses	6(2)(10)(11)(23) and 12	(22,278)	(1)	4,761	-
7050	Finance costs	6(9)(24)	(3,593)	-	(4,059)	-
7060	Share of loss of associates and joint ventures accounted for under the equity method	6(8)	(31,060)	(1)	(33,472)	(1)
7000	**Total non-operating income and expenses**		43,619	1	80,217	2
7900	**Profit before income tax**		461,755	13	463,702	14
7950	Income tax expense	6(27)	(89,947)	(3)	(95,803)	(3)
8200	**Net income for the year**		$ 371,808	10	$ 367,899	11

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

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plan	6(16)	$ 32,284	1	$ 40,089	1
8320	Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	6(8)	(271)	-	(113)	-
8349	Income tax related to components of other comprehensive income	6(27)	(5,488)	-	(6,815)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(16,715)	-	(367)	-
8362	Unrealised gain on valuation of available-for-sale financial assets	6(3)	52,360	1	38,242	1
8370	Share of other comprehensive income of associates and joint ventures accounted for under the equity method	6(8)(20)	525	-	461	-
8300	**Other comprehensive income for the year**		$ 62,695	2	$ 71,497	2
8500	**Total comprehensive income for the year**		$ 434,503	12	$ 439,396	13
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 340,216	9	$ 347,894	10
8620	Non-controlling interest		31,592	1	20,005	1
			$ 371,808	10	$ 367,899	11
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 402,129	11	$ 417,878	12
8720	Non-controlling interest		32,374	1	21,518	1
			$ 434,503	12	$ 439,396	13
	Earnings per share (in dollars)	6(28)				
9750	**Basic**		$ 1.90		$ 1.95	
9850	**Diluted**		$ 1.90		$ 1.95	

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										
			Capital Surplus			Retained Earnings		Other Equity				
	Notes	Common stock	Additional paid-in capital	Difference between proceeds from acquisition or disposal of subsidiaries and book value	Change in net equity of associates and joint ventures accounted for under the equity method	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain on valuation of available-for-sale financial assets	Total	Non-controlling interest	Total equity
For the year ended December 31, 2015												
Balance at January 1, 2015		$ 1,786,961	$ 411,397	$ 9,045	$ 3,460	$ 442,366	$ 437,144	$ 15,647	$ 198,508	$ 3,304,528	$ 301,224	$ 3,605,752
Cash dividneds from capital surplus	6(18)	-	(89,348)	-	-	-	-	-	-	(89,348)	-	(89,348)
Appropriations of 2014 earnings:												
Legal reserve		-	-	-	-	37,424	(37,424)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(89,348)	-	-	(89,348)	-	(89,348)
Difference between proceeds from acquisition or disposal of subsidiaries and book vlaue	6(29)	-	-	913	-	-	-	-	-	913	-	913
Net income for the year		-	-	-	-	-	347,894	-	-	347,894	20,005	367,899
Other comprehensive income for the year	6(20)	-	-	-	-	-	33,221	(19)	36,782	69,984	1,513	71,497
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	19,556	19,556
Balance at December 31, 2015		$ 1,786,961	$ 322,049	$ 9,958	$ 3,460	$ 479,790	$ 691,487	$ 15,628	$ 235,290	$ 3,544,623	$ 342,298	$ 3,886,921
For the year ended December 31, 2016												
Balance at January 1, 2016		$ 1,786,961	$ 322,049	$ 9,958	$ 3,460	$ 479,790	$ 691,487	$ 15,628	$ 235,290	$ 3,544,623	$ 342,298	$ 3,886,921
Cash dividneds from capital surplus	6(18)	-	(89,348)	-	-	-	-	-	-	(89,348)	-	(89,348)
Appropriations of 2015 earnings:												
Legal reserve		-	-	-	-	34,789	(34,789)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(178,696)	-	-	(178,696)	-	(178,696)
Difference between proceeds from acquisition or disposal of subsidiaries and book value	6(29)	-	-	40,644	-	-	-	-	-	40,644	(34,337)	6,307
Net income for the year		-	-	-	-	-	340,216	-	-	340,216	31,592	371,808
Other comprehensive income for the year	6(20)	-	-	-	-	-	26,658	(16,190)	51,445	61,913	782	62,695
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	136,977	136,977
Balance at December 31, 2016		$ 1,786,961	$ 232,701	$ 50,602	$ 3,460	$ 514,579	$ 844,876	($ 562)	$ 286,735	$ 3,719,352	$ 477,312	$ 4,196,664

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 DOLLARS)

	Notes	For the years ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 461,755	$ 463,702
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit and loss		(275)	449
Provision for doubtful accounts	6(4)(5)	8,568	-
Reversal of alllowance for doubtful accounts	6(4)(5)	-	(3,180)
(Reversal of allowance) provision for loss on inventory market price decline	6(6)	(6,317)	20,084
Share of profit of associates and joint ventures accounted for under the equity method	6(8)	31,060	33,472
Gain on disposal of investments	6(23)	(564)	-
Depreciation	6(9)(25)	183,252	156,877
Net (gain) loss on disposal of property, plant and equipment	6(23)	(1,121)	178
Property, plant and equipment transferred to expenses	6(9)	43	1,722
Amortisaion	6(10)(25)	8,380	8,187
Impairment loss	6(10)(11)(23)	8,263	4,493
Amortisation of long-term prepaid rent	6(12)	1,263	1,316
Dividend income	6(22)	(17,247)	(12,631)
Interest income	6(22)	(2,009)	(2,619)
Interest expense	6(24)	3,953	4,059
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(55,659)	4,168
Notes receivable		(29,040)	1,728
Accounts receivable		(55,092)	2,908
Other receivables		(3,119)	(3,918)
Inventories		(90,010)	71,271
Prepayments		39,778	(36,356)
Other non-current assets		(1,730)	(1,696)
Changes in operating liabilities			
Notes payable		(3,215)	(45,902)
Accounts payable		65,921	30,574
Other payables		14,679	(4,214)
Receipts in advance		(13,145)	1,150
Net defined benefit liability - non-current		(154,848)	13,664
Cash inflow generated from operations		393,524	709,486
Dividends received		17,247	12,631
Interest received		2,079	2,671
Interest paid		(3,675)	(3,044)
Income tax paid		(103,799)	(77,808)
Net cash flows from operating activities		305,376	643,936

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

	Notes	For the years ended December 31, 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other financail assets - current		($ 64,500)	$ -
Acquisition of available-for-sale financial assets - current		(4,110)	-
Acquisition of available-for-sale financial assets - non-current		-	(35,910)
Acquisition of financial assets carried at cost - non-current		(131,421)	-
Proceeds from capital reduction of financial assets carried at cost	6(7)	-	3,496
Proceeds from disposal of investments accounted for under the equity method		686	-
Cash paid for acquisition of property, plant and equipment	6(30)	(74,856)	(125,050)
Interest paid for acquisition of property, plant and equipment	6(9)(24)(30)	(267)	(244)
Proceeds from disposal of property, plant and equipment		2,419	2,103
Acquisition of intangible assets	6(10)	(2,112)	(859)
Increase in prepayments for equipment		(100,955)	(53,072)
Decrease (increase) in guarantee deposits paid		3,969	(8,005)
Decrease (increase) in other financial assets - non-current		5,383	(2,034)
Increase in other non-current assets		936	361
Net cash flows used in investing activities		(364,828)	(219,214)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		284,363	25,155
Increase (decrease) in short-term notes and bills payable		100,000	(10,000)
Increase in long-term borrowings		81,486	90,923
Redemption of long-term borrowings		(173,666)	(155,305)
(Decrease) increase in guarantee deposit received		(210)	3,061
Cash dividends from capital surplus	6(18)	(89,348)	(89,348)
Payment of cash dividends	6(19)	(178,696)	(89,348)
Increase in non-controlling interests		136,977	19,556
Net cash flows from (used in) financing activities		160,906	(205,306)
Effects due to changes in exchange rate		8,987	3,730
Net increase in cash and cash equivalents		110,441	223,146
Cash and cash equivalents at beginning of year	6(1)	766,379	543,233
Cash and cash equivalents at end of year	6(1)	$ 876,820	$ 766,379

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, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(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 manufacture and sales of Chinese and western medicine, cosmetics, beverage, normal instruments and medical instruments. Furthermore, the Company is engaged in developing new cities and neighbourhoods, international trading and consulting. 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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 24, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by IASB
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016

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

Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

(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 2017 version of IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
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
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by IASB

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. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 7, ‘Disclosure initiative’

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. 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 in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(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 Company 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. IFRS 15, ‘Revenue from contracts with customers’

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.

D. IFRS 16, ‘Leases’

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities 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	Main business	Ownership (%)		
Name of investors	of subsidiaries	activities	December 31, 2016	December 31, 2015	Description
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	General investment	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Import and export of various medical products, medicine, supplements	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Wholesale of multi-function printers and information software	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd.	Manufacturing of western medicine and retail and wholesale of various medicine	93.17	91.82	—

Name of investors	Name of subsidiaries	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	90.72	90.72	—
Standard Chem & Pharm. Co., Ltd.	Advpharma Inc.	Research and development, manufacturing and sale of various medicine	84.58	84.58	—
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicine	47.27	53.46	—
Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	100.00	100.00	—
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	55.00	55.00	—

Note: In September 2016, the subsidiary, Syngen Biotech Co., Ltd. ("Syngen Biotech"), filed for an initial public offering with 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 the control over Syngen Biotech and accordingly, Syngen Biotech is included in the consolidated financial statements. Please refer to Note 6(29) for the transactions with non-controlling interest.

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, 2016 and 2015, the non-controlling interest amounted to $477,312 and $342,298, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest				
		December 31, 2016		December 31, 2015		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Syngen Biotech Co.,	Taiwan	$336, 038	52. 73%	$186, 855	46. 54%	—

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

A. Balance sheets

	December 31, 2016	December 31, 2015
Current assets	$ 558, 468	$ 318, 384
Non-current assets	492, 703	497, 134
Current liabilities	(396, 147)	(200, 570)
Non-current liabilities	(17, 743)	(213, 454)
Total net assets	$ 637, 281	$ 401, 494

B. Statements of comprehensive income

	For the years ended December 31,	
	2016	2015
Revenue	$ 769,369	$ 644,458
Profit before income tax	$ 114,025	$ 85,386
Income tax expense	(23,819)	(18,431)
Net income for the year	$ 90,206	$ 66,955
Total comprehensive income for the year	$ 90,100	$ 66,874
Comprehensive income attributable to non-controlling interest	$ 43,455	$ 31,030

C. Statements of cash flows

	For the years ended December 31,	
	2016	2015
Net cash flows provided by operating activities	$ 46,953	$ 94,538
Net cash flows used in investing activities	(32,711)	(63,581)
Net cash flows provided by (used in) financing activities	120,664	(38,320)
Net increase (decrease) in cash and cash equivalents	134,906	(7,363)
Cash and cash equivalents at beginning of the year	44,458	51,821
Cash and cash equivalents at end of the year	$ 179,364	$ 44,458

(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 held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

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

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

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

(9) Loans and receivables

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

(10) Inventories

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

(11) Impairment of financial assets

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

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

(a) Significant financial difficulty of the issuer or debtor;

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

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

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

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

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

(a) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets carried at cost

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

(c) Financial assets carried at amortised cost

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

(12) Derecognition of financial assets

The Group derecognises a financial asset when 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 the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Investments accounted for under the 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 are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

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

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

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

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

(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:

Assets	Useful Life
Buildings	2 ～ 60 years
Machinery and equipment	2 ～ 50 years
Utility equipment	2 ～ 15 years
Transportation equipment	2 ～ 5 years
Office equipment	2 ～ 7 years
Other equipment	2 ～ 35 years

(16) Intangible assets

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

B. Computer software

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

C. Goodwill

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

(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 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

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

(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 plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of 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 liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts as resolved by the stockholders at their stockholders’ meeting and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation 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 10% tax is levied on the Company and its domestic subsidiaries of the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(24) 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

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

(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

Financial assets—impairment of equity investments

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

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets carried at cost in profit or loss.

(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, 2016, the carrying amount of inventories was $737,725.

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, 2016, the carrying amount of unlisted stocks without active market was $295,962.

C. Calculation of net defined benefit liabilities

(a) When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

(b) As of December 31, 2016, the carrying amount of net defined benefit liabilities was $267,695.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash:		
Revolving funds and petty cash	$ 4,960	$ 4,928
Checking accounts and demand deposits	585,732	592,596
	590,692	597,524
Cash equivalents:		
Time deposits	269,914	138,530
Repurchase bonds	16,214	30,325
	286,128	168,855
	$ 876,820	$ 766,379

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, 2016 and 2015, the carrying amount of more than 3-month time deposits (shown as “Other financial assets – current”) was $64,500 and $－, respectively.

C. As of December 31, 2016 and 2015, details of the Group’s cash and cash equivalents pledged to others as collateral (shown as “other financial assets – non-current”) are provided in Note 8 for the pledged assets.

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

	December 31, 2016	December 31, 2015
Financial assets held for trading		
Beneficiary certificates	$ 213,247	$ 157,588
Valuation adjustment of financial assets held for trading	2,607	2,332
	$ 215,854	$ 159,920

A. The Group recognised net gain (loss) (shown as “Other gains and losses”) of $1,119 and ($104) for the years ended December 31, 2016 and 2015, respectively.

B. As of December 31, 2016 and 2015, the Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	$ 4,110	$ -
Unlisted stocks	12,000	12,000
	16,110	12,000
Valuation adjustment of available-for-sale financial assets	(9,538)	(1,800)
	$ 6,572	$ 10,200
Non-current items:		
Listed stocks	$ 124,189	$ 124,189
Unlisted stocks	50,366	50,366
	174,555	174,555
Valuation adjustment of available-for-sale financial assets	299,582	239,484
	$ 474,137	$ 414,039

A. The Group recognised $52,360 and $38,242 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

B. As of December 31, 2016 and 2015, the Group has no available-for-sale financial assets pledged to others.

(4) Notes receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ 321,561	$ 293,561
Less: allowance for bad debts	(2,026)	(2,910)
	$ 319,535	$ 290,651

A. The Group has no significant past due but not impaired notes receivable as of December 31, 2016 and 2015.

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

	For the years ended December 31,	
	2016	2015
	Group provision	Group provision
Beginning balance	$ 2,910	$ 2,228
Provision for impairment	156	696
Write-offs during the year	(1,040)	(14)
Ending balance	$ 2,026	$ 2,910

C. As of December 31, 2016 and 2015, the notes receivable that were neither past due nor impaired have good credit quality.

D. As of December 31, 2016 and 2015, the Group has no notes receivable pledged to others.

(5) Accounts receivable, net

	December 31, 2016	December 31, 2015
Accounts receivable	$ 664,028	$ 609,010
Less: allowance for bad debts	(18,649)	(10,311)
	$ 645,379	$ 598,699

A. The Group has no significant past due but not impaired accounts receivable as of December 31, 2016 and 2015.

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

	For the years ended December 31,	
	2016	2015
	Group provision	Group provision
Beginning balance	$ 10,311	$ 14,503
Provision (reversal) for impairment	8,412	(3,876)
Write-offs during the year	(74)	(316)
Ending balance	$ 18,649	$ 10,311

C. As of December 31, 2016 and 2015, the accounts receivable that were neither past due nor impaired have good credit quality.

D. As of December 31, 2016 and 2015, the Group has no accounts receivable pledged to others.

(6) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 216,334	($ 14,472)	$ 201,862
Raw materials	194,077	(5,623)	188,454
Supplies	51,144	(1,693)	49,451
Work in process	97,928	(12,084)	85,844
Finished goods	228,813	(16,699)	212,114
	$ 788,296	($ 50,571)	$ 737,725

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 188,144	($ 16,810)	$ 171,334
Raw materials	127,640	(6,700)	120,940
Supplies	46,338	(3,532)	42,806
Work in process	90,224	(16,190)	74,034
Finished goods	254,078	(13,656)	240,422
	$ 706,424	($ 56,888)	$ 649,536

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2016	2015
Cost of goods sold	$ 2,024,561	$ 1,750,086
Loss on scrapped inventory	23,360	26,578
(Reversal of allowance) provision for loss on inventory market price decline (Note)	(6,317)	20,084
Gain on physical inventory	(338)	(777)
Under-applied fixed manufacturing overhead	21,897	19,014
Total operating costs	$ 2,063,163	$ 1,814,985

(Note) The Group reversed a previous inventory write-down which was accounted for as reduction of operating costs as these inventories were subsequently sold.

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

	December 31, 2016	December 31, 2015
Unlisted stocks	$ 162,072	$ 30,651

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

B. The Group's financial assets measured at cost – Der Yang Biotechnology Venture Capital conducted a capital reduction in November 2015. The Group has reversed 349 thousand shares at the initial investment price of $3,496 proportionately.

C. As of December 31, 2016 and 2015, the Group has no financial asset carried at cost pledged to others.

(8) Investments accounted for under the equity method

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

	For the years ended December 31, 2016	For the years ended December 31, 2015
At January 1	$ 193,490	$ 226,614
Share of profit or loss of investments accounted for under the equity method	(31,060)	(33,472)
Disposal of investments accounted for under the equity method	(122)	-
Other equity interest－Actuarial losses of defined benefit plans	(271)	(113)
Other equity interest－Financial statements translation differences of foreign operations	525	461
At December 31	$ 162,562	$ 193,490

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

	December 31, 2016	December 31, 2015
WE CAN MEDICINES CO., LTD.	$ 149,226	$ 180,586
CNH TECHNOLOGIES, INC.	13,336	12,782
SAWAI USA INC.	-	122
	$ 162,562	$ 193,490

C. Associates

(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, 2016	Shareholding ratio December 31, 2015
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, 2016	December 31, 2015
Current assets	$ 633,884	$ 641,755
Non-current assets	199,691	263,384
Current liabilities	(351,937)	(344,317)
Non-current liabilities	(30,983)	(15,423)
Total net assets	$ 450,655	$ 545,399
Share in associate's net assets	$ 149,167	$ 180,527
Carrying amount of the associate	$ 149,226	$ 180,586

ii. Statement of comprehensive income

	For the years ended December 31,	
	2016	2015
Revenue	$ 2,305,504	$ 2,400,337
Net loss for the year	($ 93,926)	($ 103,008)
Total comprehensive loss for the year	($ 94,743)	($ 103,182)

(c) As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to $13,336 and $12,904, respectively. The share in associate's financial performance is as follows:

	For the years ended December 31,	
	2016	2016
Net income for the year	$ 83	$ 312
Total comprehensive income for the year	$ 83	$ 312

(d) As of December 31, 2016 and 2015, share of loss of associates and joint ventures accounted for under the equity method are ($31,089) and ($33,384), respectively, which was recognised based on the associates' financial statements audited by other independent auditors. As of December 31, 2016 and 2015, the balance of the investment accounted for under the equity method are $149,226 and $193,368, respectively.

(e) As of December 31, 2016 and 2015, the Group has no investment accounted for under the equity method pledged to others.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2016									
Cost	$ 515,143	$ 954,331	$ 781,342	$ 187,616	$ 2,849	$ 21,119	$ 935,681	$ 241,646	$ 3,639,727
Accumulated depreciation	-	(250,414)	(510,174)	(117,775)	(1,662)	(3,751)	(569,061)	-	(1,452,837)
	$ 515,143	$ 703,917	$ 271,168	$ 69,841	$ 1,187	$ 17,368	$ 366,620	$ 241,646	$ 2,186,890
2016									
At January 1	$ 515,143	$ 703,917	$ 271,168	$ 69,841	$ 1,187	$ 17,368	$ 366,620	$ 241,646	$ 2,186,890
Additions－cost	-	5,658	13,485	474	-	696	33,780	358	54,451
Transferred－cost (Note 1)	-	138	21,495	-	61	289	25,879	(106)	47,756
Transferred－accumulated depreciation	-	780	-	-	-	-	(780)	-	-
Transferred upon completion	-	125,552	19,402	-	-	-	623	(145,577)	-
Depreciation	-	(32,294)	(54,071)	(9,405)	(282)	(3,639)	(83,561)	-	(183,252)
Disposals－cost	-	-	(207)	(171)	-	-	(23,277)	-	(23,655)
Disposals－accumulated depreciation	-	-	203	169	-	-	21,985	-	22,357
Net exchange differences	-	(11,282)	(2,729)	-	(67)	(40)	(218)	(3)	(14,339)
At December 31	$ 515,143	$ 792,469	$ 268,746	$ 60,908	$ 899	$ 14,674	$ 341,051	$ 96,318	$ 2,090,208
At December 31, 2016									
Cost	$ 515,143	$ 1,072,326	$ 831,782	$ 187,919	$ 2,750	$ 21,968	$ 972,219	$ 96,318	$ 3,700,425
Accumulated depreciation	-	(279,857)	(563,036)	(127,011)	(1,851)	(7,294)	(631,168)	-	(1,610,217)
	$ 515,143	$ 792,469	$ 268,746	$ 60,908	$ 899	$ 14,674	$ 341,051	$ 96,318	$ 2,090,208

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2015									
Cost	$ 499,630	$ 924,361	$ 774,063	$ 198,580	$ 2,930	$ 4,511	$ 957,174	$ 68,741	$ 3,429,990
Accumulated depreciation	-	(249,889)	(534,207)	(122,234)	(1,623)	(2,476)	(568,953)	-	(1,479,382)
	$ 499,630	$ 674,472	$ 239,856	$ 76,346	$ 1,307	$ 2,035	$ 388,221	$ 68,741	$ 1,950,608
2015									
At January 1	$ 499,630	$ 674,472	$ 239,856	$ 76,346	$ 1,307	$ 2,035	$ 388,221	$ 68,741	$ 1,950,608
Additions－cost	11,515	7,643	22,678	1,787	-	314	24,202	261,255	329,394
Transferred－cost (Note 2)	3,998	56,745	53,324	661	(975)	16,511	22,497	(84,722)	68,039
Transferred－accumulated depreciation	-	-	(4,364)	-	310	(258)	4,312	-	-
Transferred upon completion	-	3,568	-	-	-	-	-	(3,568)	-
Depreciation	-	(28,178)	(44,392)	(9,085)	(362)	(1,026)	(73,834)	-	(156,877)
Disposals－cost	-	(5,548)	(31,226)	(77)	-	(196)	(25,428)	-	(62,475)
Disposals－accumulated depreciation	-	4,032	31,119	77	-	143	24,823	-	60,194
Net exchange differences	-	(8,817)	4,173	132	907	(155)	1,827	(60)	(1,993)
At December 31	$ 515,143	$ 703,917	$ 271,168	$ 69,841	$ 1,187	$ 17,368	$ 366,620	$ 241,646	$ 2,186,890
At December 31, 2015									
Cost	$ 515,143	$ 954,331	$ 781,342	$ 187,616	$ 2,849	$ 21,119	$ 935,681	$ 241,646	$ 3,639,727
Accumulated depreciation	-	(250,414)	(510,174)	(117,775)	(1,662)	(3,751)	(569,061)	-	(1,452,837)
	$ 515,143	$ 703,917	$ 271,168	$ 69,841	$ 1,187	$ 17,368	$ 366,620	$ 241,646	$ 2,186,890

(Note 1) Including transfer of $8,138 from 'inventory'; transfer of $39,767 from 'prepayment for equipment'; transfer of $106 to 'other non-current assets'; transfer of $43 to expenses.

(Note 2) Including transfer of $8,076 from 'inventory'; transfer of $67,069 from 'prepayment for equipment'; transfer of $5,384 to 'other non-current assets'; transfer of $1,722 to expenses.

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

	For the years ended December 31,	
	2016	2015
Capitalised interest payments	$ 267	$ 244
Interest rate	0.79%	1.62%

B. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2016 and 2015 is provided in Note 8 for the pledged assets.

C. The board of directors of Syngen Biotech Co., Ltd., the subsidiary, resolved to purchase part of plant and equipment, located in Southern Taiwan Science Park, from Tuck-More Biotechnology Co., Ltd. on January 14, 2015. The purchase contract was signed on February 16, 2015 for the purchase price of $253,000 (tax included), stating February 15, 2017 as the settlement date. Under the contract, the Group has obtained the right to use the plant and equipment since 2015 and is classified as buildings and machinery. As of December 31, 2016, the unpaid amount of $1,660 was recognised as notes payable and $190,397 as other payables. As of December 31, 2015, the unpaid amount of $192,057 was recognised as long-term notes and accounts payable.

(10) Intangible assets

	Royalty	Software	Others	Total
At January 1, 2016				
Cost	$ 82,842	$ 34,511	$ 106,295	$ 223,648
Accumulated amortisation	(52,598)	(19,448)	(10,892)	(82,938)
Accumulated impairment	(7,123)	-	-	(7,123)
Net exchange differences	-	2	923	925
	$ 23,121	$ 15,065	$ 96,326	$ 134,512
2016				
At January 1	$ 23,121	$ 15,065	$ 96,326	$ 134,512
Additions - acquired separately	-	1,787	325	2,112
Amortisation	(1,419)	(3,605)	(3,356)	(8,380)
Impairment loss	(8,263)	-	-	(8,263)
Net exchange differences	-	4	(209)	(205)
At December 31	$ 13,439	$ 13,251	$ 93,086	$ 119,776
At December 31, 2016				
Cost	$ 82,842	$ 36,298	$ 106,620	$ 225,760
Accumulated amortisation	(54,017)	(23,053)	(14,248)	(91,318)
Accumulated impairment	(15,386)	-	-	(15,386)
Net exchange differences	-	6	714	720
	$ 13,439	$ 13,251	$ 93,086	$ 119,776

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

A. No borrowing costs were capitalised as part of intangible assets as of December 31, 2016 and 2015.

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

	For the years ended December 31,	
	2016	2015
Operating costs	$ 2,805	$ 2,591
Selling expenses	986	977
General and administrative expenses	4,386	4,488
Research and development expenses	203	131
	$ 8,380	$ 8,187

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, 2016	December 31, 2015
Multipower Enterprise Corp.	$ 70,265	$ 70,265

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

E. As of December 31, 2016 and 2015, the Group has no intangible assets pledged to others.

(11) Impairment of non-financial assets

A. The Group recognised impairment loss (shown as 'other gains and losses') for the years ended December 31, 2016 and 2015 of $8,263 and $4,493, respectively. Details of such losses are as follows:

	For the years ended December 31,			
	2016		2015	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - royalty	$ 8,263	$ -	$ 4,493	$ -

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

	For the years ended December 31,			
	2016		2015	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Syngen Biotech Co., Ltd.	$ 8,263	$ -	$ 4,493	$ -

C. Goodwill is tested annually for impairment. Goodwill is allocated to the Group's cash-generating units - Multipower Enterprise Corp. identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the cash-generating units - Multipower Enterprise Corp.. 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, 2016 and 2015.

(12) Long-term prepaid rent

	December 31, 2016	December 31, 2015
Land use right	$ 53,176	$ 59,019

On December 31, 2011, the Group signed a land use right contract amounting to $61,120 (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 $1,263 and $1,316 for the years ended December 31, 2016 and 2015, respectively.

(13) Short-term borrowings

	December 31, 2016	Interest rate range	Collateral
Secured bank borrowings	$ 270,000	0.99%～1.08%	Land and buildings
Unsecured bank borrowings	100,486	0.99%～2.15%	None
	$ 370,486		

	December 31, 2015	Interest rate range	Collateral
Secured bank borrowings	$ 50,000	1.08%	Land and buildings
Unsecured bank borrowings	36,123	1.08%～1.24%	None
	$ 86,123		

(14) Short-term notes and bills payable

	December 31, 2016	Interest rate range	Collateral
Commercial paper payable	$ 200,000	0.50%～0.66%	None

	December 31, 2015	Interest rate range	Collateral
Commercial paper payable	$ 100,000	0.712%～0.87%	None

The above commercial paper payable are issued and secured by International Bills Finance Corporation and other financing institutions.

(15) Long-term borrowings

Type of borrowings	Maturity date range	Interest rate range	Collateral	December 31, 2016
Unsecured bank borrowings	2019.10.17～ 2021.05.13	1.17%～1.50%	None	$ 52,188
Less: current portion of long-term borrowings				(4,871)
				$ 47,317

Type of borrowings	Maturity date range	Interest rate range	Collateral	December 31, 2015
Unsecured bank borrowings	2016.09.15～ 2017.03.09	0.952%～1.90%	None	$ 100,278
Secured bank borrowings	2017.05.26～ 2020.07.24	1.31%～1.65%	Bank deposit and buildings	44,090
				144,368
Less: current portion of long-term borrowings				(123,257)
				$ 21,111

(16) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Law, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries 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.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	($ 459,157)	($ 507,884)
Fair value of plan assets	195,915	61,539
	($ 263,242)	($ 446,345)
Net defined benefit liability in the balance sheet (Note 1)	($ 267,695)	($ 449,068)
Net defined benefit asset in the balance sheet (Note 2)	4,453	2,723
	($ 263,242)	($ 446,345)

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

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

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

2016	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 507,884)	$ 61,539	($ 446,345)
Current service cost	(5,825)	-	(5,825)
Interest (expense) income	(6,319)	808	(5,511)
	(520,028)	62,347	(457,681)
Remeasurements:			
Return on plan assets	-	(53)	(53)
Change in demographic assumptions	(98)	-	(98)
Change in financial assumptions	26,976	-	26,976
Experience adjustments	5,459	-	5,459
	32,337	(53)	32,284
Pension fund contribution	-	158,167	158,167
Paid pension	28,534	(24,546)	3,988
At December 31	($ 459,157)	$ 195,915	($ 263,242)

2015	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 533,536)	$ 65,999	($ 467,537)
Current service cost	(7,345)	-	(7,345)
Past service cost	(14,365)	-	(14,365)
Interest (expense) income	(10,591)	1,355	(9,236)
	(565,837)	67,354	(498,483)
Remeasurements:			
Return on plan assets	-	437	437
Change in demographic assumptions	(2,588)	-	(2,588)
Change in financial assumptions	(15,567)	-	(15,567)
Experience adjustments	57,807	-	57,807
	39,652	437	40,089
Pension fund contribution	-	12,049	12,049
Paid pension	18,301	(18,301)	-
At December 31	($ 507,884)	$ 61,539	($ 446,345)

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

Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and its domestic subsidiaries 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 composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labour Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2016	2015
Discount rate	1.25%～1.50%	1.25%～1.50%
Future salary increases	2.00%	2.00%～2.50%

Assumptions regarding future mortality rate are estimated 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%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 13,269)	$ 13,821	$ 13,684	($ 13,206)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 15,447)	$ 16,113	$ 15,876	($ 15,302)

The sensitivity analysis above was arrived at based on one assupmtion 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.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ended December 31, 2017 amount to $10,394.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 11~14 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	8,078
2-5 years		71,220
Over 5 years		490,099
	$	569,397

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, 2016 and 2015, the contribution rates are from 20% to 29%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were $32,327 and $30,303, respectively.

(17) Share capital - common stock

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

	For the years ended December 31,	
	2016	2015
Beginning and ending balance	178,696	178,696

As of December 31, 2016, 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.

(18) Capital surplus

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

B. On June 17, 2016 and June 16, 2015, the stockholders have resolved to distribute cash of $89,348, ($0.5 (in dollars) per share) using capital surplus for both years.

C. On March 24, 2017, the Board of Directors has proposed to distribute cash of $89,348 ($0.5 (in dollars) per share) using capital surplus.

(19) Retained earnings

A. In accordance with the Company Act, the Company should use profit after tax to appropriate 10% as legal reserve until the legal reserve equals to the paid-in capital. Within the limit, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, as the Company operates in a volatile business environment and is in the stable growth stage, takes into consideration the Company's future capital needs, long-term financial planning and the shareholders' needs for cash inflow, the Company's earnings, if any, are distributed in the following order:

(a) Pay all taxes.

(b) Cover accumulated deficit.

(c) Appropriate 10% as legal reserve.

(d) Appropriate or reverse special reserve in accordance with the regulations.

(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 under the resolution of the shareholders during their meeting.

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 17, 2016 and June 16, 2015, the Company recognised cash dividends distributed to owners amounting to $178,696 ($1 (in dollars) per share) and $89,348 ($0.5 (in dollars) per share) for the appropriation of 2015 and 2014 earnings, respectively. On March 24, 2017, the Board of Directors proposed for the distribution of dividends from 2016 earnings of $178,696 ($1 (in dollars) per share).

(20) Other equity

	For the year ended December 31, 2016		
	Currency translation	Unrealised gain on valuation of available-for-sale financial assets	Total
At January 1	$ 15,628	$ 235,290	$ 250,918
Currency translation differences - the Group	(16,190)	-	(16,190)
Valuation adjustment- the Group	-	51,445	51,445
At December 31	($ 562)	$ 286,735	$ 286,173

	For the year ended December 31, 2015		
	Currency translation	Unrealised gain on valuation of available-for-sale financial assets	Total
At January 1	$ 15,647	$ 198,508	$ 214,155
Currency translation differences - the Group	(19)	-	(19)
Valuation adjustment - the Group	-	36,782	36,782
At December 31	$ 15,628	$ 235,290	$ 250,918

(21) Operating revenue

	For the years ended December 31,	
	2016	2015
Sales revenue	$ 3,619,777	$ 3,304,169
Processing revenue	47,848	10,916
Other operating revenue	6,176	6,281
	$ 3,673,801	$ 3,321,366

(22) Other income

	For the years ended December 31,	
	2016	2015
Dividend income	$ 17,247	$ 12,631
Interest income	2,009	2,619
Rental income	4,527	4,230
Research income	28,746	49,378
Other income	48,021	44,129
	$ 100,550	$ 112,987

(23) Other gains and losses

	For the years ended December 31, 2016	2015
Net currency exchange (loss) gain	($ 14,511)	$ 10,976
Gain on disposal of investments	564	-
Net gain (loss) on financial assets at fair value through profit or loss	1,119	(104)
Net gain (loss) on disposal of property, plant and equipment	1,121	(178)
Impairment loss	(8,263)	(4,493)
Other losses	(2,308)	(1,440)
	($ 22,278)	$ 4,761

(24) Finance costs

	For the years ended December 31, 2016	2015
Interest expense:		
Bank borrowings	$ 3,860	$ 4,303
Less: capitalisation of qualifying assets	(267)	(244)
	$ 3,593	$ 4,059

(25) Expenses by nature

	For the year ended December 31, 2016		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	$ 359,536	$ 527,547	$ 887,083
Depreciation on property, plant and equipment	140,765	42,487	183,252
Amortisation on intangible assets	2,805	5,575	8,380
	$ 503,106	$ 575,609	$ 1,078,715

	For the year ended December 31, 2015		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	$ 338,272	$ 532,184	$ 870,456
Depreciation on property, plant and equipment	122,678	34,199	156,877
Amortisation on intangible assets	2,591	5,596	8,187
	$ 463,541	$ 571,979	$ 1,035,520

(26) Employee benefit expenses

	For the year ended December 31, 2016		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	$ 295,676	$ 450,169	$ 745,845
Labour and health insurance expenses	27,386	35,821	63,207
Pension costs	19,881	23,782	43,663
Other personnel expenses	16,593	17,775	34,368
	$ 359,536	$ 527,547	$ 887,083

	For the year ended December 31, 2015		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	$ 269,175	$ 445,382	$ 714,557
Labour and health insurance expenses	27,035	36,406	63,441
Pension costs	26,332	34,917	61,249
Other personnel expenses	15,730	15,479	31,209
	$ 338,272	$ 532,184	$ 870,456

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable (pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. Employees' compensation will be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, 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' meeting.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $4,060 and $4,291, respectively; while directors' and supervisors' remuneration was accrued at $8,121 and $8,581, 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. The employees' compensation and directors' and supervisors' remuneration for 2015 as resolved by the Board of Directors was $12,699, and the employees' compensation will be distributed in the form of cash. The difference between the aforementioned amount and the amount of $12,872 recognised in the 2015 financial statements by ($173), mainly caused by estimation differences, had been adjusted in the profit or loss for 2016. 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.

(27) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the year	$ 54,131	$ 72,738
Additional 10% tax on undistrbuted earnings	21,853	31,343
Under (over) provision of prior year's income tax	467	(15)
Total current tax	76,451	104,066
Deferred tax:		
Origination and reversal of temporary differences	13,496	(8,263)
Total income tax expense	$ 89,947	$ 95,803

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

	For the years ended December 31,	
	2016	2015
Remeasurement of defined benefit obligations	$ 5,488	$ 6,815

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 97,746	$ 95,021
Effect of amounts not allowed to be recognised under regulations	(28,486)	(18,186)
Effect from tax-exempt income	(1,004)	(8,103)
Effect from investment tax credits	(629)	(590)
Effect from net operating loss carryforward	-	(3,667)
Additional 10% tax on undistributed earnings	21,853	31,343
Under (over) provision of prior year's income tax	467	(15)
Income tax expense	$ 89,947	$ 95,803

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, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	$ 3,368	$ 937	$ -	$ 4,305
Unrealised loss on inventories from market value decline	8,556	(860)	-	7,696
Unrealised exchange loss	-	1,046	-	1,046
Investment loss	12,235	8,298	-	20,533
Unrealised impairment loss of intangible asset	1,211	1,405		2,616
Unrealised sales discount	2,006	215	-	2,221
Unused compensated absences	4,202	157	-	4,359
Unrealised expenses	126	(12)	-	114
Pensions	70,786	(25,514)	(5,488)	39,784
Loss carryforward	164	32	-	196
	$ 102,654	($ 14,296)	($ 5,488)	$ 82,870
Deferred tax liabilities				
Temporary differences:				
Provision for land value incremental tax	($ 61,992)	$ -	$ -	($ 61,992)
Unrealised exchange gain	(800)	800	-	-
	($ 62,792)	$ 800	$ -	($ 61,992)
	$ 39,862	($ 13,496)	($ 5,488)	$ 20,878

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

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 the 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, 2016				
Year incurred	Amount filed / approved	Unused amount	Unrecognised deferred tax assets	Usable until year
2006～2016	$ 331,443	$ 311,394	$ 310,240	2017～2026

December 31, 2015				
Year incurred	Amount filed / approved	Unused amount	Unrecognised deferred tax assets	Usable until year
2005～2015	$ 376,867	$ 327,491	$ 326,527	2016～2025

F. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 24, 2017.

G. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 5,177	$ 5,177
Earnings generated in and after 1998	839,699	686,310
	$ 844,876	$ 691,487

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $129,107 and $83,371, respectively. As dividends were approved at the shareholders' meeting on June 17, 2016 and June 16, 2015 and with the dividend distribution date set on August 8, 2016 and August 8, 2015 by the Board of Directors, the creditable tax rates for the unappropriated retained earnings of 2015 and 2014 are 21.50% and 17.41%, respectively. The creditable tax rate is estimated to be 16.92% for 2016. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2016; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(28) Earnings per share

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 340,216	178,696	$ 1.90
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 340,216	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	209	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 340,216	178,905	$ 1.90

	For the year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 347,894	178,696	$ 1.95
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 347,894	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	151	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 347,894	178,847	$ 1.95

(29) Transactions with non-controlling interest

A. In September 2016, the subsidiary, Syngen Biotech Co., Ltd. ("Syngen Biotech"), filed for an initial public offering with Taipei Exchange. As part of the public trading process, the Group partially disposed its shares in Syngen Biotech through public market for a total cash consideration of $10,259. The carrying amount of investment accounted for under the equity method was $3,952 at the disposal date. These transactions resulted in an increase in the equity attributable to owners of the parent by $6,307.

B. In September 2016 and June 2015, Syngen Biotech increased capital by issuing new shares. The Group did not acquire shares proportionally to its interest. The transaction resulted in a decrease in non-controlling interest by $34,337 and $913, respectively, and an increase in the equity attributable to owners of the parent by $34,337 and $913, respectively.

C. 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, 2016 and 2015 are as follows:

	For the years ended December 31,	
	2016	2015
Effect on acquisition of shares that are not proportionate to its interest	$ 34,337	$ 913
Effect on disposal of equity interest in a subsidiary	6,307	-
Capital surplus - difference between proceeds and carrying amount from acquisition or disposal of equity interest in a subsidiary	$ 40,644	$ 913

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2016	2015
(a) Purchase of property, plant and equipment	$ 54, 451	$ 329, 394
Add: Opening balance of notes payable	1, 444	3, 846
Opening balance of payable on equipment (shown as "Other payables")	25, 985	11, 540
Opening balance of long-term notes and accounts payable	192, 057	–
Less: Ending balance of notes payable	(4, 142)	(1, 444)
Ending balance of payable on equipment (shown as "Other payables")	(194, 672)	(25, 985)
Ending balance of long-term notes and accounts payable	–	(192, 057)
Capitalisation of interest	(267)	(244)
Cash paid for acquisition of property, plant and equipment	$ 74, 856	$ 125, 050

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

	For the years ended December 31,	
	2016	2015
(a) Elimination of allowance for bad debts	$ 1, 114	$ 330
(b) Inventory transferred to property, plant and equipment	$ 8, 138	$ 8, 076
(c) Prepayment for equipment transferred to property, plant and equipment	$ 39, 767	$ 67, 069
(d) Property, plant and equipment transferred to other non-current asset	$ 106	$ 5, 384

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales of goods

	For the years ended December 31,	
	2016	2015
Associates	$ 84,996	$ 85,289
Other related parties	22,940	8,264
	$ 107,936	$ 93,553

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

B. Purchases of goods

	For the years ended December 31,	
	2016	2015
Other related parties	$ 56,810	$ 54,552

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

C. Other expenses

	For the years ended December 31,	
	2016	2015
Advertising expenses:		
Other related parties	$ 11,893	$ 546
Associates	465	4,125
	$ 12,358	$ 4,671
Research and development expenses:		
Other related parties	$ 1,368	$ 333
Associates	92	-
	$ 1,460	$ 333

D. Other income

	For the years ended December 31,	
	2016	2015
Other related parties	$ 661	$ 578

E. Ending balance of goods sold

	December 31, 2016		December 31, 2015	
Receivables from related parties:				
Other related parties	$	18,450	$	4,217
Associates		9,474		12,765
	$	27,924	$	16,982

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.

F. Ending balance of payment on behalf of others (Shown as 'Other receivables')

	December 31, 2016		December 31, 2015	
Receivables from related parties:				
Associates	$	435	$	1,528
Other related parties		58		-
	$	493	$	1,528

G. Ending balance of goods purchased

	December 31, 2016		December 31, 2015	
Payables to related parties:				
Other related parties	$	18,682	$	18,642

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

(2) Key management compensation

	For the years ended December 31,			
	2016		2015	
Salaries and other short-term employee benefits	$	30,314	$	31,001

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purposes
Investments accounted for under the equity method (Note 1)	$ 133,416	$ 132,905	Short-term borrowings
Land (Note 2)	288,489	288,489	Short-term and long-term borrowings
Buildings - net (Note 2)	176,336	183,399	Short-term and long-term borrowings
Machinery and equipment – net (Note 2)	9,353	11,330	Long-term borrowings
Utility equipment – net (Note 2)	6,131	8,243	Long-term borrowings
Other equipment – net (Note 2)	205	481	Long-term borrowings
Demand deposit (Note 3)	−	5,383	Long-term borrowings
	$ 613,930	$ 630,230	

(Note 1) As of December 31, 2016 and 2015, the Group provided 22,980 thousand shares in its subsidiary – Advpharma Inc. as collateral for short-term borrowings for both years with the carrying value of $133,416 and $132,905, respectively. The pledged investments accounted for under the equity method have been eliminated during the consolidation.

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

(Note 3) Shown as "Other financial assets－non-current".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2016 and 2015, 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 $67,362 and $35,306, respectively.

(2) A. Endorsements/guarantees for financing within the Group are as follows:

Endorser/ guarantor	Endorsee/guarantee	December 31, 2016	December 31, 2015
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	$ 96,750	$ 98,490
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	–	200,000
		$ 96,750	$ 298,490

B. As of December 31, 2016 and 2015, the actual endorsement/guarantee amount provided by the Group for the above subsidiaries was $ –.

(3) The Company has signed a transfer of technical skill contract ‘Antiviral drug acyclovir and New transdermal absorption external gel preparation’ for 7 years with the National Science Council of R.O.C. and professor You-pu Hu in June 1998. The Company should complete production of all products using the technical skill and consulting provided by professor You-pu Hu within 4 years after the effectivity of the contract. Aside from paying a fixed royalty to National Science Council of R.O.C. and professor You-pu Hu, the Company should pay 5% of the total sales from the product using the technical skill as royalty for technical skill transfer. The Company started to sell the product from April 2000. As of December 31, 2016 and 2015, the royalty for technical skill transfer paid was $4,245 and $5,994, respectively.

(4) The subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) has signed a mid-term line of credit agreement with CTBC Bank on March 24, 2014. The total line of credit is $50,000 and the duration of grant is 3 years. Syngen Biotech has to maintain current ratio over 120% and debt-to-equity ratio of less than 120%. Should Syngen Biotech default on the above covenants, and could not improve within the improvement period provided by the bank, the bank can reduce the amount or duration of the line of credit, or deem the borrowing as matured at any moment. As of December 31, 2016, Syngen Biotech’s financial ratios did not violate the above covenants.

(5) Consumers’ Foundation, Chinese Taipei (CFCT) has filed a complaint for DEHP incident against the subsidiary – Syngen Biotech Co., Ltd. (Syngen Biotech) in Banqiao District Court to claim for consolation payment and punitive damages of $4,201 for customer benefit in March 2012. Taiwan New Taipei District Court has rendered the first ruling of no damage. However, CFCT disagreed with the ruling and will file an appeal. The 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.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

ii. The Group has certain sales and purchases denominated in USD and other foreign currencies. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of asset and liability positions in foreign currencies are close, thus 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, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 21,416	32.25	$ 690,666
EUR: NTD	2,486	33.90	84,275
JPY: NTD	85,921	0.2756	23,680
Financial liabilities			
Monetary items			
USD: NTD	611	32.25	19,705
EUR: NTD	64	33.90	2,170

	December 31, 2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 11,295	32.83	$ 370,815
EUR: NTD	363	35.88	13,024
JPY: NTD	45,435	0.2727	12,390
RMB: NTD	583	4.995	2,912
Financial liabilities			
Monetary items			
USD: NTD	3,295	32.83	108,175
EUR: NTD	237	35.88	8,504
JPY: NTD	8,820	0.2727	2,405

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, 2016 and 2015 would have increased/decreased by $6,726 and $2,324, respectively.

v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to ($14,511) and $10,976, respectively.

<u>Price risk</u>

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop-loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.

ii. The Group’s investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, net income for the years ended December 31, 2016 and 2015 would have increased/decreased by $2,132 and $1,576, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $1,907 and $1,866, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

<u>Interest rate risk</u>

i. The Group’s interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2016 and 2015, 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, 2016 and 2015 would have been $32 and $43 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The Group provides endorsements and guarantees based on the Group's policies and procedures on endorsements and guarantees. The Group only provides endorsement or guarantee for subsidiaries that the Group directly holds more than 50% ownership, or for entities that the Group holds more than 50% ownership, either directly or indirectly, as well as the power to govern the policies. No collateral is requested for the endorsements and guarantees as the Group can control the credit risk of the subsidiary. The maximum credit risk is the guaranteed amount.

iv. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial assets in Note 6.

v. The ageing analysis of financial assets that were past due but not impaired is provided in the statement for each type of financial assets in Note 6.

vi. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$370,807	$ －	$ －	$ －
Short-term notes and bills payable	200,000	－	－	－
Notes payable	218,558	－	－	－
Accounts payable	197,944	－	－	－
Other payables	529,589	－	－	－
Long-term borrowings (including current portion)	4,871	4,201	43,667	－
Guarantee deposit received	－	5,286	－	－

December 31, 2015	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 86,243	$ －	$ －	$ －
Short-term notes and bills payable	100,000	－	－	－
Notes payable	219,075	－	－	－
Accounts payable	132,023	－	－	－
Other payables	345,945	－	－	－
Long-term borrowings (including current portion)	124,351	2,315	19,135	－
Long-term notes and accounts payable	－	192,057	－	－
Guarantee deposit received	203	5,293	－	－

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

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

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) for the financial instruments.

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, emerging stocks with active market, beneficiary certificates is included.

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 215,854	$ -	$ -	$ 215,854
Available-for-sale financial assets				
Equity securities	346,819	-	133,890	480,709
	$ 562,673	$ -	$ 133,890	$ 696,563

December 31, 2015	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 159,920	$ -	$ -	$ 159,920
Available-for-sale financial assets				
Equity securities	314,392	-	109,847	424,239
	$ 474,312	$ -	$ 109,847	$ 584,159

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:

	Listed stocks	Open-end fund	Non-listed stocks
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 consolidated balance sheet date.

(c) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the

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

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in Level 3 instruments in 2016 and 2015:

	For the years ended December 31,	
	2016	2015
At January 1	$ 109,847	$ 125,188
Recognised in other comprehensive income (Note)	24,043	(15,341)
At December 31	$ 133,890	$ 109,847

(Note) Shown as "Unrealised gain or loss on valuation of available-for-sale financial assets".

G. For the years ended December 31, 2016 and 2015, there was no transfer from or to Level 3.

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

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

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationships of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 56,177	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	77,713	Discounted cash flow	Discount rate	1.97%	The higher the discount rate, the lower the fair value

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

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

			December 31, 2016			
			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%	$ －	$ －	$ 1,394	($ 1,394)
	Discount rate	± 10%	－	－	244	(244)
			$ －	$ －	$ 1,638	($ 1,638)
Financial assets						
Equity instrument	Discount for lack of marketability	± 10%	$ －	$ －	$ 655	($ 655)
	Discount rate	± 10%	－	－	190	(190)
			$ －	$ －	$ 845	($ 845)

13. SUPPLEMENTARY DISCLOSURES

(Only 2016 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 no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this year.

(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, 2016				
	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Multipower Enterprise Corp.	Others	Total
Segment revenue	$ 2,357,528	$ 769,369	$ 587,387	$ 82,012	$ 3,796,296
Revenue from internal customers	5,056	92,560	7,623	17,256	122,495
Revenue from external customers, net	2,352,472	676,809	579,764	64,756	3,673,801
Interest income	595	68	273	1,073	2,009
Depreciation and amortisation	133,018	32,115	7,745	18,754	191,632
Interest expenses	2,688	656	310	(61)	3,593
Inter-segment profit (loss) before income tax	395,808	114,025	65,146	(68,489)	506,490
Segment assets	3,593,745	1,032,965	592,481	1,006,649	6,225,840
Segment liabilities	1,406,487	409,412	196,107	17,170	2,029,176

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

(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,	
	2016	2015
Reportable segment income before tax	$ 574,979	$ 558,715
Other segments loss before income tax	(68,489)	(72,631)
Including inter-segment loss	(44,735)	(22,382)
Profit before income tax	$ 461,755	$ 463,702

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 is as follows:

	For the years ended December 31,	
	2016	2015
Revenue from sales of medicine	$ 2,044,806	$ 1,914,792
Revenue from sales of dietary supplement	1,119,458	991,878
Others	509,537	414,696
	$ 3,673,801	$ 3,321,366

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 3,029,273	$ 2,136,645	$ 2,875,724	$ 2,158,162
Mainland China	146,348	219,488	97,000	253,337
Philippines	100,109	-	70,099	-
South Korea	58,879	-	32,587	-
Thailand	45,451	-	29,624	-
America	43,388	10,545	29,848	12,082
Japan	43,377	-	2,818	-
Others	206,976	-	183,666	-
	$ 3,673,801	$ 2,366,678	$ 3,321,366	$ 2,423,581

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2016 and 2015.

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

Loans to others

For the year ended December 31, 2016

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 Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Note
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Other receivables	Yes	$ 96,750	$ 96,750	$ 96,750	2.5%	2	$ -	Operating capital	$ -	—	$ -	$ 185,968	$ 371,935	(Notes 3)
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical	Other receivables	Yes	96,750	96,750	96,750	2.5%	2	-	Operating capital	-	—	-	374,769	374,769	(Notes 3)
2	Multipower Enterprise Corp.	Souriree Biotech & Pharm. Co., Ltd.	Other receivables	Yes	9,000	-	-	-	2	-	Operating capital	-	—	-	10,935	43,740	(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 Multipower Enterprise Corp. to a single party is 5% of the creditor's paid-in capital.

(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 Multipower Enterprise Corp. to a single party is 20% of the creditor's paid-in capital.

(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, 2016 as follows: USD: NTD 1:32.25.

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

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2 Expressed in thousands of NTD

Number	Endorser/ guarantor	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 endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Company name	Relationship with the endorser/guarantor											
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical. Co., Ltd.	Subsidiary	$ 743,870	$ 96,750	$ 96,750	$ -	$ -	3%	$ 1,859,676	Y	N	N	-
0	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Subsidiary	743,870	200,000	-	-	-	-	1,859,676	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, 2016 as follows: USD: NTD 1:32.25.

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, 2016

Table 3 | Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016 Number of shares	Book value	Ownership (%)	Fair value	Note
Standard Chem & Pharm. Co., Ltd.	Bonds with repurchase agreement:							
	Mega Bills Finance Co., Ltd	—	1	-	$ 16,214	-	$ 16,214	-
	Stocks (investment certificate):							
	Original BioMedicals Co., Ltd.	—	3	200	2,469	0.81%	2,469	-
	SUN YOU BIOTECH PHARM CO., LTD.	—	4	2,863	52,077	18.43%	52,077	-
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055	77,713	17.71%	77,713	-
	SYN-TECH CHEM & PHARM CO., LTD.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	2,923	284,163	9.73%	284,163	-
	Green Management International Co., Ltd.	—	5	70	800	5.14%	-	-
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	5	1,000	10,000	4.17%	-	-
	NTU Innovation & Incubation Co., Ltd.	—	5	480	4,800	3.76%	-	-
	JENKEN BIOSCIENCES, INC.	—	5	198	1,485	4.76%	-	-
Chia Scheng Investment Co., Ltd.	Beneficiary certificates:							
	Taishin Ta-Chong Money Market Fund	—	2	368	5,180	-	5,180	-
	Taishin 1699 Money Market Fund	—	2	50	670	-	670	-
	Stocks:							
	SUN YOU BIOTECH PHARM CO., LTD.	—	4	204	4,100	1.30%	4,100	-
	Stason Pharmaceuticals, Inc.	—	5	4,000	131,421	13.02%	-	-
Inforight Technology Co., Ltd.	Beneficiary certificates:							
	Capital Money Market Fund	—	2	122	1,949	-	1,949	-
Advpharma Inc.	Beneficiary certificates:							
	Taiwan Cooperative Bank Money Market Fund	—	2	4,000	40,256	-	40,256	-
	Mega Diamond Money Market Fund	—	2	3,167	39,324	-	39,324	-
	Eastspring Inv Well Pool Money Market Fund	—	2	1,529	20,597	-	20,597	-
	Shin Kong Global ETF Fund of Funds	—	2	485	4,781	-	4,781	-
	Eastspring Investments Asian Income Balanced Fund A TWD	—	2	300	3,058	-	3,058	-
	FSITC Taiwan Money Market Fund	—	2	1,783	27,001	-	27,001	-
	Mega USD Money Market Fund	—	2	293	2,997	-	2,997	-

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016 Number of shares	Book value	Ownership (%)	Fair value	Note
Advpharma Inc.	Stocks:							
	SYN-TECH CHEM & PHARM CO., Ltd.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	577	$ 56,084	1.92%	$ 56,084	
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	5	350	3,496	3.70%	-	-
	JENKEN BIOSCIENCES, INC.	—	5	18	70	0.44%	-	-
	China Chemical & Pharmaceutical Co., Ltd.	—	3	100	1,820	0.03%	1,820	-
	YungShin Global Holding Corporation	—	3	50	2,283	0.02%	2,283	-
Syngen Biotech Co,. Ltd.	Beneficiary certificates:							
	FSITC Taiwan Money Market Fund	—	2	4,230	70,041	-	70,041	-
	Stocks:							
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	5	1,000	10,000	4.17%	-	-

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

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

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

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2016 as follows: USD: NTD 1:32.25 .

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

Significant inter-company transactions during the reporting period

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
0	Standard Chem & Pharm. Co., Ltd	Standard Pharmaceutical Co., Ltd.	1	Other receivables	$ 96,952	—	2%
			1	Endorsements and guarantee	96,750	—	2%
		Souriree Biotech & Pharm. Co., Ltd	1	Purchases	27,726	Pay cheques with a maturity of 3~4 months after inspection had passed	1%
		Syngen Biotech Co,. Ltd.	1	Purchases	66,177	Pay cheques with a maturity of 3~4 months after inspection had passed	2%
			1	Notes payable	(15,935)	—	—
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Other receivables	96,999	—	2%

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

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2016 as follows: USD: NTD 1:32.25.

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

Information on investees

For the year ended December 31, 2016

Table 5 — Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2016					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised for the year ended December 31, 2016	Note
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	$ 304,875	$ 271,790	10,000,000	100.00	$ 187,384	($ 49,293)	($ 49,293)	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	242,726	242,726	16,103,000	100.00	159,780	(1,200)	(1,200)	Subsidiary
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,802	6,802	192,195	100.00	5,031	(620)	(620)	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,288	(78)	(78)	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd	Taiwan	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicine	72,889	62,889	5,649,126	93.17	27,386	85	(1,024)	Subsidiary
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Taiwan	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	293,057	293,057	19,840,600	90.72	492,676	54,408	51,823	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	294,623	(5,256)	(4,381)	Subsidiary (Note 1)
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	122,458	113,883	9,927,146	47.27	284,945	90,206	51,061	Subsidiary (Note 2)

				Initial investment amount		Shares held as at December 31, 2016					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised for the year ended December 31, 2016	Note
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINES CO., LTD	Taiwan	Wholesale of various medicine	$ 177,201	$ 177,201	10,273,272	33.10	$ 149,226	($ 93,926)	($ 31,089)	-
Chia Scheng Investment Co., Ltd.	SANTOS BIOTECH INDUSTRIES, INC.	America	Research and development, trading, investment and other business of medical products	96,040	95,713	3,111,500	100.00	15,694	(1,569)	-	Subsidiary (Note 3)
Advpharma Inc.	CNH TECHNOLOGIES INC.	America	Research and development of various medicine	13,011	13,011	400,000	35.60	13,336	83	-	(Note 3)

Note 1: Including 22,980 thousand shares with amount of $133,416 are pledged as collateral for short-term borrowings.

Note 2: 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 Group allowed its underwriter to exercise the overallotment option, which decrease the Group's ownership percentage in Syngen down to below 50%, yet the Company did not lose control over Syngen.

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

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2016 as follows: USD: NTD 1:32.25 .

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

Information on investments in Mainland China

For the year ended December 31, 2016

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capita	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income (loss) of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Note
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	$ 290,250	(Note 1)	$ 257,403	$ 32,526	$ -	$ 289,929	($ 48,228)	100.00	($ 48,228)	$ 151,633	$ -	(Note 3)
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	195,738	(Note 2)	-	-	-	-	(25,221)	55.00	(13,872)	51,684	-	(Note 3)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Standard Chem & Pharm. Co., Ltd.	$ 289,929	$ 290,250	$ 2,517,998

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, 2016 as follows: USD: NTD 1:32.25 and RMB: NTD 1:4.617.