

Stock Code : 1789

ScinoPharm Taiwan, Ltd.

2016 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I Letter to Shareholders

Dear Shareholders,

ScinoPharm had another great year in 2016. We were faced with numerous obstacles from the global pharmaceutical industry, such as price erosion for generic drugs and market concentrations caused by mergers and acquisitions, making the market even more limited. However, ScinoPharm saw steady progress in its transformation. Both revenues and profits were up with maintaining our leading status in cancer APIs and alliance with our flexible marketing strategies.

Financial Performance

ScinoPharm's consolidated revenues for 2016 were NT\$4.031 billion, which was a 2% increase compared to our NT\$3.955 billion revenues from the previous year. Consolidated net profits after tax were NT\$659 million, a 4% increase compared to the previous year's NT\$635 million.

At the end of the previous year, our paid-up capital was NT\$7.6 billion; earnings per share after tax was NT\$0.87. Our shareholders' equity was NT\$10.2 billion, making up 80% of total assets, which equaled NT\$12.8 billion. Long-term debt was 2.1 times fixed assets, and our flow ratio was 3.9%. These results indicate that our financial structure continues to be sound.

Strengthen Competitive Advantages and Continued Growth

In 2016, overall revenue increased primarily as a result of the sales boost from generic APIs, including an increased market share of Gemcitabine combined with more flexible strategies, increased shipments of Paclitaxel, as well as greater customer needs for Entecavir (HBV) and Riluzole (ALS) in anticipation of their commercial launch. In terms of contract research services (CRO), several customers have achieved favorable clinical results in their Phase III trials, suggesting a future increase in shipment volumes and revenues. Meanwhile, revenues from contract manufacturing services (CMO) suffered a sharp reduction due to less order volume of anti-depressants and anti-obesity drugs, but the overall performance of 2016 was positive and Increased profit is evident in an overall gross profit margin of 45%; this is a result of a favorable blend of products and clients, especially with increased sales volume of higher profit oncology products and CRO projects. The strategic entry of oncology API Gemcitabine also contributed strongly in our gross margin increase. ScinoPharm also demonstrated profitability improvement via tighter cost controls, process optimization, and enhanced management efficiency.

Research and Development for the Continued Pursuit of Innovation in the Future

ScinoPharm attaches great importance to innovation capability. Since its inception, the company has considered research and design (R&D) as its most important strategic investment. To date, ScinoPharm has developed 72 generic APIs, including 25 marketed products. Numerous others are awaiting the subsequent expiration of patents. In order to expand our long-term competitive advantages, we have successfully developed significant intellectual property patents. Last year, applications for 63 product process or polymorph patents were filed. As of the end of 2016, ScinoPharm has obtained 314 patents worldwide for its 59 inventions.

Oncology products continue to be the mainstay of the company's portfolio. The three primary products in the last year include Paclitaxel to treat ovarian, lung, and breast cancer, Irinotecan for colorectal cancer, and Gemcitabine for small cell lung and breast cancer. These three products retained ScinoPharm's market share dominance worldwide, which reaffirms the company position as a global leader in oncology product supply. Our regulatory presence in oncology is demonstrated and strengthened by the number of completed drug master files (DMF): ScinoPharm has applied for 753 DMFs worldwide, including 53 in the United States (US). Of the 53 US DMFs, 32 are for oncology products. This is an unparalleled number of total DMFs among the independent global providers of APIs and proof of the company's persistent efforts in oncology products.

Speed Up Enterprise Transformation by Actively Developing the China and Japan Markets

ScinoPharm continues to pursue strategic alliances in order to enhance its position as a developer and manufacturer of innovative products with high added value. Currently, two abbreviated new drug application (ANDA) submissions have been filed: an oncology injectable drug jointly developed with US-based SAGENT Pharmaceuticals, and ScinoPharm-developed Fondaparinux. Product partnerships based on co-development and profit-sharing models have been established for 11 products. Furthermore, ScinoPharm is currently negotiating with major international companies for exclusive distribution rights in the EU and the US for niche drug products. The in-house Good Manufacturing Practice (GMP)-compliant manufacturing injectable plant is being positioned to prepare its first registration batch this year. Adopting state-of-the-art design and isolator-based aseptic filling systems, ScinoPharm is ready to partner with customers by offering high quality injectable products.

The Changshu site in Jiangsu, China, initiated full-scale operations after the US FDA inspection in December 2015, contributing to ScinoPharm's overall revenues in 2016. In efforts to expand the existing CRO and CMO business operations, the company is focusing on mid- to late-phase projects. The Changshu site is also seeking large-volume generic APIs and intermediates to increase production utilization and is exploring partnerships with generic formulation firms to maximize market share in China via joint development and registration.

The other focal point is in a high-potential market, Japan. Revenues for the Japan market have grown each year. Of the top 10 pharmaceutical factories in Japan, six are currently our clients. We strive to develop more flexible partnerships with local generic drug companies in the face of ever-increasing market concentration by lowering distribution costs and broadening the product scope in order to increase revenues and profits.

Strive to Become the Industry Leader

ScinoPharm has been dedicated to the growth of the pharmaceutical industry for nearly two decades. We abide strictly by the International cGMP regulation, creating an international image of high-quality APIs. Last year, we passed inspection by the European Directorate for the Quality of Medicines (EDQM) and the official pharmaceutical regulation institution of Germany. This means that the quality control system of ScinoPharm is recognized by the EU pharmaceutical regulation organizations.

Furthermore, ScinoPharm has also been listed as an excellent company for two years in a row as part of the Corporate Governance Evaluation conducted by the Taiwan Stock Exchange. We are also the only healthcare company in the top five percent of all listed companies. In 2016, we were also recognized for excellent performance in the "Healthy Workplace Self-Management Counseling and Evaluation" program promoted by the Southern Taiwan Science Park Bureau. This is a testament to our efforts to enhance the health of our employees. By the end of the year, we even achieved an Authorized Economic Operator recognition from the Customs Office, Ministry of Finance for the third year running. These various recognitions symbolize ScinoPharm's efforts and faith in the pursuit of excellence.

Cultivate Energy for Growth and Prepare to Create a Brand New Prosperity

For the immediate future, ScinoPharm will continue to optimize existing generic APIs, maintaining our market share and boosting the profits of the top five marketed products to maximize ROI. On the CRO front, the projects we have developed for years are gradually coming to fruition. Many client products are already in clinical phase three or available for selling in the open market. If the products are successfully launched, company growth would be strengthened. As for the future selection of new medicines, we will focus on small-molecule targeted therapies and central nervous

system agents based on a new mode of action. We will also provide integrated services from API towards the formulation of niche injectables.

ScinoPharm will also utilize strategic alliances to develop formulation businesses in order to enter high-value markets through shared costs and profits. This has speed up our growth in the pharmaceutical preparation field. Once the injectable plants become operational, ScinoPharm's industrial chain value and long-term competitiveness will be further enhanced.

ScinoPharm believes that our foundation will continue to be strengthened through the efforts of our staff and the support of our shareholders. We aspire to grasp opportunities of demands in the global pharmaceutical market in order to steadily develop our enterprise and increase profits to give back to our shareholders, clients and employees.

Finally, ScinoPharm would like to express its utmost gratitude for the continued support and advice from our shareholders!

Chairman : Kao-Huei Cheng

CEO : Yung-Fa Chen

Director of Accounting : Chih-Hui Lin

II. Company Profile

2.1 Date of Incorporation: Established date: November 11th 1997

2.2 Company History

- November 1997 ScinoPharm Taiwan, Ltd. was founded with paid-in capital of NT\$675 million.
- May 1998 The Food and Drug Administration (FDA) of the U.S. screened the company's plant layout design and validation plan.
- July 1998 Started to rent a laboratory.
- December 1998 Completed capital increment to NT\$1.89 billion from NT\$675 million.
- October 1999 Relocated to the present site in Southern Taiwan Science Park, and started to use its own laboratory and office.
Completed capital increment to NT\$2.7 billion from NT\$1.89 billion.
- January 2000 Inaugurated the first Kilo Lab.
- March 2000 Delivered the first batch of GMP (Good Manufacturing Practices) medicines to clients.
- April 2000 Establishment of the reinvested Xinjiang President-ScinoPharm Technology Co., Ltd.
- May 2000 Inaugurated the Pilot Plant.
- November 2000 Inaugurated the Mini Plant.
- January 2001 Delivered the first DMF (Drug Master File) raw medicine to the FDA for examination.
- February 2001 Establishment of the reinvested ScinoPharm (Kunshan) Biochemical Technology, Ltd.
- May 2001 The Customer submitted to the U.S.FDA abbreviated new drug application(ANDA) for the generic drug, The first one using the company's active pharmaceutical ingredient(API)
Establishment of the reinvested ScinoPharm Biotech Ltd.
- June 2001 Inaugurated the small manufacturing unit (SMU).
- October 2001 Passed U.S. FDA's first comprehensive site inspection.
- February 2002 Completed capital increment to NT\$3.7 billion from NT\$2.7 billion.
- April 2002 Completed the validation of the first production line Bay2 in the Production Building.
- October 2002 Completed equipment installation at Bay 1 and Bay3 production lines in the Production Building.
- November 2002 Inaugurated the Production Building.
- February 2003 Establishment of the reinvested Yunnan Ziyun Scino Bio-tech Co., Ltd.
- July 2003 Completed capital increment to NT\$4.2 billion from NT\$3.7 billion.
- April 2004 Completed capital increment to NT\$4.7 billion from NT\$4.2 billion.
- October 2004 Completed capital increment to NT\$4.86 billion from NT\$4.7 billion.
- August 2005 Passed U.S. FDA's second site inspection.

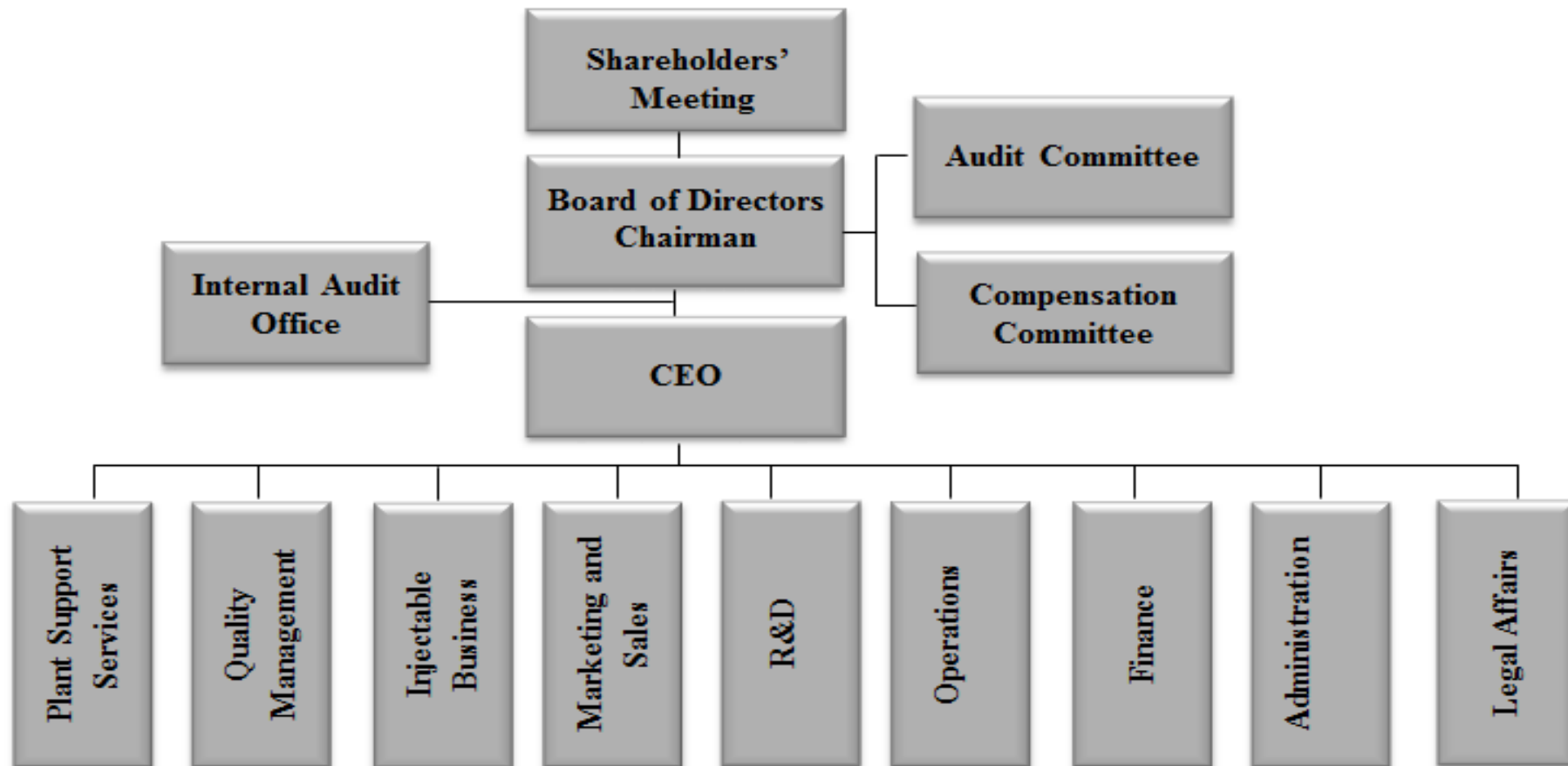
- December 2005 Completed capital increment to NT\$5.51 billion from NT\$4.86 billion.
- January 2007 Establishment of the reinvested HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- May 2007 Completed expansion of production lines, including Kilo II and ESP II.
- October 2007 Passed the site inspection by the Therapeutic Goods Administration (TGA) of the Australian Government Department of Health.
- May 2008 Kicked off construction of the Quality Inspection Laboratory Building.
- June 2008 Acquired subsidiary ScinoPharm Biotech Ltd.
- June 2008 Passed the site inspection by the National Institute of Pharmacy (NIP) of Hungary, a member state of the European Union.
- June 2008 Passed the site inspection by Pharmaceuticals and Medical Devices Agency (PMDA) Japan.
- September 2008 Passed the site inspection by Korea Food and Drug Administration (KFDA).
- October 2008 Passed U.S. FDA's third site inspection.
- December 2008 Inaugurated the Quality Inspection Laboratory Building.
- December 2008 Business revenues broke the US\$100 million mark.
- August 2009 Establishment of the reinvested ScinoPharm (Changshu) Pharmaceuticals, Ltd.
- June 2010 Liquidation of reinvestment in Xinjiang President-Scino Pharm Technology Co., Ltd.
- August 2010 Signed an investment cooperation pact with Tanvex Biologics, Inc. and Ruentex Group to jointly develop Biosimilars.
- September 2010 Completed initial public offering of its shares in Taiwan.
- November 2010 Obtained the Authorized Economic Operator (AEO) certificate from the Customs Administration under the Ministry of Finance as the first pharmaceuticals maker to do so.
- June 2011 Liquidation of reinvestment in HanFeng Biopharmaceutical (Shanghai) Co., Ltd.
- July 2011 Inaugurated the second peptide plant.
- September 2011 Liquidation of reinvestment in Yunnan Ziyun Scino Bio-tech Co., Ltd.
- September 2011 Listing shares on the Taiwan Stock Exchange, with stock code 1789
- November 2011 Establishment of the reinvested ScinoPharm Shanghai Biochemical Technology, Ltd.
- August 2012 Passed U.S. FDA's fourth site inspection.
- August 2012 Established an R&D team to venture into the development of injection medical preparations.
- November 2012 Selected as one of the constituent stocks of the Morgan Stanley Capital International (MSCI) Taiwan Index, marking Taiwan's first biotech company to do so.
- December 2012 Production lines Bay4 and Bay 5 became operational.
- December 2012 ScinoPharm (Changshu) Pharmaceuticals, Ltd. won a production permit for pharmaceuticals.

- December 2012 Sent the first DMF of pharmaceuticals turned out by ScinoPharm (Changshu) Pharmaceuticals, Ltd. to the U.S. FDA for examination.
- August 2013 Passed the first EMA site inspection by European Medicine Agency.
- December 2013 Obtained the second AEO certificate from the Customs Administration of the Ministry of Finance.
- December 2013 Plant of ScinoPharm (Changshu) Pharmaceuticals, Ltd. has been completed and inaugurated.
- July 2014 Won the A++ rating in the 11th assessment on information disclosure by listed companies, conducted by the Taiwan Securities Exchange Corp. (TWSE).
- August 2014 Passed the second EMA site inspection.
- October 2014 Selected by the Institutional Investor, a leading financial monthly magazine in the world, as Taiwan's only biotech company to rank among the most esteemed enterprises in Asia.
- March 2015 Passed the U.S. FDA's fifth site inspection.
- April 2015 Won the A++ rating in the information disclosure assessment conducted by the TWSE on listed companies, for the second straight year.
- June 2015 Won the Outstanding Innovation Enterprise Award in the "People's Well-being" Category of the 4th National Industrial Innovation Award hosted by the Ministry of Economic Affairs.
- August 2015 Ranked among the "Top 100 CSR Enterprises" in the "Excellence in Corporate Social Responsibility" Award hosted by the CommonWealth Magazine.
- October 2015 ScinoPharm (Changshu) Pharmaceuticals, Ltd. passed the U.S. FDA site inspection.
- June 2016 Won the A++ rating in the information disclosure assessment conducted by the TWSE on listed companies, for the second straight year.
- July 2016 Awarded 2016 Taiwan API Manufacturing Company of the Year by Frost & Sullivan
- October 2016 Passed the first EDQM site inspection by European Directorate for the quality of Medicine.
- November 2016 Awarded for paradigm of healthy workplace by Southern Taiwan Science Park Bureau
- December 2016 Obtained the third AEO certificate from the Customs Administration of the Ministry of Finance.
- February 2017 Passed U.S. FDA's Sixth site inspection.
- April 2017 The company has completed registrations for a total of 759 DMFs worldwide, including 53 DMFs registered with U.S. FDA, as of the end of April 2017.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Introduction to Organizational Functions

Research and Development

- Researching and developing the production procedures of generic drugs, and the front-end technology and platform technology for active pharmaceutical ingredients.
- Planning and carrying out the development of new pharmaceuticals; and analyzing and evaluating introduction of technologies from external sources or cooperative development projects.
- Analyzing the development and establishment of methodologies and specifications.

Production

- Planning, implementing and managing production shifts.
- Analyzing and evaluating production cost and coordinating affairs on how to reduce the cost.
- Establishing production procedures and granting supports to production plants.
- Handling purchase, transportation, customs clearance, bonding and inventory check of production-related materials.
- Conducting regular maintenance of production machinery and equipment.
- Planning, supervising and implementing industrial safety, health, and environmental protection tasks.

Business Development

- Developing sales, markets and business promotion for all of the company's products.
- Evaluating, screening and promoting customized production and R&D projects, and handling contract-related negotiations.
- Handling applications for drug registrations at home and abroad, as well as marketing and regulatory affairs and technical services.
- Developing strategic alliance projects and new models of business partnerships, and implementing and managing strategic cooperation projects.

Injection Medicine Business

- Conducting the R&D of pharmaceutical preparations, peptides and new drugs, and handling contract production affairs.
- Examining and regularly monitoring the aseptic environment for injection medicines, and conducting tests of injection medical products.
- Establishing and maintaining the specifications of products, raw materials, excipients, and packaging materials.
- Screening and releasing quality assurance documents for injection medicines.

Quality Control

- Establishing and sustaining the Good Manufacturing Practices (GMP) system.
- Establishing the specifications and analytical methods for raw materials and active pharmaceutical ingredients (APIs), analyzing random examinations, and handling quality control.
- Examining and releasing GMP products.
- Implementing internal and external GMP auditings, solving possible problems and handling GMP training affairs.

Financial Accounting

- Planning financial accounting operations, and handling financial strategies and related analyses.
- Company spokespersons are responsible for communicating and sustaining good relations with investors and capital markets.

Legal Affairs

- Screening contracts and managing legal affairs.
- Handling patent analyses and applications, and other legal affairs pertaining to intellectual properties.

Auditing

- Supervising internal risk control and conducting independent evaluation on observation of management regulations.

Public Safety, Health and Environmental Protection

- Planning and enforcing industrial safety, health and environmental protection programs.
- Handling the management of related operations in accordance with relevant rules and regulations.

Administrative Management

- Planning and handling manpower resources development programs and related training courses.
- Handling administrative management of general affairs and the execution of procurement operations.
- Handling public-relation affairs and issuing press releases.
- Managing and safeguarding the confidentiality and security of networks and information.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

3.2.1.1 Information Regarding Directors

As of 12/31/2016

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Institutional Shareholder	R.O.C.	Uni-President Enterprises Corp.	-	06/23/2015	3	10/16/1997	266,671,029	37.94%	288,431,384	37.94%	-	-	-	-	-	-	-	-	-
Chairman Representative	R.O.C.	Kao-Huei Cheng	M	06/23/2015	3	06/13/2012	1,671,072	0.24%	1,807,430	0.24%	-	-	-	-	Chairman 、 President of Tainan Spinning Co., Ltd. Tainan Senior Commercial High School	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Uni-President Enterprises Corp.	-	06/23/2015	3	10/16/1997	266,671,029	37.94%	288,431,384	37.94%	-	-	-	-	-	-			
Director Representative	R.O.C.	Representative: Chih-Hsien Lo	M	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	Executive Vice President of Uni-President Enterprises Corp. MBA, U.C.LA, U.S.A.	(Note 2)	director	Shiow- Ling Kao	spouse
Director Representative	R.O.C.	Representative: Tsung-Ming Su	M	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	CFO and Vice President of Uni-President Enterprises Corp., Chairman of President International Development Corp., President Life Sciences Co., Ltd., MBA, Iowa State Univ., U.S.A.	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Kun-Shun Tsai	M	06/23/2015	3	06/23/2015	4,160	0.00%	4,499	0.00%	-	-	-	-	Director, Uni-President Natural Corp. Master of Science, University of Minnesota	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Tsung-Pin Wu	M	06/23/2015	3	06/23/2015	-	-	-	-	-	-	-	-	Director of Accounting Group, Uni-President Enterprises Corp. Accounting, Chung Yuan Christian University	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Yung-Fa Chen	M	06/23/2015	3	06/23/2015	6,375	0.00%	6,895	0.00%	762	0.00%	-	-	Sr. Vice President of R&D & Chief Technology Officer 1. Ph.D., Department of Chemistry, Wayne State University, U.S.A. 2. M.S., Department of Chemistry, National Taiwan University 3. B.S., Department of Chemistry, Tunghai University	(Note 2)	director	Sharon Lee	spouse

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Institutional Shareholder	R.O.C.	Kao Chyuan Inv. Co., Ltd.	-	06/23/2015	3	06/13/2002	13,186,248	1.88%	14,262,244	1.88%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Shiow-Ling Kao	F	06/23/2015	3	07/05/2010	-	-	-	-	-	-	-	-	Chairman and President of Kao Chyuan Inv. Co., Ltd. Marymount College, University of Southern California	(Note 2)	director	Chih- Hsien Lo	spouse
Director Institutional Shareholder	R.O.C.	President International Development Corp.	-	06/23/2015	3	07/06/2010	25,490,569	3.63%	27,570,598	3.63%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Chiou-Ru Shih	F	06/23/2015	3	07/06/2010	-	-	-	-	-	-	-	-	Vice General Manager, President International Development Corp. MA in Economics, University of Hawaii	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Tainan Spinning Co., Ltd.	-	06/23/2015	3	10/16/1997	20,985,578	2.99%	22,698,001	2.99%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Po-Ming Hou	M	11/10/2016	3	11/10/2016	-	-	-	-	-	-	-	-	Vice Chairman and President of Tainan Spinning Co., Ltd. Chinese Culture Univ., R.O.C	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	National Development Fund, Executive Yuan	-	06/23/2015	3	10/16/1997	97,379,785	15.85%	105,325,975	13.85%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Po-Wu Gean	M	06/23/2015	3	06/13/2002	71,171	0.02%	76,977	0.01%	-	-	-	-	Chairman, Department of Pharmacology, College of Medicine, NCKU Ph.D.: Department of Pharmacology, University of Texas Medical Branch, Galveston, Texas, U.S.A.	(Note 2)	-	-	-
Director Representative	R.O.C.	Representative: Ming-Shi Chang	F	06/23/2015	3	06/23/2015	-	-	-	-	-	-	-	-	Director of Department of Biochemistry in National Cheng-kung University University of Texas-South Western Medical Center	(Note 2)	-	-	-
Director Institutional Shareholder	R.O.C.	Taiwan Sugar Corporation	-	06/23/2015	3	06/13/2012	28,965,248	4.12%	31,328,811	4.12%	-	-	-	-	-	-	-	-	-
Director Representative	R.O.C.	Representative: Kuo-His Wang	M	01/11/2016	3	01/11/2016	-	-	-	-	-	-	-	-	Taiwan Sugar Corporation Deputy Chief. PhD, Department of Agricultural Chemistry, National Taiwan University	(Note 2)	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Wei-Cheng Tian	M	06/23/2015	3	4/27/2011	90,804	0.01%	98,213	0.01%	-	-	-	-	Professor, Institute of Microbiology & Immunology, National Yang-Ming University S & PhD, Department of Microbiology, Immunology and Molecular Genetics, University of Kentucky	(Note 2)	-	-	-
Independent Director	R.O.C.	Ih-Jen Su	M	06/23/2015	3	12/09/2010	-	-	-	-	1,124	0.00%	-	-	President, National Institute of Infectious Diseases and Vaccinology, National Health Research Institutes PhD in Pathology, Institute of Pathology, National Taiwan University	(Note 2)	-	-	-
Independent Director	R.O.C.	Wei-te Ho	M	06/23/2015	3	06/13/2012	-	-	-	-	-	-	-	-	Full-Time Lecturer, Department of Accounting Information, Southern Taiwan University of Science and Technology PhD, Department of Accountancy, National Cheng Kung University	(Note 2)	-	-	-

Note 1: Amount of shares held and Percentage of shares held as of April 29th, 2017

Note 2: Please see next page

Note 2 : Current position with other company

Name	Current Position with Other Company
Kao-Huei Cheng	Chairman of : Tainan Spinning Retail & Distribution Co., Ltd., Prince Housing & Development Corp., Ming Da Enterprises Co., Ltd., Southern Taiwan University of Science and Technology., Don-Fung Corp., Cheng-Shi Investment Holding Co., Time Square International Co., Ltd., Prince Property Management Consulting Co., Prince Corp., Prince Real Estate Co.,Ltd. Director of : Joyful Investment Co., Ltd., Uni-President Enterprises Corp., Uni-President Development Corp., President Fair Development Corp. › Uni-President Assets Management Co., Ltd., President Securities Corp., Keng Ting Enterprises Co., Ltd.,
Chih-Hsien Lo	Chairman of : Uni-President Enterprises corp., President Chain Store Corp., Ton Yi Industrial Corp., TTET Union Corp., Kai Yu Investment Co., President Packaging Corp., President International Development Corp., Uni-President Cold Chain Corp., Presco Netmarketing Inc., Uni-President Dream Parks Corp., Uni-OAO Travel Service Corp., Kai Nan Investment Co., Ltd., President Century Corp., Ltd., President Property Corporation, Tong Yu Investment Corp., Uni-President (Vietnam) Co., Ltd., Uni-President (Thailand) Ltd., Uni-President (Philippines) Corp., Changjiagang President Nisshin Food Co., Ltd., Foshan Sanshui jianlibao Commerce Co., Ltd., Uni-President China Holdings Ltd. (Cayman), President Enterprises (China) Investment Co., Ltd., Tong Ren Corp., Beijing President Food Co., Ltd. Vice Chairman of : President Nisshin Corp., Prince Housing &Development Corp., Time Square International Co., Ltd. Director of : President Baseball Team Corp., Nanlien International Corp., President Entertainment Corp., Tone Sang Construction Corp., Retail Support International Corp., Presicarre Corp., President Fair Development Corp., Tainan Spinning Retail & Distribution Co., Ltd., President Starbucks Coffee Corp., Uni-President Organics Corp., PK Venture Capital Corp., Uni-President Glass Industrial Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Uni-President Development Corp., Tait Marketing & Distribution Co., Ltd., Weilih Food Corp., Ming Da Enterprises Co., Ltd., Keng Ting Enterprises Co., Ltd., Cheng-Shi Investment Holding Co., Prince Property Management Consulting Co., Prince Corp., Prince Real Estate Co., Ltd., Uni-President Dream Parks Corp, Shanghai, Kao Chyuan Inv. Corp., PCS (BVI) Holdings Ltd., PCS (Labuan) Holdings Ltd., President Coffee (Cayman) Holdings Ltd., Shanghai President Starbucks Coffee Corp., Cayman President Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., President Packing Holdings Ltd., Uni-President Southeast Asia Holdings Ltd., PT. ABC President Indonesia, President Energy Development (Cayman Islands) Ltd. , Uni-President Asia Holdings Ltd., Uni-President International (HK) Co., Ltd., Yantai Tongli Beverage industries Co., Ltd., Beijing President Enterprises Drinks & Food Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Kunming President Enterprises Corp., Chengdu President Enterprises Food Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., Uni-President Enterprises (Kunshan) Food Technology Co., Ltd., Beijing President Enterprises Drinks & Food Co., Ltd., President Enterprises (Shanghai) Co., Ltd., Guangzhou President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Harbin President Enterprises Co., Ltd., Hefei President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Zhengzhou President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Zhanjiang President Enterprise Co., Ltd., Nanning President Enterprise Co., Ltd., Taizhou President Enterprises Co., Ltd. , Zhanjiang President Enterprise Co., Ltd., Changchun President Enterprise Co., Ltd., Shijiezhuanng President Enterprise Co., Ltd., Hainan President Enterprise Co., Ltd., Jinan President Enterprise Co., Ltd., Baiyin President Enterprise Co., Ltd., Xuzhou President Enterprise Co., Ltd., Guiyang President Enterprises Co., Ltd., Akesu President Enterprise Co., Ltd., Hangzhou President Enterprise Co., Ltd., Henan President Enterprises Co., Ltd., Shanxi President Enterprises Corp., President (Shanghai) Trading Co., Ltd., Ningxia President Enterprises Co., Ltd., Uni-President Enterprises (Inner Mongolia) Co., Ltd., Uni-President Enterprises (Shanxi) Co., Ltd., Uni-President Enterprises (Tianjin) Co., Ltd., Jangsu President Enterprises Co., Ltd., Uni-President Trading (Kunshan) Co., Ltd., Uni-President Trading (Hubei) Co., Ltd., President (Shanghai) Trading Co., Ltd., Uni-President Enterprises (ChangBai Mountain jilin) Mineral Water Co., Ltd., Wuyuan President Enterprises Mineral Water Co., Ltd., Bama President Mineral Water Co., Ltd., Wuxue President Mineral Water Co., Ltd., Uni-President Enterprise (Hutubi) Tomato Products Technology Co., Ltd., Uni-President Shanghai Pearly Century Co., Ltd., Uni-President Enterprises (Shanghai) Management Consulting Co., Ltd., Uni-President

Name	Current Position with Other Company
	Enterprises (China) Research & Development Center Co., Ltd., President Enterprises (Kunshan) Real Estate Development Co., Ltd., Champ Green Capital Limited, Champ Green (Shanghai) Consulting Co. Ltd., President of : Presco Netmarketing Inc.
Shiow-Ling Kao	Chairman of : Kao Chyuan Inv. Corp., President Being Corp., President Fair Development Corp., Uni-President Department Store Corp. · President Pharmaceutical Corp., President Drugstore Business Corp., Afternoon Tea Taiwan Co., Ltd. Director of : Uni-President Enterprises Corp., President Chain Store Corp., Ton Yi Industrial Corp., President International Development Corp., Uni-President Development Corp., Prince Housing &Development Corp., President Securities Corp., Time Square International Co., Ltd., President (Shanghai) Health Product Trading Company Ltd., President Starbucks Coffee Corp., Tainan Spinning Retail & Distribution Co., Ltd. President of : Kao Chyuan Inv. Corp.
Tsung-Ming Su	Chairman of : Uni-President Development Corp., President Life Sciences Co., Ltd., AndroSciences Corp. Director of : President Chain Store Corp., Kai Yu Investment Co., Ltd., Grand Bills Finance Corp., President Fair Development Corp., Tainan Spinning Retail & Distribution Co., Ltd., President Tokyo Corp., President Tokyo Auto Leasing Corp., Uni-President Tc-Lease (Cayman) Corporation , Kai Nan Investment Co., Ltd., President International Development Corp., Tong Yu Investment Corp., CDIB & Partners Investment Holding Corp., President Property Corporation, Uni-President China Holdings Ltd. (Cayman), Uni-President Hong Kong Holdings Limited, Xiang Lu Industrial Ltd., Tong Ting Gas Corp., Kuan Tang Industrial Harbor Corp., Tanvex Biologics, Inc., President Life Sciences Cayman Co., Ltd., President (BVI) International Investment Holdings Ltd., President Energy Development (Cayman Islands) Ltd., Tong- Sheng (Suzhou) Car Rental Co., Ltd. Independent Director of: Senao International Co., Ltd. Supervisor of : Presco Netmarketing Inc., Presicarre Corp., President Enterprises (China) Investment Co., Ltd. President of : President International Development Corp., President Life Sciences Co., Ltd., President Property Corporation
Kun-Shun Tsai	Chairman of : Uni-President Oven Bakery Corp., Director of : Tung –Ren Pharmaceutical Corp.
Tsung-Pin Wu	Chairman of : President Assets Management Co. , Ltd. Director of : President International Trade & Investment Corp., President Chain Store Corp., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co, Ltd., Tong Yu Investment Corp., Tung –Ren Pharmaceutical Corp., Uni-President Hong Kong Holdings Limited, Prince Housing &Development Corp., Time Square International Co., Ltd., Prince Real Estate Co., Ltd. Supervisor of : President Baseball Team Corp.,Tait Marketing & Distribution Co.,Ltd., President International Development Corp., President Entertainment Corp., Tone Sang Construction Corp., Kai Yu Investment Co.,Ltd., Kai Nan Investment Co.,Ltd., President Property Corporation, President Kikkoman Zhenji Foods Co., Ltd., President Kikkoman Inc.
Yung-Fa Chen	Director of : SPT International, Ltd., ScinoPharm Singapore Pte Ltd., ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., ScinoPharm Shanghai Biochemical Technology, Ltd. General Manager of : ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.,
Po-Ming Hou	Chairman of : Tainan Spinning Co., Ltd., Nan-Fan Housing Development Co., Ltd. Vice Chairman of : Tainan Spinning Retail &Distribution Co., Ltd. Managing Director of : Nantex Industry Co., Ltd. Director of : Uni-President Enterprises Corp., Prince Housing Development Corp., Scino Pharm Taiwan Ltd., President International Development Corp., President Entertainment Corp., Qware System & Services Corp.
Chiou-Ru Shih	Director of : Kang Na Hsiung Enterprise Co., , Ltd. SyNergy ScienTech Corp. , President Life Sciences Co., Ltd. Outlook Investment Pte Ltd. , Origene Technologies, Inc. , President Life Sciences Cayman Co., Ltd. Taiwan Branch Allianz Pharmascience Ltd., Grand Bills Finance Corp., Tung Ting Gas Corporation., Kuan Tang Industrial Harbour Corporation. Vice President of : President International Development Corp.

Name	Current Position with Other Company
Po-Wu Gean	1. Professor, Department of Pharmacology, College of Medicine, NCKU 2. Director, National Development Fund, Executive Yuan Representative: PharmaEngine, Inc.
Ming-Shi Chang	1. Chair Professor of National Cheng-Kung University 2. Director of Research Center of New Antibody Drug in National Cheng-Kung University 3. Director of Taiwan Antibody Association
Kuo-His Wang	1. Vice President of Taiwan Sugar Corporation 2. Director of TaiGen biotechnology Co., Ltd.
Wei-Cheng Tian	1. Adjunct Professor, Department of Life Sciences, National Yang-Ming University 2. Honorary Director, Taiwan Bio Industry Organization 3. Advisor, Medical and Pharmaceutical Industry Technology and Development Center 4. Representative of Institutional Director, IsoGreen Biotechnology Inc. 5. Representative of Institutional Director, Sino Cell Technologies Inc. 6. Representative of Institutional Director, Panlabs Biologics Inc. 7. Honorary Chairman, Taipei Biotech Association
Ih-Jen Su	1. Appointed Scientist, National Institute of Infectious Diseases and Vaccinology, National Health Research Institutes 2. Chair Professor, Department of Pathology, Medical College, National Cheng Kung University 3. Professor, Jointly Appointed, Southern Taiwan University of Science and Technology
Wei-te Ho	Assistant Professor, Department of Accounting Information, Southern Taiwan University of Science and Technology

Table I List of Major Shareholders of SPT's Institutional Shareholders

As of 12/31/2016

SPT's Institutional Shareholders	Major Shareholders of SPT's Institutional Shareholders (Holding Percentage)
National Development Fund, Executive Yuan	—
Uni-President Enterprises Corp.	Kao Chuan Investment Co., Ltd.(4.79%), the Investment Account of the BNP Paribas's Singapore branch in the consigned custody of HSBC Bank (Taiwan) Ltd. (3.20%), The Saudi Arabian Monetary Agency's Dedicated Investment Account in the consigned custody of JPMorgan Chase (3.05%), Hou Po-ming (2.60%), Hou Po-yu (2.27%), the Singapore government's dedicated fund account in the consigned custody of Citibank Taiwan (2.24%), Kao Hsiu-ling (1.64%), Liu Hsiu-jen (1.55%), T.Rowe Price Emerging Markets Stock Account in the consigned custody of Taipei branch of JPMorgan Chase (1.43%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.32%).
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.14%), Northern Region Branch of National Property Administration under the Ministry of Finance (9.92%), First Commercial Bank (0.75%), Changhwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Holding (0.14%), Mega Bank (0.13%), Land Bank of Taiwan (0.08%), and Taiwan Cooperative Bank (0.08%).
President International Development Corp.	Uni-President Enterprises Corp. (69.37%), Tainan Spinning Company (9.00%), Prince Housing & Development (6.63%), President Chain Store Corp. (3.33%), Ton Yi Industrial Corp. (3.33%), Tainan Spinning Construction (3.00%), Kao Chuan Investment (1.87%), NANTEX Industry Co., Ltd. (0.67%), and Nanlien International Corp. (0.67%).

Tainan Spinning Co., Ltd.	Hou Po-yu (6.255%), Hou Po-ming (6.233%), Hou Po-yi (6.156%) , Hsin Yung Hsing Investment Co., Ltd. (4.639%), Hsin Fu Hsing Industrial Co., Ltd. (4.200%), Hou Chen Pi-hua (1.572%), Fubon Life (1.525%), Chuang Ying-chih (1.524%), Chuang Ying-nan (1.471%), and Chi Shing Hou(1.090%).
Kao Chyuan Investment Co., Ltd	Kao Hsiu-ling (61.60%), Alex C. Lo (20.12%), Kao Lai-huan (13.40%), Kao Han-di 1.63%), (Kao Ching-yuan (0.97%), Kao Chi-yi (1.20%), and Lo His-ai (1.08%).

Table II Key members of Main Corporate Shareholders Listed in Table I

As of 12/31/2016

Names of corporate bodies	Main shareholders of corporate bodies
Ministry of Economic Affairs	Government unit
Northern Region Branch, National Property Administration, Ministry of Finance	Government unit
First Commercial Bank	First Financial Holding (100%)
Changhwa Commercial Bank	Taishin Financial Holding (22.55%), Ministry of Finance (12.19%), Lungyen Group (3.92%), First Commercial Bank (2.75%), National Development Fund, Executive Yuan (2.75%), Cheng Chang Investment Co., Ltd. (1.74%), Yun San Corp. (0.93.%), Dedicated Investment Account of Emerging Market Fund in the consigned custody of Citibank Taiwan (0.98%), Vanguard Emerging Markets Stock Index Fund (0.98%), Taiwan Tobacco & Liquor Corporation (0.92%)
Bank of Taiwan	Taiwan Financial Holdings (100%)
Taiwan Business Bank	Bank of Taiwan (17.22%), Dedicated Property Trust Account for Mega Holdings' non-exchange corporate bonds in the consigned custody of Hua Nan Commercial Bank (12.01%), Lin Chen Hai (2.87%), Chien Ming Investment Co., Ltd. (2.64%), Land Bank of Taiwan (2.43%), Ministry of Finance (2.21%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.24%), Shih Chun-chin (1.04%), Dedicated Investment Account of Emerging Market Fund in the consigned custody of Citibank Taiwan (1.02%), and BES Engineering Corp. (0.996%).
Hua Nan Commercial Bank	Hua Nan Financial Holdings (100%)
Central Investment Holding	KMT(100%)
Mega Bank	Mega Holdings (100%).
Land Bank of Taiwan	Ministry of Finance (100%)
Taiwan Cooperative Bank	Taiwan Cooperative Holdings (100%)
Prince Housing & Development	Uni-President Enterprises Corp. (10.03%), Tai Po Investment Co., Ltd. (5.16%), Nan Shan Life Insurance (4.66%), Tainan Spinning Construction (3.65%), Kao Chuan Investment (2.97%), Wu Tseng Chao-mei (2.40%), Jiou Fu Investment Co., Ltd. (1.73%), Hsin Yung Hsing Investment Co., Ltd. (1.63%), and Cheng Lung Investment Co., Ltd. (1.59%), San Shing Spinning Co., Ltd.(1.42%)

Names of corporate bodies	Main shareholders of corporate bodies
President Chain Store Corp	Uni-President Enterprises Corp. (45.40%), Matthews International Funds' Dedicated Investment Account in the consigned custody of HSBC (2.07%), Dedicated Scotland Royal FS Pacific Leader Investment Account in the consigned custody of Deutsche Bank (1.86%), Dedicated Trust Account for President Chain Store Corp.'s employees' welfare savings in the consigned custody of CTBC Bank (1.76%), Singapore government's dedicated fund account in the consigned custody of Citibank Taiwan (1.51%), Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (1.00%), Saudi Arabian Monetary Agency's Dedicated Investment Account in the consigned custody of JPMorgan Chase (0.99%), Labor Insurance Fund (0.90%), Columbia Aiken Trust Fund in the consigned custody of JPMorgan (0.88%), and Norges Bank's Dedicated Investment Account in the consigned custody of JPMorgan Chase (0.80%).
Ton Yi Industrial Corp.	Uni-President Enterprises Corp. (45.55%), Toyota Tsusho Corp. (5.61%), Maoda Investment Co., Ltd. (2.85%), Fubon Life (2.72%), Nan Shan Life Insurance (1.83%), JFE Steel Corp. (1.71%), Kai You Investment Co., Ltd. (1.67%), Kao Chuan Investment (1.55%), Public Service Pension Fund (1.02%), and Vanguard FTSE Emerging Markets ETF Account in the consigned custody of Standard Chartered Bank (0.87%).
Tainan Spinning Construction Corp.	Tainan Spinning Co. (99.99%), Hou Yu-li (0.01%)
NANTEX Industry Co., Ltd.	Tainan Spinning Co., Ltd. (21.43%), Jiou Fu Investment Co., Ltd. (4.87%), Ta Chen Construction & Engineering Corp. (2.71%), Hon Han Enterprise Co., Ltd. (2.18%), Hsin Ho Hsing Investment Co., Ltd. (2.00%), Cheng Lung Investment Co., Ltd. (1.02%), Hou Wen-teng (0.94%), Cheng Li-ling (0.57%), Chuang Ming-yao (0.50%) and Hou Wu-ming (0.23%).
Nanlien International Corp.	Uni-President Enterprises Corp.(99.99%), Kai You Investment Co., Ltd. (0.001%)
Hsin Yung Hsing Investment Co., Ltd.	Hou Po-yi (31.09%), Hou Po-yu (32.09%), Hou Po-ming (31.93%), Hou Cheng Pi-hua (1.42%)
Hsin Fu Hsing Investment Co., Ltd.	Hou Po-yi (23.00%), Hou Po-yu (24.00%), Hou Po-ming (24.00%), Hou Chen Pi-hua (9.00%), Hou Su Chin-chien (2.00%), and Hsin Yung Hsing Investment Co. , Ltd. (14.00%)
Fubon Life	Fubon Financial Holdings (100%)
Cathay Life Insurance	Cathay Financial Holdings (100%)

3.2.1.2 Professional qualifications and independence analysis of directors and supervisors

As of 4/30/2017

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Uni-President Enterprises Representative: Kao-Huei Cheng				✓			✓	✓				✓	✓		0
Uni-President Enterprises Representative: Chih-Hsien Lo				✓			✓						✓		0
Uni-President Enterprises Representative: Tsung-Ming Su			✓	✓			✓	✓				✓	✓		1
Uni-President Enterprises Representative: Kun-Shun Tsai				✓			✓	✓				✓	✓		0
Uni-President Enterprises Representative: Tsung-Pin Wu				✓			✓	✓				✓	✓		0
Uni-President Enterprises Representative: Yung-Fa Chen	✓			✓			✓	✓				✓	✓		0
Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao				✓	✓		✓						✓		0
President International Development Corp. Representative: Chiou-Ru Shih				✓			✓	✓				✓	✓		0
Tainan Spinning Co., Ltd. Representative: Po-Ming Hou				✓			✓	✓		✓	✓	✓	✓		0
National Development Fund, Executive Yuan Representative: Po-Wu Gean	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
National Development Fund, Executive Yuan Representative: Ming-Shi Chang	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Taiwan Sugar Corporation Representative: Kuo-his Wang				✓			✓	✓				✓	✓		0
Wei-Cheng Tian	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ih-Jen Su	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei-te Ho	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The Same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Information of Management Team

As of 12/31/2016 ; Unit : Shares ; %

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Chief Strategy Officer	R.O.C.	Kao-Huei Cheng	M	105.01.01	1,807,430	0.238%	-	-	-	-	Education: Tainan Senior Commercial High School Work Experience: Chairman and President of Tainan Spinning Co., Ltd.	Chairman of : Tainan Spinning Retail & Distribution Co., Ltd., Prince Housing & Development Corp., Ming Da Enterprises Co., Ltd., Southern Taiwan University of Science and Technology, Don-Fung Corp., Cheng-Shi Investment Holding Co., Time Square International Co., Ltd., Prince Property Management Consulting Co., Prince Corp., Prince Real Estate Co., Ltd. Director of : Joyful Investment Co., Ltd., Uni-President Enterprises Corp., Uni-President Development Corp., President Fair Development Corp. , Uni-President Assets Management Co., Ltd., President Securities Corp., Keng Ting Enterprises Co., Ltd.,	-	-	-
President & CEO, Chief Technology Officer	R.O.C.	Yung-Fa Chen	M	92.09.01	6,895	0.001%	762	0.000%	-	-	Education: PhD in Chemistry, Wayne State University of the U.S.; Master Degree, Graduate Institute of Chemistry, National Taiwan University; Tunghai University Department of Chemistry. Work Experience: Senior vice president and chief R&D officer of ScinoPharm's R&D Center; Adjunct associate professor at Tunghai University Department of Chemistry; and Project manager at the Refining & Manufacturing Research Institute of CPC Corp., Taiwan.	Director of : SPT International, Ltd., ScinoPharm Singapore Pte Ltd., ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., ScinoPharm Shanghai Biochemical Technology, Ltd. General Manager of : ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	director-	Sharon Lee	spouse
Vice-President Marketing and Sales & Strategic Officer	R.O.C.	Ching-Wen Lin	F	99.06.01	102,519	0.013%	32,224	0.004%	-	-	Education: PhD in Chemistry at The Hong Kong Polytechnic University. Work Experience: Researcher, senior marketing manager and marketing director at ScinoPharm..	ScinoPharm (Changshu) Pharmaceuticals, Ltd. Director ,ScinoPharm Shanghai Biochemical Technology, Ltd. Director& CEO Medical and Pharmaceutical industry Technology and Development Center Supervisors Chung Hsing Science and Culture Education Foundation Director ,	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manage ScinoPharm (ChangShu) Pharmaceuticals , Ltd.	R.O.C.	Kuo-Hsi Cheng	M	96.08.23	11,778	0.002%	-	-	-	-	Education : Ph.D. in Environmental Health Sciences Johns Hopkins University School of Public Health Work Experience: Vice President of Operations, ScinoPharm Taiwan, Senior Director of Operations, ScinoPharm Taiwan, Director of EHS & Plant Support Services, ScinoPharm Taiwan, Manager of Environmental Health & Safety, ScinoPharm Taiwan, Manager of Environmental and Safety Section, Grand Pacific Petrochemical Corporation, Kaohsiung, Taiwan	SPT International, Ltd. Director 、ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., Director 、, ScinoPharm (Changshu) Pharmaceuticals, Ltd., Director & CEO 、 ScinoPharm Shanghai Biochemical Technology, Ltd. Director	-	-	-
Vice President Operations	R.O.C.	Chih-Fang Chen	M	96.08.23	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Cheng Kung University Work Experience: Director at TASCO and Tuntex; Director at ScinoPharm's pilot plant, senior manager at the firm's production center, director of production center and senior director of production center.	NA	-	-	-
Vice President Administration	R.O.C.	Tsung-Jung Yen	M	103.07.01	-	-	-	-	-	-	Education: Department of Accounting, Feng Chia University Work Experience: Assistant accounting manager at Uni-president Enterprises Corp.; financial manager at Uni-Hanku; financial manager at Uni-Takashimaya; financial manager at Uni-President Hong Kong Holdings Ltd.	NA	-	-	-
Vice President of Injectable Business Division	R.O.C.	Li-Chiao Chang (Note 2)	F	96.11.19	8	0.000%	-	-	-	-	Education: PhD in Chemistry, National Taiwan University Work Experience: Senior researcher, quality control director, senior analysis and research manager, senior director of pharmaceutical preparation & peptide products development at ScinoPharm.	NA	-	-	-
Senior Director Research and Development	R.O.C.	Yu-Fen Hung	F	99.09.15	103,072	0.014%	-	-	-	-	Education : PhD in Chemistry, Stanford University, USA Work Experience : Research Scientist, Roche Palo Alto. Chief Researcher, Manager, Senior Manager, Director, ScinoPharm Taiwan	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Director Plant Support Services	R.O.C.	Chin-Lin Liu	M	96.11.01	-	-	-	-	-	-	Education: Master in Chemical Engineering at National Tsing Hua University Work Experience: Deputy plant chief at Tuntex Petrochemicals Inc.; senior director of ScinoPharm's production procedure technology department.	ScinoPharm (Changshu) Pharmaceuticals, Ltd. Supervisors	-	-	-
Director Finance	R.O.C.	Chih-Hui Lin	F	99.06.01	-	-	-	-	-	-	Education: Executive Master of Business Administration of National Cheng Kung University Work Experience: Manager of international finance and accounting at Airmate (Cayman) International; accounting manager, senior accounting manager at ScinoPharm.	ScinoPharm Singapore Pte Ltd. Director SPT International, Ltd Director 、 ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. Supervisors 、 ScinoPharm (Changshu) Pharmaceuticals, Ltd., Supervisors 、 ScinoPharm Shanghai Biochemical Technology, Ltd Supervisors	-	-	-
Director Purchasing & IT	R.O.C.	Chao-An Chou	M	99.07.16	6,419	0.001%	-	-	-	-	Education: Department of Economics, Chinese Culture University Work Experience: Specialist, Teco Electric & Machinery Co.; vice president, Wang Laboratories Inc.; central information manager, Hon Hai Precision Industry Co., vice president, Ole Technology Ltd.; and production material control & information technology department director at ScinoPharm.	NA	-	-	-
Director Human Resources & Administration	R.O.C.	Jessie Wang	F	98.09.01	132	0.000%	-	-	-	-	Education: Master in Electronic Communication, Michigan State University Work Experience: Management specialist at ITRI's Center for Measurement Standards; deputy manager at New Century InfoComm Tech Co.; ScinoPharm's public relations manager.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Director of DPT	R.O.C.	Lung Huang Kuo (Note 3)	M	99.09.15	-	-	-	-	-	-	Education: PhD in Chemistry, University of Pittsburgh Work Experience: Postdoctoral research in chemistry, Ohio State University; director of Synthesis Research Institute at Sinon Corp.; manager of Synthesis Department , Standard Chem. & Pharm. Co.; senior production procedure research manager at ScinoPharm.	NA	-	-	-
Director of Custom Synthesis	R.O.C.	Ling-Hsiao Lien (Note 4)	M	100.01.03	-	-	-	-	-	-	Education: Bachelor & Master in Chemical Engineering, National Cheng Kung University Work Experience: Researcher, Kao (Taiwan) Corp.; quality assurance engineer at ASE Group; researcher, production procedure research manager, and senior manager, and production procedure technology senior manager at ScinoPharm.	NA	-	-	-
Director Regulatory Technical Service	R.O.C.	Luh-Chian Chang	F	101.05.01	-	-	-	-	-	-	Education: PhD in pharmacy, University of IOWA Work Experience: researcher at GeneLab and Scios Inc. of the U.S.; chief analyst and researcher, senior quality assurance specialist, manager & senior manager of pharmaceutical regulations at ScinoPharm.	NA	-	-	-
Director Injectable Plant	R.O.C.	Nan-Sheng Chan	M	101.11.07	85,766	0.011%	-	-	-	-	Education: PhD in Chemical Engineering, Texas A&M University Work Experience: Researcher, ITRI's Materials & Chemical Research Laboratories; chief researcher, Standard Chem.& Pharm. Co.; chemical engineer, Jurox Pty Ltd. of Australia; marketing research manager and senior manager, product and market research department director, ScinoPharm.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Production & Material Management	R.O.C.	Sharon Lee	F	104.08.04	762	0.000%	6,895	0.001%	-	-	Education: Department of Chemistry, National Taiwan University; Master in chemistry, Kansas State University; PhD in Chemistry , Wayne State University. Work Experience: Assistant director of laboratories, Diversified Chemical Technologies of the U.S.; planning section chief at Refining & Manufacturing Research Institute, CPC Corp., Taiwan; production and product planning manager, senior production control manager, senior manager of production and production materials control at ScinoPharm.	NA	President & CEO, Chief Technolo gy Officer	Yung- Fa Chen	spouse
Director New Drug Development	U.S.A.	Erick Co (Note 5)	M	104.2.01	-	-	-	-	-	-	Education: PhD in Organic Chemistry, UCLA; Department of Chemistry, California Institute of Technology Work Experience: Senior Scientist, Exelixis Inc., 、 Senior Scientist, Takeda San Diego Inc., 、 Project Manager/Chief Scientist, Nitto Denko Technical Corporation 、 manager at ScinoPharm's New Pharmaceuticals Development Department.	NA	-	-	-
Director Audit Office	R.O.C.	Shun Yang Lin	M	104.08.03	-	-	-	-	-	-	Education: Department of In; international Trade, Tunghai University; Master in accounting and information technology, National Chung Cheng University. Work Experience: ScinoPharm's accounting manager, financial planning manager; deputy director of financial and accounting department, Chi Lin Optoelectronics Co.; chief financial and accounting administrator at RiPAL Optotronics, a subsidiary of Compal Group; chief financial officer at Hsin Kai Luo Precision Machinery Co.	NA	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Manager Legal Affairs	R.O.C.	Hui-Ching Chou (Note 6)	F	100.03.23	83	0.000%	-	-	-	-	Education : National Chengchi University, College of Law (LL.M.); Peking University Law School (Ph.D.) Work Experience: Lee and Li, Attorneys-at-Law, Senior Associate; Lee and Li - Leaven IPR Agency Ltd. in Beijing, Deputy Manager	NA	-	-	-

(Note 1): Holding Shares and holding percentage as of April 29th 2017.

(Note2): The Director was promoted as a Vice President of Injectable Business Division on 1/1/2017

(Note 3): The director was re-assigned on. 2/15/ 2017 to serve as a Senior Director of DPT

(Note 4): The Director was re-assigned on. 2/15/ 2017 to serve as a Director of Custom Synthesis

(Note 5): The Director was discharged on 3/1/2017

(Note 6): The Director was discharged on 3/4/2017

3.3 Remuneration paid to Company directors, supervisors, president, and senior vice presidents over the past year

3.3.1 Remuneration paid to each individual director

December 31, 2016 / Unit: NT\$ thousands

Title	Name	Total Director Remuneration								Summation of A, B, C, and D as a % of After- Tax Income	Compensation to Directors Also Serving as Company Employees								Summation of A, B, C, D, E, F and G as a % of After-Tax Income		Compensation from Affiliates Other Than Subsidiaries	
		Remuneration (A)		Pensions (B)		Director Remuneration (C)		Business Expenses (D)			Salary, Bonuses, and special Allowance (E)		Pensions (F)		Employee Compensation (G)							
		SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT	All consolidated companies	SPT		All consolidated companies		SPT		All consolidated companies
Director	Uni-President Enterprises Corp.	7,535	7,535	1,050	1,050	11,734	11,734	10,230	10,230	4.64%	4.64%	9,590	10,230	400	400	4,900	-	4,900	-	6.90%	7.00%	None
Chairman	Uni-President Enterprises Corp. Representative : Kao-Huei Cheng																					
Director	Uni-President Enterprises Corp. Representative : Chih-Hsien Lo																					
Director	Uni-President Enterprises Corp. Representative : Tsung-Ming Su																					
Director	Uni-President Enterprises Corp. Representative : Kun-Shun Tsai																					
Director	Uni-President Enterprises Corp. Representative : Tsing-Pin Wu																					
Director	Uni-President Enterprises Corp. Representative : Yung-Fa Chen																					
Director	Tainan Spinning Co., Ltd. Representative : Chien-Li Yin																					
Director	Tainan Spinning Co., Ltd. Representative : Po-Ming Hou																					
Director	President International Development Corp. Representative : Chiou-Ru Shih																					
Director	National Development Fund, Executive Yuan Representative : Po-Wu Gean																					
Director	National Development Fund, Executive Yuan Representative : Ming-Shi Chang																					
Director	Kao Chyuan Investment Co., Ltd																					
Director	Kao Chyuan Investment Co., Ltd Representative : Shiow-Ling Kao																					
Director	Taiwan Sugar Corporation																					
Director	Ih-Jen Su																					
Director	Wei-Te Ho																					
Director	Wei-Cheng Tian																					

Range of remuneration for directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Uni-President Enterprises Corp. Representative: Kao-Huei Cheng Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 Tainan Spinning Co., Ltd. Representative:Po-Ming Hou 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 Taiwan Sugar Corporation 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Kao-Huei Cheng Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Uni-President Enterprises Corp. Representative: Yung-Fa Chen 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 Tainan Spinning Co., Ltd. Representative:Po-Ming Hou 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 Taiwan Sugar Corporation 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 Tainan Spinning Co., Ltd. Representative:Po-Ming Hou 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 Taiwan Sugar Corporation 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho	Uni-President Enterprises Corp. Representative: Chih-Hsien Lo 、 Uni-President Enterprises Corp. Representative: Tsung-Ming Su 、 Uni-President Enterprises Corp. Representative: Kun-Shun Tsai 、 Uni-President Enterprises Corp. Representative: Tsung-Pin Wu 、 Tainan Spinning Co., Ltd. Representative: Chien-Li Yin 、 Tainan Spinning Co., Ltd. Representative:Po-Ming Hou 、 President International Development Corp. Representative: Chiou-Ru Shih 、 Kao Chyuan Inv. Co., 、 Ltd. Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao 、 National Development Fund, Executive Yuan Representative: Po-Wu Gean 、 National Development Fund, Executive Yuan Representative: Ming-Shi Chang 、 Taiwan Sugar Corporation 、 Ih-Jen Su 、 Wei-Cheng Tian 、 Wei-te Ho
NT\$2,000,001 ~ NT\$5,000,000	0	0	0	0
NT\$5,000,001 ~ NT\$10,000,000	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng Uni-President Enterprises Corp.	Uni-President Enterprises Corp. Representative: :Kao-Huei Cheng Uni-President Enterprises Corp.
NT\$10,000,001 ~ NT\$15,000,000	0	0	Uni-President Enterprises Corp Representative: Yung-Fa Chen	Uni-President Enterprises Corp Representative: Yung-Fa Chen
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	18	18	18	18

3.3.2 Remuneration of supervisors: The company set up an audit committee at the shareholders' meeting in 2012 to assume the functions of supervisors.

3.3.3 President and senior vice president remuneration

December 31, 2016 / Unit: NT\$ thousand dollars

December 31, 2016/ Unit: NT\$ thousand dollars

Title	Name	Salary(A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Chief Strategy Officer	Kao-Huei Cheng	17,025	19,250	917	917	5,777	6,488	8,250		8,250		4.85%	5.30%	None
President	Yung -Fa Chen													
Vice President	Kuo Hsi Cheng													
Vice President	Ching-Wen Lin													
Vice President	Patricia Chou (Note 3)													
Vice President	Chih Fang Chen													
Vice President	Tsung-Jung Yen													

Range of remuneration for president and senior vice presidents

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Tsung-Jung Yen 、 Patricia Chou	Tsung-Jung Yen 、 Patricia Chou
NT\$2,000,001 ~ NT\$5,000,000	Kao-Huei Cheng 、 Chih Fang Chen	Kao-Huei Cheng 、 Chih Fang Chen
NT\$5,000,001 ~ NT\$10,000,000	Ching-Wen Lin 、 Kuo Hsi Cheng	Ching-Wen Lin 、 Kuo Hsi Cheng
NT\$10,000,001 ~ NT\$15,000,000	Yung-Fa Chen	Yung-Fa Chen
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	7	7

3.3.4. Distribution of bonuses to Company management during

December 31st 2016 ; Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%) (%)
Executive Officers	President & CEO, Chief Technology Officer	Yung-Fa Chen	—	14,324	14,324	2.17%
	Vice President Operations	Chih-Fang Chen				
	Vice-President Marketing and Sales & Strategic Officer	Ching-Wen Lin				
	General Manage ScinoPharm (ChangShu) Pharmaceuticals, Ltd.	Kuo-Hsi Cheng				
	Head Injectable Business	Li-Chiao Chang				
	Senior Director Research and Development	Yu-Fen Hung				
	Senior Director Plant Support Services	Chin-Lin Liu				
	senior director at the R&D center of ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Lung Huang Kuo				
	Director Finance	Chih-Hui Lin				
	Director Purchasing & IT	Chao-An Chou				
	Director Process Technology	Ling-Hsiao Lien				
	Director Injectable Plant	Nan-Sheng Chan				
	Director Regulatory Technical Service	Luh-Chian Chang				
	Director Human Resources & Administration	Jessie Wang				
	Director Audit Office	Shun Yang Lin				
	Director Production & Material Management	Sharon Lee				

3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

	The company		Companies in the consolidated financial statements	
	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	2015	2016	2015	2016
Total remuneration paid to directors,	5.44	4.64	5.44	4.64
Total remuneration paid to Supervisors	-	-	-	-
Total remuneration paid to presidents and vice presidents	4.42	4.85	5.27	5.30

- (a) Remunerations of directors and supervisors include reward, transportation allowance, income from professional practice, and earnings distribution.
- (b) Remunerations of president and vice presidents are figured out in accordance with the company's "Personnel Rules and Regulations" and their bonuses will be adjusted based on the company's annual business performance.
- B. Remuneration policy, standards and packages, procedures for determining remuneration and the correlation with operating performance and future risk exposure:
- (a) Remunerations of directors and supervisors include reward, transportation allowance, income from professional practice, and earnings distribution. The rewards of directors and supervisors will be determined by the board of directors, based on authorization by the company as set in company rules and regulations, after weighing the degree of their participation in the company's business operations, the value of their contributions and the rewards of their counterparts of the company's peers. The distribution of earnings to directors and supervisors, totally in accordance with company rules and regulations, will be carried out after being deliberated by board of directors and ratified by the shareholders' meeting.
- (b) Remunerations of president and vice presidents include regular pay and employee bonus. The regular pay will be determined after their contributions to the company and the average pay level of the company's peers are taken into consideration. The allocation criteria for employee bonus will be based on company rules and regulation and the allocation will be done after being deliberated by the board of directors and ratified by the shareholders' meeting.
- (c) Related remunerations are to be determined in accordance with contributions to the company and the remuneration levels of the company's peers, and the remuneration figures will be revealed in accordance with related rules and regulations of the law.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

Total of 6 meetings of the Board of Directors were held in the previous period. The attendance of directors were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Uni-President Enterprises Corp Representative : Kao-Huei Cheng	6	0	100%	None
Director	Uni-President Enterprises Corp Representative : Chih-Hsien Lo	5	1	83%	None
Director	Uni-President Enterprises Corp Representative : Tsung-Ming Su	5	1	83%	None
Director	Uni-President Enterprises Corp Representative : Kun-Shun Tsai	6	0	100%	None
Director	Uni-President Enterprises Corp Representative : Tsung-Pin Wu	6	0	100%	None
Director	Uni-President Enterprises Corp Representative : Yung-Fa Chen	6	0	100%	None
Director	President International Development Corp. Representative: Chiou-Ru Shih	5	1	83%	None
Director	Kao Chyuan Inv. Co., Ltd. Representative: Shiow-Ling Kao	3	3	50%	None
Director	Tainan Spinning Co., Ltd. Representative: Chien-Li Yin	5	0	100%	Old term; Dismissed on November 10 th 2016 Attending five meetings of the board of directors from January 1 ST 2016 to November 10 th 2016
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou	0	1	0%	New term; Newly assigned on November 10 th 2016. Attending one meetings of the board of Directors from November 10 th 2016 to December 31 st 2016
Director	National Development Fund, Executive Yuan Representative: Po-Wu Gean	5	1	83%	None
Director	National Development Fund, Executive Yuan Representative: Ming-Shi Chang	5	1	83%	None
Director	Taiwan Sugar Corporation Representative: Chin-Jung Yang	0	0	—	Old term; Dismissed on January 11 th , 2016. Didn't attend any of the

					board of directors meeting from January 1 st 2016 to December 31 st 2016
Director	Taiwan Sugar Corporation Representative: Kuo-His Wang	6	0	100%	New term; Newly assigned on November 10 th 2016. Attending six meetings of the board of Directors from November 10 th 2016 to December 31 st 2016
Independent Director	Wei-Cheng Tian	6	0	100%	None
Independent Director	Ih-Jen Su	5	1	83%	None
Independent Director	Wei-Te Ho	6	0	100%	None

Other issues to be noted:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - Issues specified in Article 14-3 of the Securities and Exchange Act: The company had set up the Audit Committee, Please refer to page 33" Operations of the Audit Committee " for more information regarding to Article 14-5 of the Securities and Exchange Act.
ScinoPharm held 7 board meetings over the past fiscal year and did not have any matters listed in Article 14-3 of the Securities and Exchange Act or other matters not passed by independent directors. Please refer to page 77~79.
 - Other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board: None.
- If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
The company has established a set of "Regulations Governing Procedure for Board of Directors Meetings," and Article 14 of the regulations stipulates that directors can present opinions and answer questions when the meeting's subjects are related to their own interests or the interests of the corporate bodies they represent and are likely to undermine the interests of the company, but they are prohibited from joining discussions or voting operation. They should absent themselves from discussion and vote, and cannot vote on behalf of other directors.
- Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
 - The decision to set the regulations governing the organization of an audit committee was made at the 23rd meeting of the sixth-term board of directors, held on April 26, 2012.
 - The 2012 shareholders' meeting, held on June 13 that year, passed the resolution to set up an audit committee to replace the supervisors system.
 - The 2012 shareholders' meeting, held on June 13 that year, passed the resolution to set up an audit committee to replace the supervisors system.
 - The fourth meeting of the seventh-term board of directors, held on December 14, 2012, passed a proposal to revise the company's "Regulations Governing Procedure for Board of Directors Meetings" to intensify the procedure of resolution concerning major donations and prevent other participants in the meetings from affecting discussions and votes by directors, so as to better reveal the avoidance of conflicts of interests by directors. The proposal was initiated totally in accordance with the No. 1010034136 decree issued by Financial Supervisory Commission on August 22, 2012 to highlight revisions to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies." The proposal was forwarded to the 2013 shareholders' meeting for final resolution.
 - Starting from the second half of 2012, the company moved to redesign its website to enhance relations with investors and boost information transparency.
 - The 18th meeting of the seventh-term board of directors approved the "Regulations Governing the Criteria for Screening Nominations & Operation Procedures" and the "Regulations Governing the Criteria for Screening Proposals & Operation Procedures," aiming to safeguard the interests of minor shareholders in nominating director candidates and raising proposals and boost the company's information transparency to upgrade its corporate governance.

3.4.2 Operations of the Audit Committee:

As of publication of the Annual Report, there had been a total of 8 meetings of the Audit Committee over the past fiscal year.

Independent director attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	Wei-Cheng Tian	8	0	100%	N/A
Independent director	Ih-Jen Su	7	1	88%	N/A
Independent director	Wei-te Ho	8	0	100%	N/A

Other mentionable items:

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - (1)Article 14-5 of the Securities and Exchange Act listed items:
There had been a total of 9 meetings of the Audit Committee as of 2016 and up to the publish date of the annual report, The meeting resolutions are listed in Note 1. The Article 14-5 of the Securities and Exchange Act listed items: are all approved by Audit Committee.
 - (2)Other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors: None.
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
 - (1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well in 2016..
 - (2)The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well in 2016..
 - (3)The communication among the independent directors, internal auditors and CPAs are listed in Notes 2 and Note 3.

Note 1. Major resolutions or opinion during the Auditing Meetings

Board of Directors	Contents of Resolutions and follow-up	Circumstances listed in Article 14-5 of the Securities and Exchange Act	Circumstances not approved by the Audit Committee but were approved by two thirds or more of all directors
(1) The sixth meeting of the Eighth Session of Board of Directors (March 25, 2016)	a. The company's Remuneration distribution plans for directors for fiscal 2015.and employees and vice president and above.	✓	none
	b. The company's Parent and Consolidated financial reports for fiscal 2015.	✓	none
	c. The company's "Statement for Internal Control Systems" for fiscal 2015	✓	none
	d. The Company's evaluation results regarding the independence and suitability of the CPAs and the appointment of chartered certified accountant and remuneration package.	✓	none
	e. The company cooperates with the internal reorganization of accounting firm to replace CPA.	✓	none
	Audit Committee resolution (March 9, 2016): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
	f. The replacement of the Company's financial officer. Director Finance, Chih-Hui-Lin is deputy Financial officer and act as Accounting officer concurrently, also act as Deputy Spokesperson.	✓	none °
	Audit Committee resolution (March 25, 2016): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
	a. The company's business report, parent and consolidated financial reports for fiscal 2015.	✓	none
	b. The company's income distribution plan for fiscal 2015	✓	none
	c. The company increases capital through issuance of 29,243,315 new share using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares.	✓	none
	Audit Committee resolution (March 25, 2016): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
(2) The seventh meeting of the Eighth Session of Board of Directors (May 9,2016)	a. The company's consolidated financial statement and Auditor's report for the first quarter Of 2016	✓	none
	Audit Committee resolution (April 29, 2016): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		
(3) The eighth meeting of the Eighth Session of Board of Directors (June 27, 2016)	a. The company's evaluation results regarding the independence and suitability of the CPAs	✓	none
	b. The company cooperates with the internal reorganization of accounting firm to replace CPA.	✓	none
	Audit Committee resolution (June 27, 2016): approval has been obtained from all Audit Committee members		
	Company's response to the Audit Committee's opinion: Approval has been obtained from all attended Board members. .		

Board of Directors	Contents of Resolutions and follow-up	Circumstances listed in Article 14-5 of the Securities and Exchange Act	Circumstances not approved by the Audit Committee but were approved by two thirds or more of all directors
(4) The Ninth meeting of the Eighth Session of Board of Director (August 4, 2016)	a. The company's consolidated financial statement for the second quarter of 2016	✓	none
	b. The revision of the company "policy of ScinoPharm Group on endorsement, guarantee, loaning, and screening".	✓	none
	Company's response to the Audit Committee's opinion(August 3, 2016) : Approval has been obtained from all attended Board members. .		
	Company's response to the Audit Committee's opinion : Approval has been obtained from all attended Board members. .		
(5) The tenth meeting of the Eighth Session of Board of Directors (November 8, 2016)	a. The company's consolidated financial statement and Auditor's report for the third quarter of 2016	✓	none
	b. The revision of the company "Corporate Governance Best Practice Principles".	✓	none
	Company's response to the Audit Committee's opinion(November 4, 2016) : Approval has been obtained from all attended Board members. .		
	Company's response to the Audit Committee's opinion : Approval has been obtained from all attended Board members. .		
(6) The eleventh meeting of the Eighth Session of Board of Directors (December 20, 2016)	a. The CPA's annual Audit plan and communicate report with company's governance unit	✓	none
	b. ScinoPharm audit planning for 2017.	✓	none
	c. Proposed the revision of the company's "Corporate Social Responsibility Best Practice Principles".		
	Company's response to the Audit Committee's opinion(December 9, 2016) : Approval has been obtained from all attended Board members.		
	Company's response to the Audit Committee's opinion : Approval has been obtained from all attended Board members. .		
(7) The twelfth meeting of the Eighth Session of Board of Directors (March 28, 2017)	a. The company's Remuneration distribution plans for directors for fiscal 2016.and employees and vice president and above.	✓	none
	b. The company's business report, parent and consolidated financial reports for fiscal 2016.	✓	none
	c. The company's income distribution plan for fiscal 2016.	✓	none
	d. The company increases capital through issuance of 30,413,047 new share using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares. °	✓	none
	e. The company's "Statement for Internal Control Systems" for fiscal 2016	✓	none
	f. The Company's evaluation results regarding the independence and suitability of the CPAs and the appointment of chartered certified accountant and remuneration package.	✓	none
	g. The company cooperates with the internal reorganization of accounting firm to replace CPA.	✓	none
	h. the revision of the company "Processing Procedures for Acquisition and Disposal of Assets".	✓	none
	Company's response to the Audit Committee's opinion(March 17, 2017) : Approval has been obtained from all attended Board members.		
	Company's response to the Audit Committee's opinion : Approval has been obtained from all attended Board members. .		

Note 2: The communications key points between the independent directors and the internal auditors

Date	Communication Key Points
03/09/2016 Audit Committee 03/25/2016 Board of Directors	1. Reviewing the Internal Auditor's report for the fourth quarter of 2015. 2. Reviewing and approving 2015 Statement of Internal Control System.
04/29/2016 Audit Committee 05/09/2016 Board of Directors	Reviewing the Internal Auditor's report for the fourth quarter of 2016.
08/03/2016 Audit Committee 08/04 2016 Board of Directors	Reviewing the Internal Auditor's report for the fourth quarter of 2016.
11/04/2016 Audit Committee 11/08/2016 Board of Directors	Reviewing the Internal Auditor's report for the fourth quarter of 2016.
12/09/2016 Audit Committee 12/20/2016 Board of Directors	2017 Audit planning
03/17/2017 Audit Committee 03/28/2017 Board of Directors	1. Reviewing the Internal Auditor's report for the fourth quarter of 2016. 2. Reviewing and approving 2016 Statement of Internal Control System.

Note 3: The communications key points between the independent directors and the independent auditor

Date	Communication Key Points
03/09/2016 Audit Committee	The CPA's response in connection with 2015 financial report audit report and problems raised by independent directors
04/29/2016 Audit Committee	The CPA's response in connection with financial statements audit report for first quarter of 2016 and problems raised by independent directors
08/03/2016 Audit Committee	1.The CPA's response in connection with financial statements audit report for second quarter of 2016 and problems raised by independent directors 2. CPA's report in connection with new "Audit Regulations for CPAs".
11/04/2016 Audit Committee	The CPA's response in connection with financial statements audit report for third quarter of 2016 and problems raised by independent directors
12/09/2016 Audit Committee	The CPA's response in connection with 2016 Audit planning, the role of CPA in charge and his/her responsibility, risk assessment ,etc. and problems raised by independent directors
03/17/2017 Audit Committee	The CPA's response in connection with 2016 financial statements audit report and problems raised by independent directors

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company established its own “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” with the principles passed by the board of directors on May 8, 2014 and partly revised on May 7, 2015 and Nov 8, 2016 in line with the revisions made by competent authorities. The latest contents of the company’s corporate governance best practice principles are revealed on the Market Observation Post System of the TWSE and on the “Investor Relationship/ Corporate Governance” section of the company’s own website.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The company has established the “Rules of Procedure for Shareholders Meetings”, and convenes annual shareholders meeting to serve as a channel of communications with shareholders. In addition, in order to build a good and instant mechanism of exchanges with investors, the company has also set up spokespersons, acting spokespersons, public affairs and stock affairs specialists to deal with shareholders’ proposals or quench their doubts. In case of any dispute or possible lawsuit, these spokespersons and specialists will seek opinions from the legal affairs unit to work out appropriate countermeasures.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		In addition to the setup of a contact window for stock affairs, the company has commissioned a stock affairs agent to deal with shareholders - related affairs. It grasps the information on major shareholders and final controllers through the name list of shareholders compiled by the agent, and regularly reports the changes in shareholdings of directors and managers to regulators.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		There are a spate of rules and regulations established to facilitate the management and control of the company’s transactions with and guarantee endorsements for its affiliated enterprises, as well as extension of loans to others. In addition, the company has worked	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			out a set of “Rules for Monitoring Operations of Subsidiaries” to carry out the mechanism of risk control over the subsidiaries, in accordance with the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” issued by the Financial Supervisory Commission.	
(4)Does the company establish internal rules against insiders trading with undisclosed information?	✓		In order to better help all the staff with an accurate concept of corporate governance and prevent the possible occurrence of insider tradings, the company’s board of directors has passed the formulation of “Procedures for Handling Major Internal Information” and the establishment of the “Procedure s for Ethical Management and Guidelines for Conduct.” In order to meet the requirements set by competent authorities in revealing its financial and business operation information to the public, and make all its staffs better understand related rules and regulations, the company has also established “Guidelines for Online Filing of Public Information” and “Code of Employee Conduct.” The announcements and amendments of all the rules and regulations mentioned above are made known to all employees via e-mails, and are posted on the “Investor Relationship/ Corporate Governance” section of the company’s website for public reference and check.	None
3.Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members?	✓		1. The company has called for, in "practical guidelines for corporate governance" and "measures for the election of directors and supervisors," pluralized membership for the board of directors, specifying that directors with a managerial position at the same time should account for more than one third of the seats on the board of directors and the number of directors whose spouses or relatives within second-degree kinship also sit on the board of directors should not exceed a half of the total seats. In addition, the company has also formulated the policy of pluralization for its operation, business types, and development need, in terms of, but not limited to, criteria in the following two aspects:	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(1) fundamental conditions and values: gender, age, etc. (2) professional knowledge and skill: professional background, professional skill, and industrial experience. 2. The company's board of directors consists of 15 seats (including three for independent directors), of which 12 are males and three females, whose professional backgrounds cover commerce, industry, finance and accounting, business management, and R&D, all with profound international perspective (note 1), not only in compliance with the pluralization policy but also being conducive to the enhancement of the company's business performance and management efficiency.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		To enhance corporate governance, the company, besides establishing the remuneration and audit committees, has also set up an investment committee that is made up of five directors with different professional backgrounds, aiming to boost the company's business operation performance.	None
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?		✓	The company's remuneration committee annually assesses the performance of the board of directors, and works out reasonable remuneration policy in accordance with related rules and regulations. The measures for assessing the performance of the board of directors are still under evaluation.	In the process of Evaluation
(4) Does the company regularly evaluate the independence of CPAs?	✓		Every year, the company would evaluate by its own the independence and qualification of its contracted CPAs. The latest evaluation was reported to the auditing committee on March 17, 2017 before being submitted to and approved by the board of directors on March 28, 2017. It has been confirmed that CPAs Lin Yung-chih and Liu Tzu-meng, both of PwC Taiwan, don't hold the positions of directors or managerial staffers at the company and are not stakeholders of the company. Nor do they receive pays from or have the relationship of investments or financial-interest sharing with the company. Evaluation confirms their conformance to the company's criteria for the	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			independence and qualification of CPAs, ascertaining their suitability to become the company's CPAs. The contracted accounting firm has also issued statement on their independence.	
4. Does the company designated personnel to implement corporate governance related businesses(including but not limited to, providing information needed by directors or supervisors to execute their duties, matters related to meetings of the Board and shareholder meetings held in accordance to legal requirements, registering and changing the registration of the Company, and producing proceedings for the meetings of the Board and shareholders)?	✓		The company's administrative management unit and financial/accounting unit are jointly in charge of corporate governance-related affairs, responsible, in addition to the provision of information needed by directors and independent directors for the execution of their duties, for assistance for the preparation of materials for meetings of the board of directors and shareholders' meeting, preparation for meetings and production of meeting minutes, corporate registration and revision, regular inspection and revision of corporate governance-related measures and regulations, and publication and reporting according to regulations for listed companies, all in accordance with the requirements of "Company Act," "Securities and Exchange Act," and "practical guidelines for corporate governance," among others, conforming to the spirit and requirements for corporate governance.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5..Does the company establish communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	✓		which in definition covers seven major stakeholders, shareholders/investors, employees, customers, government, community/nonprofit organizations, suppliers and contractors, and news media. Provide proper contact window and reporting channel for various stakeholders. In order to establish an open, transparent and effective channel for communicating with its interested persons, better understand each other’s needs and serve as reference for formulating its corporate social responsibility policy and planning related activities, the company has set up an “Interested Parties Section” on its website which in definition covers seven major stakeholders, shareholders/investors, employees, customers, government, community/nonprofit organizations, suppliers and contractors, and news media. and founded an “Unethical Conducts Reporting System” to facilitate contacts with interested parties and offer a tip-off channel. All the related information and messages received in this regard will all be properly dealt with by specific staffers and will serve as reference for improving the company’s corporate governance.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has commissioned the Shareholder Services Department of President Securities Corp. as a dedicated shareholder service agent, which also assists the company in organizing shareholders meetings. The agent is not an “affiliated enterprise” of the company, as defined in Article 369-2 of the Company Law.	None
7.Information Disclosure (1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company has launched a corporate website featuring dedicated sections for both investor relationship and interested parties, and a specific unit is assigned to manage and maintain the website, so as to timely update detailed information on the company’s financial operation, corporate governance and corporate social responsibility. The website address is: www.scinopharm.com.tw	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		1. The company has set up an English-language website to release its financial information in English for reference by investors. The website address is: www.scinopharm.com.tw 2. In order to boost the transparency of its information revelation, the company has assigned a specific unit to handle information collection and revelation. 3. The company has appointed spokespersons and acting spokespersons to handle external speeches and information relation affairs, so as to make shareholders and interested persons better understand the company’s financial operations and corporate governance implementation. 4. Briefings and video information of the company’s institutional investor conferences held quarterly and attend irregularly investor conferences held by domestic or foreign investment institutions, with related briefing and audio-visual materials, in both Chinese and English, are also revealed on the Market Observation Post System of the TWSE and the company’s own website.	None
8.Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		1. Welfare of and Care for Employees: The company shows high regard for harmonious labor-management relationship, and has constantly upgraded the interests and welfare of employees, such as offering employee dormitory, small welfare stations, employee restaurant, breastfeeding room, visually impaired massage service, employee travels, physical examination, performance bonus, employee stock subscription, and dividend sharing etc., all designed to make employees enjoy a sound welfare system and work hard to contribute well to the company. 2. Investor Relationship: The company makes it the greatest goal to safeguard the interests of shareholders and grant equal treatment to all the shareholders. Accordingly, the company has not only timely revealed major information on financial and business operations and changes in internal shareholdings on the Market Observation Post System in	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			accordance with related regulations, but has also set up an “Investor Relationship” section on its website to allow timely release of the company’s financial and corporate governance information. 3 Supplier Relationship: The company has worked out a set of rules governing the management of exchanges with suppliers, aiming to build long-term close relationship with suppliers under the win-win principle to jointly pursue sustainable development and growth. 4. Interests of Interested Parties: The company thinks highly of maintaining good relationship with interested parties including shareholders, investors, employees, customers, government, communities, non-profit organizations, suppliers, contractors, and news media. Besides fulfilling each other’s rights and obligations in accordance with relevant laws and regulations, contracts and operating rules, the company also endeavors to maintain good communication channels to safeguard legal interests of both parties, based on an integrity principle. 5. Study Courses for Directors (including Independent Directors): The company’s directors (including independent directors) take study courses in accordance with related legal regulations, with number of the study hours meeting or even exceeding the required level. The company will continue to arrange irregular study courses for its directors (including independent ones). Please see the annual report to learn more in this regard from the “Table of Study Courses for Directors and Independent Directors in 2016.” 6. Risk Management Policy and Implementation of Risk Assessment Criteria: The company’s major business operation policies, investment projects, guarantee endorsements, lendings to others and loans from banks all undergo intensive analysis and evaluation by internal competent units	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			and then are put into practice based on resolutions passed by the board of directors. 7. Implementation of Customer Policy: The company follows the cGMP regulations governing pharmaceutical production to provide clients with high-quality and safe products, and its dedicated customer service staffers are assigned to deal with opinions presented by customers. 8. Purchase of Liability Insurance for Directors and Independent Directors: The company has purchased liability insurance for its directors and managerial staff in accordance with the law.8. Status of the company taking out liabilities insurance for directors (independent directors)" The company has taken out liabilities insurance for directors and managerial staffers, which is renewed every year after reporting the insured amount, coverage, and premium to the board of directors and receiving its approval. The latest insurance, spanning the period from July 2016 and July 2017, was reported to and approved by the board of directors on Aug. 4, 2016.	
9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center: (1) Ranking among the top five in the first and second evaluations of corporate governance, the company will continue strengthening corporate governance-related structure and behaviors, according to the "practical guidelines for corporate governance" and indicators of corporate-governance evaluation. (2) According to the final result of the third corporate-governance evaluation, the company will, in line with the requirements of indicator 1.14, make further disclosure for the resolutions of 2016 shareholders' meeting in the 2016 yearbook. In addition, according to the requirement of indicator 5.15, the company will secure third-party certification for 2016 CSR report. (3) As for the willingness of the company to institute seats of independent directors more than legal requirement, stated in indicator 3.6, the company will take it into account when planning for the election of directors in the future. Regarding regular evaluation of the performance of the board of directors, specified in indicator 3.31, the company has assigned the task to the compensations committee and will formulate measures for evaluating the performance of the board of directors, according to the regulations of the director, for execution in proper manner. (4) Regarding limit of seats on the board of directors occupied by government agencies or a listed company and its subsidiaries to less than one third of the total, specified in indicator 1.13, the company cannot comply with the indicator now, due to the structure of shareholders.				

Note1 : Our board of directors possess the following abilities:

Item/Name	Gender	Professional background	Ability to make professional judgement	Ability to conduct management administration	Ability to perform business	Ability to perform accounting and financial analysis	Knowledge of the industry	Professional R&D	An International market Prospect	Ability to lead	Ability to make policy decisions
Kao-Huei Cheng	M	Business	✓	✓	✓	✓	✓		✓	✓	✓
Chih-Hsien Lo	M	Business Administration	✓	✓	✓	✓	✓		✓	✓	✓
Tsung-Ming Su	M	Business Administration	✓	✓	✓	✓	✓		✓	✓	✓
Kun-Shun Tsai	M	Food technology	✓	✓	✓		✓	✓	✓	✓	✓
Tsung-Pin Wu	M	Finance & accounting	✓	✓	✓	✓	✓		✓	✓	✓
Yung-Fa Chen	M	Chemical/biotech	✓	✓	✓		✓	✓	✓	✓	✓
Po-Wu Gean	M	Pharmacology	✓	✓			✓	✓	✓	✓	✓
Ming-Shi Chang	F	Immunology	✓	✓			✓	✓	✓	✓	✓
Shiow-Ling Kao	F	Business	✓	✓	✓	✓	✓		✓	✓	✓
Chiou-Ru Shih	F	Economics	✓	✓	✓	✓	✓		✓	✓	✓
Po-Ming Hou	M	Tourist management	✓	✓	✓		✓		✓	✓	✓
Kuo-His Wang	M	Agro-chemical	✓	✓			✓		✓	✓	✓
Ih-Jen Su	M	Pathology	✓	✓			✓	✓	✓	✓	✓
Wei-Cheng Tian	M	Biotech	✓	✓			✓	✓	✓	✓	✓
Wei-te Ho	M	Finance & accounting	✓	✓		✓	✓		✓	✓	✓

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The company's board of directors resolved at its meeting held on April 27, 2011 to set up a remuneration committee, composed of three independent directors (Liang Ching-si, Tien Wei-cheng and Su Yi-jen). The remuneration committee was re-elected on June 29, 2012, with three independent directors (Tien Wei-cheng, Su Yi-jen and Ho Wei-der) assuming the second term. The third-term committee was elected on July 2, 2015 in conjunction with the re-election of the board of directors following the expiration of the 7th-term board, with the same 2nd-term three independent directors re-elected as committee members. They are assigned to execute the following tasks and forward suggestions to the board of directors for discussion:

- (1) Formulating and periodically reviewing the policy, system, criteria and structure associated with the remunerations of directors, supervisors and managerial staff, and assessing their performances.
- (2) Periodically assessing and determining the remunerations of directors, supervisors and managerial staff.

The committee should observe the following principles in executing the above-mentioned tasks:

- (1) In assessing the performances and determining remunerations of directors, supervisors and managerial staff, the committee should take into consideration the average corresponding remunerations offered by other peer companies, their individual performance, and the company's overall business performance and future operating risks.

- (2) The committee is not allowed to inspire directors and managerial staff to pursue high remunerations by engaging in operations involving risks that are beyond the company's control.
- (3) In determining the ratio of short-term bonus payable to directors and high-ranking managerial staff and the timing for honoring part of the variable remuneration, the committee should take into account the characteristics of the industry and the business nature of the company.

The remuneration as mentioned in the first two tasks of the committee include cash reward, stock subscription, bonus-sharing stock ownership, retirement welfare or resignation payment, various allowances and other substantive rewarding measures.

In case the remunerations of any subsidiary's directors and managers should be approved by the parent company, the subsidiary should ask the remuneration committee of the parent company to offer suggestions for discussion at the meeting of the parent company's board of directors.

3.4.4.1 Information Regarding Remuneration Committee

Position	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Criteria (Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark (Note2)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Wei-Chen Tian	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Ih-Jen Su	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Wei-te Ho	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1). Not an employee of the Company or any of its affiliates.
- (2). Not a director or supervisor of the Company or the Company's affiliates. This does not apply if an independent director of the Company, its parent company, or its affiliates is installed in accordance with this law or local laws.
- (3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7). Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8). Not a person of any conditions defined in Article 30 of the Company Law.

3.4.4.2 Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Wei-Cheng Tian	3	0	100%	None
Committee Member	Ih-Jen Su	2	1	67%	None
Committee Member	Wei-te Ho	2	1	67%	None

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1)Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		In accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, the company has worked out its own “Corporate Social Responsibility Best Practice Principles” to serve as the guidelines for fulfilling its social responsibility. As to the decision-making and operating mechanism associated with corporate social responsibility, the company takes inter-department actions to assume its corporate social responsibility by conducting regular interactions with interested parties, examining their concerns, reviewing the progress of various undertakings related to corporate social responsibility, and working out future plans. This way, the company can effectively and systematically fulfil its corporate social responsibility, and review the performance in this regard every six months. Through close cooperation among different units of the company, the company has fully incorporated its corporate social responsibility into ScinoPharm’s daily operations. The company focuses its corporate social responsibility on three major aspects, namely corporate governance, environmental protection and social welfare, and the development strategies for various businesses are oriented toward achieving sustainable corporate development and securing full implementation of its corporate social responsibility policies. The company appropriates annual budgets, which are well applied to finance all the undertakings for assuming its corporate social responsibility as a result of constant review and improvement. All the information concerning the company’s fulfillment of its corporate social responsibility has been revealed in the company’s annual report and on its website’s “Corporate Social Responsibility” section.	None
(2)Does the company provide educational training on corporate social	✓		The company promotes the concept of corporate social responsibility through its internal publication, ScinoPharm News, and publicizes concrete actions, as well as their significance, taken by the company to assume	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
responsibility on a regular basis?			its corporate social responsibility during periodical meetings with and through e-mails to employees, while incorporating the basic spirit of corporate social responsibility into various activities held by the company.	
(3)Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The company’s president is authorized by the board of directors to supervise the execution of the mission of fulfilling corporate social responsibilities by the company and its affiliated enterprises, and then duly report the implementation results to the board of directors. Report on the status of execution in the year and key points of enforcement plan for the following year was presented in the meeting of the board of directors in 2016. The company assigns two departments to execute the mission. The Administration and Human Resources Department is responsible for planning and implementing the tasks of safeguarding legal interests of employees, enforcing social participation and public-service payback, and revealing information on corporate social responsibility in accordance with related labor rules and regulations. The Safety, Health and Environmental Protection Department takes charge of maintaining environmental safety and health by studying, planning and monitoring the company’s practical measures designed to reduce production risks, sustain environmental safety and health, and promote the health of employees. In addition, the company has set up an “Occupational Safety and Health Committee” and a “Sustainable Management Committee.” The former is the company’s top decision-making unit for environmental safety and health, established in accordance with the Occupational Safety and Health Act, with the company’s president responsible for convening a quarterly meeting with chiefs of business units and production plants, heads of various departments and employee representatives to examine the company’s practices in promoting environmental safety and health and determine a future direction for making key improvements. The latter is established to	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			integrate the tasks in promoting environmental protection, safety and health, energy saving, water conservation, and greenhouse gas management, so as to effectively boost the company’s sustainable competitiveness. The Sustainable Management Committee is headed by the vice production president and comprises six sub-committees, such as sales and distribution, health, safety, sanitary, waste reduction, and energy saving, to map out annual sustainable management plans and review the implementation of the plans, so as to serve as the basis for internal examinations. All the efforts to safeguard the health of employees, create a safe and friendly working environment or list environmental protection among the company’s goals are designed to consolidate the company’s foundation. The company’s affiliated enterprises have set up their own “Production Safety Committee” as the top decision-making unit for environmental safety and health promotion. The committee is headed by president, who is responsible for convening chiefs of business units and production plants, and heads of various departments to promote the safety, health and environmental protection systems and determine the future direction for making key improvements. In addition, the committee should also compare the company’s safety systems with national standards, periodically examine the difference between the current state and operating principles, formulate or revise action plans for execution by related units, and review the implementation progress. Furthermore, the committee should also sign a statement of commitment to support the Responsible Care Global Charter, continue to improve industrial safety, health and environmental protection performance, and join forces with consumers and suppliers to apply comprehensive risk- and life cycle-oriented scientific information to the management of chemical products, thereby helping to boost the quality of life for people worldwide through the commitment. Besides, the company has established an	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			“Employee Welfare Committee” and a “Labor-Management Meeting” to screen, promote and supervise employee welfare operations, mediate labor-management relationship and push for labor-management cooperation, in accordance with related rules and regulations.	
(4)Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		1. The company has established a reasonable remuneration and performance evaluation system. Under the system, the company will determine the remuneration of employees in accordance with their education backgrounds, work experiences, professional knowledge and expertise, and seniority. Besides year-end bonus and employee dividend, the company will also dole out performance bonus to employees based on their performance ratings. The remuneration of employees won't vary with their gender, race, religion, state of marriage, and political affiliation. 2. The company has maintained an effective corporate governance framework and related ethical conduct criteria and practices, so as to accomplish its corporate governance goal. The company has formulated such internal rules and regulations as “Code of Employee Conduct,” Code of Ethical Conduct,” “Code of Faithful Conduct,” and “Procedures for Ethical Management and Guidelines for Conduct,” which are all posted on the company’s website for reference by employees. 3. Besides instructing new employees on the company’s corporate culture, regulations for corporate ethics, as well as industrial safety, health and environmental protection operations associated with its corporate responsibility during the orientation courses for new employees, the company also hosts various education and training programs for all its staff, including those on corporate governance and prevention of insider tradings, to intensify related knowledge and concepts for employees. 4 The company keeps highlighting the significance and connotation of its corporate	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			social responsibility among employees through education and training courses, employee meetings, internal publications and e-mails, and also posts related rules and regulations on the company or employees’ portal sites. The company’s “Work Rules” also include the regulations employees should follow in fulfilling corporate social responsibility, and a related reward and punishment system. Employees’ performance in this regard is incorporated into their annual performance evaluation.	
2. Sustainable Environment Development (1)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The “Sustainable Management Committee” established to integrate the implementation of such tasks as environmental protection, safety and health, energy saving, water conservation and greenhouse gas management has its waste reduction and energy saving sub-committee take charge of boosting the utilization efficiency of various resources and reducing related adverse impact on the environment. The committee also proposes annual sustainable management plan and reviews the performance of related tasks to serve as reference for internal examinations. In this regard, the tasks undertaken include recycling garbage resources, employing recycled materials to reduce adverse impact on the environment, recycling condensated water from reverse osmosis pure water machines and air conditioners to cooling towers, adopting water-conservation washing faucets, saving living water, incorporating the concept of environmental protection and green energy into production procedure and equipment, promoting green environmental protection and laying stress on ecological balance.	None
(2)Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The company’s environment management system is established in accordance with the chemical industry’s strictest “Responsible Care” system. The Responsible Care system is initiated by the global chemical engineering community to help enterprises set up a sound industrial safety, health and environmental protection system, through concrete commitments to improving the EHS (environment, health and safety) aspects by	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			signing the Statement of Commitment (a prerequisite for membership), formulating the Codes of Management Practices, implementing a Self-Evaluation system, promoting the Management System Verification (MSV), delivering the SHE Performance Indicators report, and sharing responsible care systems with other companies. The company has joined the Taiwan Responsible Care Association (TRCA) as a member since its plant was inaugurated, actively promoting its safety, health and environmental protection management system. Besides stringently observing environmental protection regulations issued by the competent authorities, the company also conducts various public activities associated with environmental management to boost resources utilization efficiency and reduce the output of wastes, so as to respond positively to public concerns, further protect public safety, health and environment, reduce the total amount of pollutant emissions on the air, water and soil, boost pollution prevention efficiency and economic benefits, and complete verification on six management codes set by the TRCA. Of the codes, those associated with environmental management include procedure safety management, wastes management, emissions reduction management and product management. Concrete practices are as follows: 1. During its research and development (R&D) of production procedures for pharmaceuticals, the company manages to skip the use of substances or materials subject to restrictions under domestic and international regulations, such as toxic chemicals, precursor chemicals for narcotic drugs, controlled substances for chemical weapons, and ozone depleting substances, and instead, uses less-toxic or-hazardous substances and materials as substitutes. 2. During its R&D of production procedures for pharmaceuticals, the company manages to assess the possibility of reducing the usage amount of chemical solvents and	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			hazardous substances to mitigate relevant impact on environment and decrease the exposure to hazardous chemicals or active substances on the part of operating staff. 3. Before putting a new production procedure into practice, the company should organize a meeting to analyze the possible hazard of the production procedure, focusing discussions on the likely hazard to safety, health and environment and then seeking proper preventive solutions. 4. The company disposes of all the wastes generated by production plants, including biodegradable waste water, waste solvents, solid wastes, and air pollutants, totally in accordance with related regulations. 5. The biodegradable waste water is usually treated via an activated sludge process and an ultrafiltration system, and the resultant organic sludge is separately filtered and then incinerated by the Resource Recycling Center of the Southern Taiwan Science Park, with the disposed waste water and waste living water piped into the waste water disposal plant in the science park. The organic sludge generated at the company's affiliated enterprise undergoes a separate filtration process before being delivered to the Jiangsu Kangbo Industrial Solid Rejectamenta Treatment Co., Ltd. for incineration. And the disposed waste water and the waste living water are piped into Binjiang Waste Water Disposal Plant. 6. Hazardous or general solid wastes are delivered to the Resource Recycling Center of the science park or other qualified companies for incineration. The air pollutants generated by production plants, such as particulate pollutants, acid gas, alkaline pollutants and organic steam, all undergo two-step treatment by condenser and scrubbing tower for disposal. The recyclable solvents generated by the company's affiliated enterprise are sent to the Kunshan Deyuan Environmental Protection Development Co., Ltd. for purification and recycling.	

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	Yes	No	Abstract Explanation	
			Although the company hasn't undergo ISO14001 certification, in addition to the aforementioned environment management system now in smooth operation and compliant with the features of biotech and pharmaceutical industry, the company has experienced more than 10 times of factory inspections by regulators of the U.S., Europe, and Japan (FDA, EMA), EDQM, and PMDA) and auditing of safety, hygiene, and environmental protection by international pharmaceutical firms (such as Pfizer, GSK, and Aventis), all of affirm the soundness and completeness of company's environment management system. ISO14001 certification is meant to offer a standard environment management system for abidance by enterprises. The company has put in place a complete industrial safety, hygiene, and environment protection system, which has gained international acceptance and certified by international firms, making ISO14001 certification dispensable for the company. In compliance with the highest standards and the spirit of sustainable management, the company will continue strengthen environment management system and concern for the issues of industrial safety, hygiene, and environmental protection, meeting the requirements of international standards and fulfilling corporate social responsibility.	
(3)Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		1. The energy-saving subcommittee under the “Sustainable Management Committee” is responsible for gauging greenhouse gases and formulating strategies for conserving energy, reducing carbon emissions and slashing greenhouse gas amount, so as to fulfil the purpose of reducing carbon emissions through energy conservation. The sub-committee will review the implementation of its tasks at the quarterly meeting of the Sustainable Management Committee, to serve as reference for internal examination. Currently, strategies for reducing greenhouse gas amount include: Employing gas-fired boilers to replace oil-fueled boilers for steam supply, boosting the energy utilization and reasonableness of	None

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	Yes	No	Abstract Explanation	
			air conditioning systems, installing energy-saving equipment featuring low electricity and energy consumption, providing subsidy for car ride-sharing by employees and offering transportation bus service to reduce oil gasoline consumption. 2. Formulate 2017 waste reduction goals, including * Adjust the air replacement rates of various processes to reasonable range, to lessen the load on air conditioners, thereby cutting power consumption, in terms of kilowatt/hour, by 1-2% and the electricity expense is NT\$2 Million less. * Via monitoring and controlling steam supply, cut consumption of natural gas by 5%, amounting to saving of NT\$400,000. * Via collection of process solvent, cut of cleansing solvent, intensification of steam-stripper treatment, and monitoring and control of the toxicity of waste water, cut waste expense by NT\$5 million year to less than NT\$20 million. In the future, the company will target cutting power bill by 1-2% and expense for natural gas and wastes by 3-5% a year by continuously pushing various energy-conserving and waste abatement measures. 3. The company's greenhouse gas emission amount has stayed at a low level, with aggregate annual emissions of six greenhouse gases reaching 21,664 metric tons of CO₂ in 2016 and 19,078 metric tons in 2015. Further details are as follows: * Direct greenhouse gas emissions, including those from fuel-burning equipment (such as boilers and restaurant facilities) and mobile combustion sources from transportation (such as the company's service cars), amounted to 2,567 metric tons of CO₂ in 2016, accounting for 11.8% of the company's total annual CO₂ emissions for the year. * Indirect greenhouse gas emissions, mainly from electric power purchased externally, came to 19,096 metric tons of CO₂,	

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	Yes	No	Abstract Explanation	
			commanding 88.2% of the company’s total CO2 emissions in 2016.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. The company and its affiliates have formulated work rules and comprehensive personnel management regulations to safeguard the interests of employees. Besides convening regular labor-management meetings and employee welfare committee meetings, they also convene employee meetings periodically to establish a regular channel for dialogues and communications between both parties and grant employees the right to understand the management’s activities and policy formulation and contribute their opinions in this regard, thereby promoting labor-management harmony and creating a win-win scenario for both sides. 2. The company fully complies with relevant labor rules and regulations to promote gender equality, work out career development and nurturing plans, implement safety and health education, and plan activities to achieve a balance between physical and mental health. In addition, the company also employs a certain portion of physically disabled people totally in accordance with the regulations set in the “People with Disabilities Right Protection Act.” 3. As advocating gender equality is an integral part of its corporate culture, the company has completely observed related regulations in implementing its personnel management system, including employment, promotion, performance evaluation and the reward & punishment system.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		While the company provides a platform for exchanging views with employees through the “Labor-Management Meeting” and the “Employee Welfare Committee,” major issues including work rules are also up for bilateral communications at regular labor-management meetings. On another front, in case employees want to present opinions or appeal against something associated with the Code of Employee Conduct, they can use the dedicated	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			electronic mail box or the “Interested Parties” section of the company’s website to raise the appeal or present improvement opinions. After accepting the petition cases, the company will follow related rules and procedures in dealing with the cases and conducting necessary investigations, so as to secure maximum interests of the company and its employees.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. The company and its affiliates show high regard for achieving harmonious labor-management relationship by installing sound software and hardware equipment to provide employees with a comfortable, safe and healthy working environment, including security entry measure, regular safety education and training for employees, banning smoking in all indoor spaces, establishing breastfeeding rooms and an employee restaurant, and offering free delivery and laundry of uniform clothes of operators on production lines. 2. The company and its affiliates pay great attention to the safety of their employees and supporting plants, holding unscheduled dispersal exercises and at least two emergency management drills per year and having all their employees attend fire-fighting and emergency treatment operations. In addition, at the monthly safety meeting held by every individual department of the company and its affiliates, each department should carry out safety promotion and training, so as to achieve full communications with staff and meet the requirement for recording at least three hours of occupational safety and health training courses per year. 3. In order to help new employees quickly get immersed in the company’s safety culture atmosphere, the company, besides having the new employees take at least three hours of safety and health training courses, usually requires production employees receive an additional three hours of professional production safety and health training courses. 4. To promote the health of employees, the company and its affiliates have their new	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			staff receive physical checkups and render annual health examination service to all the staff, with an infirmary institute one health management specialist (with nurse certificate) and physicians invited to offer medical consultation service to employees. In addition, the company also held activities to promote the health of employees, such as smoking-quitting, weight reducing, walking and workout activity. Was awarded. for paradigm of healthy workplace by Southern Taiwan Science Park Bureau due to the successful results. 5. The company and its affiliates endeavor to create a favorable environment to facilitate career development of employees, and work out effective plans to develop and mature the career development capabilities of employees. In addition, in order to realize welfare care for employees and improve their working environment, the company hosts annually quite a few family activities during the company’s anniversary, and organizes a series of activities associated with the “Employee Happiness Month” to better take care of employees’ spiritual and family aspects and enable them to work contentedly and lead a happy life at ScinoPharm.	
(4)Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		1. It has been an integral part of the company’s corporate culture to encourage employees to present their suggestions via various channels. The company convenes regular “Labor-Management Meeting” and “Employee Welfare Committee” meeting to discuss the issues concerning the interests of employees to promote harmonious labor-management relations, and holds the “Quarterly Employee Meeting” to serve as one of regular channels for communications between the company and employees. 2. In addition, through its internal publications issued periodically, the company aims to make its latest policies, various welfare programs, management measures and business development situations better known to employees through pluralistic	None

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	Yes	No	Abstract Explanation	
			channels. 3. In case there is major corporate information to be known by employees, the company will release the information through the internal e-mail network or convene a meeting to offer timely instructions. 4. In case of any appeal, employees can express their opinions through the dedicated e-mail box, and then the company will move to deeply understand the appeal case and come out with proper countermeasures or solutions.	
(5)Does the company provide its employees with career development and training sessions?	✓		At ScinoPharm, every employee enjoys the opportunity for exploiting their talents. The company’s corporate culture of encouraging learning and innovation will inspire employees to bring their potential talents into full play and meet different challenges well. In conjunction with its global deployment, the company offers employees opportunities for pluralistic development and enforces a job rotation system to enhance their experiences in different job fields. This, coupled with systematized performance evaluation, Individual Development Plan and different training courses, will make employees serve the jobs best fit for them to help create a wider stage for career development. All the staffers are required to undergo periodical performance and career development evaluations	None
(6)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		1. The company and its affiliates will offer after-sales services, and will join hands with customers to locate problems and seek effective solutions if customers suffer problems in the production process or during product inspection. 2. If customers register the products of the company and its affiliates with competent authorities, the company will assist customers in replying to the questions raised by the authorities during the registration process. 3. In order to safeguard the interests of customers, the company has established various channels for communications in this regard, such as an e-mail box with responses	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			made within 24 hours to assure product safety and service quality.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		The company completely follows related regulations and international codes in carrying out product marketing and offering service instructions. Meanwhile, the company selects reliable sales agents with good business credit and authorizes them to enforce product marketing, thus gradually building long-term partnerships.	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		1. The company and its affiliates endeavor to boost their corporate social responsibility by proactively purchasing energy-saving equipment, green and low-power-consumption office supplies, business machines, information equipment, illumination equipment and other related facilities. 2. Through the transportation safety conference held every two years, the company and its affiliates relay the latest safety and health concepts and practices to their transportation partners invited to attend the meeting, so as to build a good communication channel and fulfil the purpose of promoting safe transportation of chemical products. 3. To safely handle highly hazardous chemical substances, dedicated suppliers are invited to the company to make instructions on safe operation of their chemical substances and on disposal of waters or leakage treatment. In addition, the company keeps close contacts with the suppliers to review problems in handling chemical substances. 4. In purchasing chemical substances, the company usually asks suppliers to offer the latest version of safety information on the substances and post clear hazard-warning labels on the substances. To meet the management requirement set by the government on controlled substances (such as toxic chemical substances) to prevent the hazards resulting from the misuse of the substances, the company maintains close cooperation with suppliers to assure that it can purchase the substances only after the	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			suppliers obtain sales permits issued by the government and the company itself gets the purchase permits. 5. In the safety aspect, the company and its affiliates have formulated a set of rules and criteria governing the selection and evaluation of contractors, established regular safety review meetings with contractors, and introduced related punishment rules, so as to continue improving safety and health management performance and assure that the entry of contractors, equipment, and substances into the company are done in accordance with national laws and regulation as well as the company’s safety and health requirements. 6. The company has released a handbook on “Contractors’ Safety, Health and Environmental Protection Management Plan” to highlight ScinoPharm’s safety, health and environmental protection policy, which clearly states contractors’ liabilities and obligations, engineering safety rules, safety and health punishment rules and environmental protection commitment, to assure public safety and non-polluted environment.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		The company promotes the concept of responsibility to its supply chains, selects certified suppliers and contract pharmaceutical plants, and sends staffers to conduct site inspections, so as to assure that they all meet environmental protection, health and safety regulations. Before officially dealing with suppliers, the company will sign related agreements which include a corporate social responsibility clause to clearly stipulate that in case either of the two parties violates the corporate social responsibility policy, the other party can terminate or dissolve the contracts.	None
4. Enhancing Information Disclosure. Does the company	✓		Responsibility Best Practice Principles” and “Corporate Social Responsibility Report” as well as the concrete information about the corporate social responsibility implementation	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?			on the “Corporate Social Responsibility” section of its website, the company also uploads the above-mentioned regulations and report to the Market Observation Post System of the TWSE. The company also releases the information concerning greenhouse gas emission and reduction, employee welfare policies and interest-safeguarding measures to facilitate check by investors and understanding by employees. In case there is any information associated with the company’s corporate social responsibility in the future, the company will not only issue a press release on its website, but will also publicize major information or apply for making an official announcement in accordance with related rules and regulations.	
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The company passed the formulation of its “Corporate Social Responsibility Best Practice Principles” at its board of directors held on June 18, 2014, and revised the principles on March 25, 2015 and December 20 2016. For details about the operating situation and concrete practices associated with the company’s corporate social responsibility, please see the instructions on the “Fulfillment of Corporate Social Responsibility” as seen in this annual report, and access the “Corporate Social Responsibility” section of the company’s website at http://www.scinopharm.com.tw/Responsibility.asp. Following an evaluation, the company finds little discrepancy between its corporate social responsibility fulfilment situation and the relevant principles set by the company.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : ScinoPharm Taiwan has been devoted to observing the corporate ethics, enforcing fair competition, safeguarding the interests of customers, maintaining good relations with communities, and giving feedbacks to the society, making it really an enterprise dedicated to fulfilling its corporate social responsibility. The implementation of the related tasks in this regard is as follows: (1) Safety and Health: The company and its affiliates have formulated well-rounded standard operating procedures (SOP) for employees to observe stringently, and have also installed sound first-aid medical devices that are periodically examined and renewed. In addition, the company conducted in 2016 a general physical examination for all its staff and enforced additional examination items for employees engaged in special operations. In line with the requirement of the revised "Occupational Safety and Health Act," drafted by the Occupational Safety and Health Administration, the Ministry of Labor, in addition to considering the need of adjust the work schedule of pregnant employees and exempt them from late night shift (10:00 p.m. to 6:00 a.m. next day), the company also has health management specialist conduct risk evaluation for those employees, so as to safeguard their and their children's health and safety.				

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Environmental Protection: The company actively participates in the united management mechanism for safety, health and environmental protection operations in the Southern Taiwan Science Park, and promotes internal energy, power and water conservation campaigns, while also complying with the government’s environmental protection policy by actualizing the recycling of garbage resources to boost the use of recycled substances with lower impact on the environment. The company’s other internal environmental protection measures include: retrieving the condensate emissions from the reverse osmosis water machines and air conditioners to cooling towers for re-utilization, and adopting water-saving faucets to reduce daily use of water. (3) Artistic and Cultrual activities: The company sponsors exhibitions of artistic and cultural works planned by the AAEON FOUNDATION that is dedicated to domestic public arts promotion in the amount of NT\$25,000 to show its support for domestic artistic and cultural creation and innovation activities. Besides, in order to upgrade the nurturing of living aesthetics and humanistic spirit among those working in the Southern Taiwan Science Park, the company has hosted the “ScinoPharm Arts” lecture series for seven years in a row, inviting heavyweight lecturers to provide a spate of wonderful living and spiritual feasts. It has been calculated that events of ScinoPharm Taiwan's artistic forum have drawn the participation of 7,000 person/times and have become a major annual artistic/literary event of the Southern Taiwan Science Park. With the theme of "redefining oneself," the 2016 ScinoPharm Taiwan artistic forum invited four lecturers with outstanding performance in their respective fields, including Jimmy, Lang Tsu-yun, Tsai Shih-ping, and Shih Yi-nan, who shared with audience their life experience, helping them take a respite from their hectic daily schedule for self reflection and thereby regain enthusiasm and meaningfulness of life. The 2016 forum drawn participation of 1,400 person-times. (4) Community Welfare: The company joins forces with its staff to help social welfare groups serving physically and mentally handicapped people as well as children of disadvantaged families in the neighboring communities organize charity-oriented sales activities with the groups including Tosun Public Interest Foundation, Taiwan Olive Garden Public Care Association, and World Vision International, held charity-oriented movie watching events. Taiwan Olive Garden Public Care Association serves mainly children of underprivileged families, including those with inadequate family function or poor ones, offering them assistance for after-school study and care, so that they can have a well-supported hopeful childhood. ScinoPharm Taiwan understands that during their growth period, those children need the support of resources provided by the social public. For them, movie watching, an ordinary experience for others, may be unforgettable wonderful experience. Over 200 children took part in the event in 2016. (5) Emergency Relief: When major disasters occurred in the past years, the company used to take the lead to initiate donation campaigns, inspiring people to exploit their benevolent spirit to contribute to disaster reliefs. The company also organized many blood donation activities, encouraging its employees to donate blood to help hospitals ease the blood strain. In 2016, ScinoPharm Taiwan's employees donated 15,000 CC of blood. In 2016, by continuing participation in the "Love Emanating from Southern Taiwan Science Park," the company rallied employees to donate money for the campaign raising fund to subsidize underprivileged families. In 2016, the company's employees donated NT\$1 million to help with victims of the big earthquake in Tainan.				

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility(CSR) Best Practice Principles of TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(6) Assistance in Promoting Exchanges Between Academic and Industrial Sectors: The company sets up “ScinoPharm Thesis Scholarship” in cooperation with the Chemical Society Located in Taipei, and actively sponsors seminars held by biotech and chemical engineering departments of domestic universities and colleges. In addition, ScinoPharm also arranges tours of the company by students to make them better understand the pharmaceutical industry and help cultivate talents. Provide NT\$100,000 in sponsorship a year to make students better understand the pharmaceutical industry and help cultivate talents. The company receives students from the Research Center of Biotechnology, the Southern Taiwan University of Science and Technology, and the Department of Occupational Safety and Health, Chung Hwa University of Medical Technology, helping them understand the latest development status of the industry and building a communications channel with the academia. In addition, in partnership with the Southern Taiwan Science Park Bureau, the company received visitors from the University of California and introduced to them the development status of Taiwan's pharmaceutical industry. In total, the company received 120 visitors.				
(7) Social Contributions: The company endeavors to create investment gains for shareholders and fully assume its corporate social responsibility. In addition, the company shows high regard for the interests of employees and follows the Labor Standards Act to create job opportunities, hiring over 600 employees. To help local students enter the job market, took part in the talent recruitment events held at the campuses of National Taiwan University, National Tsing Hua University, and Academia Sinica, on top of providing internships to students from seven universities, facilitating job preparation by students and cultivation of industrial talents.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The company is working on the compilation of the 2016 “Corporate Social Responsibility Report” based on the GRI 4.0 (Global Reporting Initiative) Sustainability Reporting Guidelines, and plans to commission the Sustainable Development Center of the National Cheng Kung University to invite experts to offer comments and suggestions on the content of the report. The Chinese and English versions of the 2014 “Corporate Social Responsibility Report” has been uploaded to the TWSE’s Market Observation Post System and posted on the “Corporate Social Responsibility” section of the company’s own website. Plan to send 2016 CSR report to a fair third party for certification.				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		In order to deepen integrity-based management culture and to further strengthen business development, the board of directors formulated a set of “Code of Business Integrity” on December 9, 2010, which was further amended on March 26, 2012 and August 4, 2015, respectively, and consequently posted on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange, as well as on the company’s website. The company also sets up relevant internal operating standards and control systems to examine all aspects of business operations on a fixed-time basis, and then deliver the inspection results to the Board for approval. This practice not only serves as the basis for the implementation of the integrity management, but also highlights the company’s policy and tactics as well as the commitment of its Board and management to realize integrity policy. Related information on the integrity management has also been disclosed in other outgoing documents, including the corporate social responsibility report.	None
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		In addition to the “Code of Business Integrity,” the company has also drawn up other regulations, including “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” and declared those through internal email system and corporate website. The company also stresses and promotes the importance of integrity during the training courses for new employees, setting a clearer direction for them to avoid conflicts of interest or receipts of improper benefits when facing other colleagues, customers, suppliers and general public. Related requirements are included in the employee performance appraisal system to periodically assess and ensure the implementation of the integrity policy. For any violation of rules or	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			suspected violations of any conduct, there are relevant reporting mechanism and discipline provisions.	
(3)Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		Based on the “Code of Business Integrity” and “Operating Procedures and Guidelines for Business Integrity”, the company’s directors, managers and employees are required to adopt necessary procedures to prevent from making illegal payment, taking bribery and offering illegal campaign contributions; to not provide or accept any unreasonable gifts, entertainment or other improper benefits so as to avoid the receipt of personal benefits at the expense of corporate interest. Additionally, the company also has set aside a “Stakeholders” special column and “Unethical Behavior Reporting System” on its corporate website to proclaim and maintain the core value of corporate integrity and its basic principle to implement the government’s rules. The stakeholders can communicate and discuss related issues with the correspondent units through the stakeholder column.	None
2. Fulfill operations integrity policy (1)Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The company has set up a filing system to manage the relationships with its contractors and has also been evaluating the integrity of its clients and suppliers through their credit lines and other appraisal systems in order to prevent untrustworthy activities from happening. The company also stipulates integrity provisions in the contracts it signs with corresponding contractors. Should the contents violate the article of "integrity-oriented management," the company can terminate or revoke the contract.	None
(2)Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The company has also appointed the business integrity promotional task forces of relevant administration, human resources, legal affairs and finance departments to compile and examine the operations related to execution, promotion and consultation of the business integrity	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
			policy by individual corporate departments. Report on the execution in fiscal 2016 was presented in a meeting of the board of directors in Dec. 2016.	
(3)Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The formulation of the “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” are dedicated to high-level of management including directors and managers, as well as all employees, clearly defining the policy to avoid conflicts of interest, and providing adequate channels to report illegal conducts or violations of ethics and other guidelines. All relevant units are required to implement these rules in order to maintain the spirit of the integrity management of the company.	None
(4)Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		To fulfill the integrity management, effective accounting and internal control systems have also been set up, enabling auditing department to examine the execution of related policies periodically and to submit its reports to the board of directors. Additionally, in order to ensure continued effectiveness of the system as well as its execution, the company also examines and modifies related codes and operating procedures annually so as to establish a sound corporate governance and risk control mechanism with which the company can assess the effectiveness of its internal control system and issue related statements	None
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	✓		The company will provide legitimacy and integrity training courses to newly recruited employees in accordance with related regulations and will further enhance their understanding of the spirit and execution of related rules, including “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” through internal networks, e-mail systems and other training courses.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The company has established adequate channels to encourage the reporting of suspected illegal conducts or violations of related stipulations set forth in the “Code of Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics” and “Code of Conduct” as a means to safeguard the spirit of integrity management. While all employees are able to submit their opinions through “Employee Communication Box,” the company has also set aside special columns “Stakeholders” and “Unethical Behavior Reporting System” on its website, enabling employees and relevant personnel to report suspected illegal and unethical conducts, with which the company will assign appropriate staff from the administration, human resources, legal and related departments to jointly address alleged issues.	None
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The company will approach all of reported cases and follow-up investigations with extremely confidential and stringent attitude based on standard procedures and secrecy mechanism conforming to internal rules and regulations.	None
(3) Does the company provide proper whistleblower protection?	✓		Personal data provided by informants, unless otherwise stipulated by law, the company will be kept the data confidentially and take appropriate protective measures in accordance with laws to safeguard personal information and privacy of informants so as to prevent these persons from receiving retaliation and unfair treatment.	None
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and	✓		The company’s “Code of Business Integrity” has been uploaded to “Market Observation Post System (MOPS), as well as on the “Investors” column of corporate website, allowing all employees and general public to make inquiries at any time. Additionally, related information pertaining to business integrity has also	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practices Principles for TWSE listed companies and reasons
	Yes	No	Abstract Illustration	
MOPS			been disclosed in the annual reports and corporate social responsibility reports posted on the MOPS and corporate website.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. In accordance with the rules set on the “Rules for Business Integrity by Listed Companies,” the company has set up and promulgated “Code for Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Administrative Rules on Transaction with Stakeholders, Designated and Associated Companies,” “Operating Procedures for Major Internal Information,” “Code of Self-Discipline for Disclosing Acquisition Information,” “Code of Ethics,” and “Code of Conduct.” In addition to requiring relevant departments and all of employees to follow these rules, the company has also asked its subsidiaries to abide the spirit of integrity policy set forth by the parent company and to implement related regulations. Overall, the practice of business integrity and the law-abiding requirement for subsidiaries are identical to the parent company.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). While operating the company in accordance with related laws and regulations, the company also periodically holds courses pertaining to corporate governance, insider trading management and code of conducts for employees, as well as dispatching relevant units to participate in related courses including taxation, legal risk and corporate governance to promote business integrity and morality. The company has also been upholding the highest standards to promote the use of principles of honest, trustworthy and transparency to engage in business activities so as to protect the interest of stakeholders and deepen the spirit of business integrity into corporate ethics and culture for ramping up reputation and sustainable growth. Coping with changing management environment, the company also reviews and amends related rules, operating procedures and guidelines for integrity management in order to meet legal requirements and expectations of stakeholders.				

3.4.7 Corporate Governance Guidelines and Regulations

To enhance risk control mechanism and to comply with the spirit of corporate governance, as well as to cope with the listing of the company’s shares on the stock market and the formulation and amendment of rules and regulations by relevant governing agencies, the company has also successively drawn or amended a number of sets of rules and guidelines, including “Processing Procedures for Acquisition and Disposal of Assets,” “Operating Procedures for Providing Endorsement and Guarantee,” “Operating Procedures for Lending Funds to Others,” “Rules for Shareholders Meeting,” “Rules for Board of Directors Meeting,” “Regulations for Election of Directors and Supervisors,” “Rules on Terms of Reference for Independent Directors,” “Regulations for Organization of Compensation Committee,” “Self-discipline for Revealing Acquisition Information,” “Rules for Transaction among Stakeholders, Designated Companies and Corporate Groups,” “Code of Business Integrity,” “Operating Procedures and Guidelines for Business Integrity,” “Code of Ethics,” “Code of Conduct,” “Operating Procedures for Processing Major Internal Information,” “Practical Guidelines for Corporate Governance,” and “Practical Guidelines

for Corporate Social Responsibility,” as well as complete internal control and auditing systems. All related rules and regulations have been posted on the MOPS and corporate website. For related information, please check with the company’s web: www.scinopharm.com.tw via Investors/Corporate Governance/Major Ruling or Code of Ethics.

3.4.8 Other Important Information Regarding Corporate Governance

3.4.8.1. While integrity is the fundamental of the company, the establishment of a working environment based on pluralism, equality, mutual trust and respectfulness has also been the company's business philosophy. Thus, the formulation of “Code for Business Integrity,” “Operating Procedures and Guidelines for Integrity Management,” “Code of Ethics,” and “Code of Conduct” will enable high-level management and all of employees to understand related laws and rules they have to abide and the ethics they have to put into practice during their work, and to realize the company’s expectations on behavior of its employees, cooperation partners and suppliers. These are not only the bases for senior management and all of colleagues to conduct their behavior, but will also help lift up the quality of behavior and professional ethics, which will be instrumental to sustainable growth and future development of the company.

3.4.8.2. To enable employees to reveal suspected violated conducts through appropriate channels, the company has set a communication box and related protection measures. More information can be found at the company’s website: www.scinopharm.com.tw, to see related regulations from the special column Investors/Corporate Governance/Code of Ethical Conduct/Code of Conducts.

Additionally, in order to establish an open, transparency and effective communication channel with stakeholders to understand the demand of each side, and to be used as reference to formulate the policy and activities for carrying out corporate social responsibility, the company sets up a special “Stakeholders” column on its website, attached with a “Reporting System for Violating Code of Ethics” providing stakeholders with an adequate communication and reporting channel. For more information, please see the “Stakeholders” section at www.scinopharm.com.tw.

3.4.8.3. To continue enriching related information on corporate governance for advanced study, the company also takes the initiation to inform all members of its directors and independent directors to arrange courses. 15 directors and independent directors attended such courses, whose curricular are listed below. The training complies with the ruling of “Key Points for Promoting Advanced Studies by Directors, Supervisors of Listed Companies.”

2016 Directors’ and Independent Directors’ training records

As of 12/31/2016

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2016 Training total hours	Is training record fulfill the requirement
				From	To					
1	Institutional Shareholder Representative	Kao-Huei Cheng	06/18/2009	03/22/2016	03/22/2016	Taiwan Corporate Governance Association	Trend of corporate governance	3.0	12.0	Yes
				04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0		
				08/08/2016	08/08/2016	Taiwan Corporate Governance Association	Use of big-data analysis in detection of corporate irregularities	3.0		
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
2	Institutional Shareholder Representative	Chih-Hsien Lo	07/06/2010	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes	3.0	6.0	Yes

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2016 Training total hours	Is training record fulfill the requirement
				From	To					
							nowadays			
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
3	Institutional Shareholder Representative	Tsung-Ming Su	07/06/2010	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	12.0	Yes
				06/16/2016	06/16/2016	Securities and Futures Institute	Award-granted ceremony for 2nd corporate-governance evaluation and lectures on specific topics	3.0		
				09/26/2016	09/26/2016	Taiwan Academy of Banking and Finance	Corporate governance forum--cross-Strait anti-tax evasion law	3.0		
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
4	Institutional Shareholder Representative	Kun-Shun Tsai	06/23/2015	05/20/2016	05/20/2016	Taiwan Corporate Governance Association	Functions and performance evaluation of the board of directors	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
5	Institutional Shareholder Representative	Tsung-Pin Wu	06/23/2015	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
6	Institutional Shareholder Representative	Yung-Fa Chen	06/23/2015	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
7	Institutional Shareholder Representative	Po-Wu Gean	06/18/2009	07/15/2016	07/15/2016	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity stake	3.0	6.0	Yes
				12/02/2016	12/02/2016	Securities and Futures Institute	Advanced workshops on practical affairs for directors (including independent directors) and supervisors--corporate governance and corporate social responsibility	3.0		
8	Institutional Shareholder Representative	Ming-Shi Chang	06/23/2015	04/21/2016	04/21/2016	Securities and Futures Institute	2016 corporate governance serial forums--insider trading and corporate social responsibility	3.0	6.0	Yes
				07/12/2016	07/12/2016	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity stake	3.0		
9	Institutional Shareholder Representative	Shiow-Ling Kao	07/05/2010	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2016 Training total hours	Is training record fulfill the requirement
				From	To					
10	Institutional Shareholder Representative	Chiou-Ru Shih	07/06/2010	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
11	Institutional Shareholder Representative	Po-Ming Hou	11/10/2016	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
12	Institutional Shareholder Representative	Kuo-His Wang	01/11/2016	07/15/2016	07/15/2016	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity stake	3.0	6.0	Yes
				09/12/2016	09/12/2016	Taipei Exchange(GreTai Securities Market)	Sessions on legal abidance by insiders of over the counter companies and Emerging Stock	3.0		
13	Independent Director	Wei-Cheng Tia	06/13/2012	07/12/2016	07/12/2016	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity stake	3.0	6.0	Yes
				10/20/2016	10/20/2016	Securities and Futures Institute	11th Taipei Corporate Governance Forum	3.0		
14	Independent Director	Ih-Jen Su	12/09/2010	03/31/2016	03/31/2016	Securities and Futures Institute	2016 corporate governance serial forums--insider trading and corporate social responsibility	3.0	6.0	Yes
				09/01/2016	09/01/2016	Securities and Futures Institute	Seminar on integrity-oriented management and corporate social responsibility--Kaohsiung session 9/1 (first phase)	3.0		
15	Independent Director	Wei-te Ho	06/13/2012	07/15/2016	07/15/2016	Securities and Futures Institute	Sessions on legal abidance by insiders of listed companies for trading in equity stake	3.0	6.0	Yes
				12/12/2016	12/12/2016	Accounting Research and Development Foundation	Workshop on practical affairs related to the compilation of consolidated financial statement: consolidated cash-flow table and income tax	3.0		

3.4.8.4. In order to instill correct concept about corporate governance in managerial staffers, the company has been continuously arranging attendance of courses, held by external units, on corporate governance by managerial staffers, in order to attain the materialization of sound corporate governance. List of such courses attended by the company's managerial staffers follows:

2016 Executive Offices' training records

As of 12/31/2016

Item	Title	Name	Date of Appointment	Study period		Sponsoring Organization	Course	Training hours	2016 Training total hours	Is training record fulfill the requirement
				From	To					
1	Vice President Administration	Tsung-Jung Yen	07/01/2014	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	6.0	Yes
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
2	Director Finance	Chih-Hui Lin	06/01/2010	04/22/2016	04/22/2016	Taiwan Corporate Governance Association	How should enterprises cope with white-collar crimes nowadays	3.0	18.0	Yes
				07/22/2016	07/22/2016	National Cheng Kung University	Follow-up Advanced Study by Accounting Executives	6.0		
				09/30/2016	09/30/2016	Accounting Research and Development Foundation	Key role of "major information" in economic crimes: legal liabilities and case study	3.0		
				10/28/2016	10/28/2016	Taiwan Institute of Directors	Global deployment and cross-border management planning	3.0		
				11/10/2016	11/10/2016	Accounting Research and Development Foundation	How to utilize consolidated statements in enhancing management performance	3.0		

3.4.9 Implementation Status of Internal Control System

3.4.9.1 Internal Control Declaration (translated from Chinese)

Statement of Internal Control System

Date: March 28, 2017

The internal control system from January 1 to December 31, 2016, according to the result of self-assessment is thus stated as follows :

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal control System by Listed Companies” (hereinafter referred to as “Highlights”) promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items , refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting , the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 28, 2017, and those 15 directors in presence all agree at the contents of this statement.

ScinoPharm Taiwan, Ltd.
Chairman : Kao-Huei Cheng
C.E.O. : Yung-Fa Chen

3.4.9.2 If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: Not applicable.

3.4.10 Conviction of corporate or employees' wrongdoings, Company's punishment on employee for violation of internal control, major faults and improvements during recent fiscal period and to the publish date of the annual report : None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.11.1 Major Resolutions and implementation status of 2016 Annual General Shareholders' Meeting

One general shareholders meeting was convened in the fiscal year 2016 and to the publish date of the annual report. The resolutions were summarized as follows.

(I) shareholders' meeting: 2016/06/27

a. Approved revision of the "Articles of Incorporation".

Implementation status: Received the approval letter from Southern Taiwan Science Park and posted the information on the company's website and the July 4th, 2016.

b. Adoption of Business Report and Financial Statements for 2015.

Implementation status: Accepted the business reports and financial statements of year 2015: In accordance with the company law, all related financial information has been submitted to the government agency for review.

c. Adoption of Proposed earnings distribution plan for fiscal year 2015.

Implementation status: The Earning Distribution Record Date was set on August 16th 2016, and the Distribution Date was set on September 14th 2016. (The Company was to distribute: Cash dividend: NT\$ 0.3 per share, stock dividend : NT\$ 0.4 per share)

d. Capital increase by issuing new shares on retained earnings.

Implementation status: Increase capital through issuance of 29,243,315 new share using retained earnings of previous years and to distribute 40 new shares free of charge to shareholders for every 1,000 shares.

Received approval from Financial Supervisory Commission R.O.C.(Taiwan) on July 20th 2016 to set the Earning Distribution Record Date on August 16th 2016. Received the approval from Southern Taiwan Science Park and register the new shares on August 24th 2016. The new shares for capital increase Distribution Date was set on September 14th 2016. The action following resolution and completing the share distribution was posted on the Market Observation Post System on September 2nd, 2016.

e. Proposed revision of the company "the Procedural Rules for Providing Endorsements and Guarantees" and the explanation of the necessity and reasonableness that the aggregate amount of endorsements/guarantees for the Company and its subsidiaries as a whole is set at 100% of the net worth of the Company.

Implementation status: Posted the information on the company's website and the Market Observation Post System on July 7, 2016 and abide by the revised procedure.

- f. Proposed revision of the company “the Procedural Rules for Providing Lending to Other Persons”.

Implementation status: Posted the information on the company's website and the Market Observation Post System on July 7, 2016 and abide by the revised procedure.

- g. Approved the release of prohibition on Directors’ representatives of the 8th election from participation in competitive business.

Implementation status: Approved the release of prohibition on newly assigned Directors’ representatives of the 8th Session- Mr.Kuo-His Wang. The Shareholders’ Meeting Minutes regarding this resolution was posted on the company's website and the Market Observation Post System on July 14th, 2016 in compliance with article 209 of the company law.

(II) Major Resolutions during the Board of Directors Meetings in 2016 and to the Publish Date of the Annual Report

Seven board meetings were convened in fiscal year 2016 and to the publish date of the annual report. The major resolutions were summarized below.

(1) The sixth meeting of the Eighth Session of Board of Directors

(March 25, 2016)

- a. Approved the company’s evaluation results regarding the independence and suitability of the CPAs.
- b. Approved remuneration distribution plans for directors for fiscal 2015.
- c. Approved remuneration distribution plans for employees and vice president and above for fiscal 2015.
- d. Approved business and financial reports for fiscal 2015.
- e. Approved income distribution plan for fiscal 2015.
 - (a) Cash dividend NT\$0.3 per share
 - (b) Share dividend NT\$0.4 per share.
- f. Approved to increase capital through issuance of 29,243,315 new share using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares.
- g. Approved the proposal submitted at the 2016 annual general shareholders meeting to abolish the restrictions of non-compete clause for representative directors of the eighth session of Board of Directors.
- h. Approved the date, location and agenda for holding of the 2016 annual general shareholders meeting and relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares.
- i. Approved the replacement of the Company's financial officer.
- j. Approved the appointment of chartered certified accountant and remuneration package.
- k. Approved CPA replacement due to the internal reorganization of accounting firm.
- l. Approved the renewal contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the company’s chairman to sign the deal.
- m. Approved to provide guarantees for syndicated loans obtained by ScinoPharm (Changshu) Pharmaceuticals, Ltd.
- n. Approved “Statement for Internal Control Systems” for fiscal 2015.

(2) The seventh meeting of the Eighth Session of Board of Directors

(May 9, 2016)

- a. Approved the Consolidated financial statement and Auditor's report for the first quarter of 2016
- b. Approved the revision of company "Regulations for Organization".
- c. Approved the change of director representing the company's overseas subsidiaries.

(3) The eighth meeting of the Eighth Session of Board of Directors

(June 27, 2016)

- a. Approved the company's evaluation results regarding the independence and suitability of the CPAs.
- b. Approved the proposal to issue new shares using retained earnings and the Chairman was authorized by the Board to set the ex-dividend and ex-rights record date, the capital increase record date, the dividend distribution date and other relevant matters.
- c. Approved CPA replacement due to accounting firm internal reorganization.

(4) The Ninth meeting of the Eighth Session of Board of Director

(August 4, 2016)

- a. Approved the 2016~2017 Responsibility Insurance renewal for Board Directors and important staffs.
- b. Approved the consolidated financial reports for the second quarter of 2016.
- c. Approved the revision of the company "policy of ScinoPharm Group on endorsement, guarantee, loaning, and screening".
- d. Approved the revision of the company's "Measures Governing Trading with Related Parties, Specific Companies, and Group Enterprises"
- e. Approved the case involving scrapping of inventories
- f. Approved the 1st 2016 issuance and related matters of employee stock options.

(5) The tenth meeting of the Eighth Session of Board of Directors

(November 8, 2016)

- a. Approved the consolidated financial statement and Auditor's report for the third quarter of 2016
- b. Approved the revision of the company "Corporate Governance Best Practice Principles".
- c. Approved the agreement with Ta Ching Bill Finance Corporation for the increase of short-term credit line and authorization for the chairperson to sign the contract

(6) The eleventh meeting of the Eighth Session of Board of Directors

(December 20, 2016)

- a. Approved the integrity-based management and corporate social responsibility realization report.
- b. Approved planned budget for fiscal 2017.
- c. Approved the company's audit planning for 2017.
- d. Approved the revision of the company "Corporate Social Responsibility Best Practice Principles".
- e. Approved the revision of the company "Regulations for Organization".
- f. Approved the promotion of Head Injectable Business Li-Chiao Chang to Vice President of Injectable Business Division and Senior Manager of Quality Assurance Albert Song to Director of QA.

**(7) The twelfth meeting of the Eighth Session of Board of Directors
(March 28, 2017)**

- a. Approved the company's evaluation results regarding the independence and suitability of the CPAs.
- b. Approved remuneration distribution plans for directors for fiscal 2016.
- c. Approved remuneration distribution plans for employees and vice president and above for fiscal 2015.
- d. Approved business and financial reports for fiscal 2016..
- e. Approved income distribution plan for fiscal 2016.
 - (a) Cash dividend NT\$0.3 per share
- f. Approved to increase capital through issuance of 30,413,047 new share using retained earnings of previous years, and to distribute 40 new shares free of charge to shareholders for every 1,000 shares
- g. Approved "Statement for Internal Control Systems" for fiscal 2016.
- h. Approved the ratify of Exclusive Strategic Partnership between Baxter and the company
- i. Approved the participation of a cash capital increase project of Foresee Pharmaceuticals Co., Ltd.
- j. Approved the appointment of chartered certified accountant and remuneration package.
- k. Approved CPA replacement due to the internal reorganization of accounting firm.
- l. Approved the date, location and agenda for holding of the 2017 annual general shareholders meeting and relevant operating procedures for acceptance of proposals submitted by shareholders who holds over 1% of outstanding shares.
- m. Approved the renewal contracts signed with financial institutions for long- and short-term credit lines and the transaction amount for derivative financial products, and authorized the company's chairman to sign the deal.
- n. Approved the revision of the company "Chop Usage Management Policy"
- o. Approved the revision of the company "Processing Procedures for Acquisition and Disposal of Assets".
- p. Approved the revision of the company "Work Rules".

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

As of 4/30/2016

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CFO	Patricia Chou	September 1 st , 2011	March 11 th , 2016	Resign

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Audit Fee Range Statement

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers Taiwan	Yung-Chih Lin	Ming-Hsien Lee	January 1 st ,2016~ December 31 st ,2016	

Units: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-Audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000		V		V
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

3.5.2 The amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches 12.73% of the Company's annual auditing expenses.

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Yung-Chih Lin	4,500	-	240	-	333	573	January 1 st ,2016~ December 31 st ,2016	tax consulting, and other services fees
	Ming-Hsien Lee								

3.5.3 If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed: Not Applicable.

3.5.4 Auditing expenses decreased by 15% in comparison to the previous year, information regarding the amount, percentage and reason for the decrease in auditing expenses shall be disclosed: Not Applicable.

3.6 Replacement of CPA :

In line with the adjustment of the administrative organization of the contracted accounting firm PwC Taiwan, the company changed CPAs to Tzu-Yu Lin and Ming-Hsien Lee in Q2 2016, from Ming-Hsien Lee and Chien-chih Wu who took the place of Tzu-yu Lin and Ming-Hsien Lee earlier in 2016.

3.7 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed: None.

3.8 Net Change in shareholdings and in shares pledged by directors, supervisors, management, and shareholders holding more than a 10% share in the Company.

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2016		As of Apr 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Chairman	Uni-President Enterprises Corp	11,093,514	0	0	0
	Uni-President Enterprises Corp	69,516	0	0	0
	Representative: Kao-Huei Cheng				
Directors	Uni-President Enterprises Corp	11,093,514	0	0	0
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Chih-Hsien Lo				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Tsung-Ming Su				
	Uni-President Enterprises Corp	173	0	0	0
	Representative: Kun-Shun Tsai				
	Uni-President Enterprises Corp	0	0	0	0
	Representative: Tsung-Pin Wu				
	Uni-President Enterprises Corp	265	0	0	0
	Representative: Yung-Fa Cheng				
Big Shareholder	Uni-President Enterprises Corp	11,093,514	0	0	0
Directors	National Development Fund, Executive Yuan	4,050,999	0	0	0
	National Development Fund, Executive Yuan	2,960	0	0	0
	Representative: Po-Wu Gean				
	National Development Fund, Executive Yuan	0	0	0	0
	Representative: Ming-Shi Chang				
Big Shareholder	National Development Fund, Executive Yuan	4,050,999	0	0	0
Director	Tainan Spinning Co., Ltd.	873,000	0	0	0
	Tainan Spinning Co., Ltd.	0	0	0	0
	Representative: Chien-Li Yin (Note 1)				
	Tainan Spinning Co., Ltd.	0	0	0	0
	Representative: Po-Ming Hou (Note 2)	0	0	0	0

Title	Name	2016		As of Apr 30,2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Director	Kao Chyuan Inv. Co., Ltd.	548,547	0	0	0
	Kao Chyuan Inv. Co., Ltd.	0	0	0	0
	Representative: Shiow-Ling Kao				
Director	President International Development Corp.	1,060,407	9,000,000	0	0
	President International Development Corp.	0	0	0	0
	Representative: Chiou-Ru Shih				
Directors	Taiwan Sugar Corporation	1,204,954	0	0	0
	Taiwan Sugar Corporation	0	0	0	0
	Representative: Chin-Jung Yang (Note3)				
	Taiwan Sugar Corporation	0	0	0	0
	Representative: Kuo- His Wang (Note4)				
Independent Director	Ih-Jen Su	0	0	0	0
Independent Director	Wei-te Ho	0	0	0	0
Independent Director	Wei-Cheng Tian	3,777	0	0	0
President & CEO, Chief Technology Officer	Yung-Fa Chen	265	0	0	0
Vice President	Chih-Fang Chen	0	0	0	0
CFO & Vice President	Patricia Chou (Note5)	(4,161)	0	0	0
Vice-President	Ching-Wen Lin	3,943	0	0	0
Vice-President	Tsung-Jung Yen	0	0	0	0
Vice-President	Kuo-Hsi Cheng	453	0	0	0
Vice-President	Li-Chiao Chang (Note 6)	0	0	0	0
Director	Chau Shi Ming (Note7)	0	0	0	0
Director	Yu-Fen Hung	3,964	0	0	0
Director	Chin-Lin Liu		0	0	0
Director	Helen Chao (Note8)	0	0	0	0
Director	Jessie Wang	5	0	0	0
Director	Chao-An Chou	246	0	0	0
Director & Accounting Officer	Chih-Hui Lin	0	0	0	0
Director	Lung Kuang Kuo	0	0	0	0
Director	Ing-Hsiao Lien	0	0	0	0
Director	Luh-Chian Chang	0	0	0	0
Director Injectable Plant	Nan-Sheng Chan	3,298	0	0	0
Director	Sharon Lee	29	0	0	0
Director	Erick Co (Note9)	0	0	0	0
Director	Shun Yang Lin	0	0	0	0

Title	Name	2016		As of Apr 30,2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
		Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held	Net increase (decrease) in shares held
Director	Hui-Ching Chou (Note 10)	3	0	0	0
Director	Albert Song(Note 11)	0	0	511	0
Director	Chia-Ling Tsay(Note 12)	0	0	0	0
Director	Ching-Ming Huang(Note 13)	0	0	15,000	0

Note 1: The Director was discharged on November 10th 2016.

Note 2: The Director was newly appointed on November 10th 2016.

Note 3: The Director was discharged on January 11th 2016.

Note 4: The Director was newly appointed on January 11th 2016

Note 5: The CFO & Vice President Finance was discharged on March 11th 2016.

Note 6: The Director was newly appointed as Vice President of Injectable Business Division on January 1st 2016.

Note 7: The Director was discharged on February 20th 2016.

Note 8: The Director was discharged on January 1st 2016.

Note 9: The Director was discharged on March 1st 2017.

Note 10: The Director was newly appointed on March 4th 2017.

Note 11: The Director was newly appointed on January 1st 2017.

Note 12: The Director was newly appointed on February 13th 2017.

Note 13: The Director was newly appointed on March 20th 2017.

3.8.2 Shares Trading with Related Parties: None

3.8.3 Shares Pledge with Related Parties: None

3.9 Relationship among the Top Ten Shareholders

3.9.1.Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

As of 12/31/2016 ; Unit : Share ; %

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp Representative : Chih-Hsien Lo Institutional Shareholder Representative : Kao-Huei Cheng Chih-Hsien Lo Tsung-Ming Su Tsung-Pin Wu Kun-Shun Tsai Yung-Fa Chen	288,431,384	37.94%	—	—	—	—	President International Development Corp.	1.Referring to the parent company of President International Development Corp.(PIDC) 2. Company's Chairman is also Chairman of PIDC 3.Director also referring to as Director of PIDC 4. Vice President also referring to as President of PIDC 5. Vice President also referring to as Director of PIDC 6. Assistant Vice President also referring to as Director of PIDC 7. Assistant Vice President also referring to as Supervisor of PIDC 8. Chairman is the spouse of Director of PIDC	—
							Tong Yu Investment Corp	1.Referring to the final parent company of Tong Yu Investment Corp 2. Company's Chairman is also Chairman of Tong Yu Investment Corp 3. Vice President also referring to as Director of Tong Yu Investment Corp 4. Assistant Vice President also referring to as director of Tong Yu Investment Corp 5.Director is the spouse of chairman of Tong Yu Investment Corp	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp Representative : Chih-Hsien Lo Institutional Shareholder Representative : Kao-Huei Cheng Chih-Hsien Lo Tsung-Ming Su Kun-Shun Tsai Tsung-Pin Wu Yung-Fa Chen	288,431,384	37.94%	—	—	—	—	Tainan Spinning Co., Ltd.	1. Company's director is also Chairman of Tainan Spinning Co., Ltd. 2. Company's director is also Director of Tainan Spinning Co., Ltd. 3. Company's director is also brother of Chairman of Tainan Spinning Co., Ltd.	
							Kai Yu Investment Co.	1. Referring to the parent company of Kai Yu Investment Co. 2. Company's Chairman is also Chairman of Kai Yu Investment Co. 3. Vice President also referring to as Director of Kai Yu Investment Co. 4. Assistant Vice President also referring to as Supervisor of Kai Yu Investment Co. 5. Director is the spouse of chairman of Kai Yu Investment Co.	—
							Kai Nan Investment Co.	1. Referring to the parent company of Kai Nan Investment Co. 2. Company's Chairman is also Chairman of Kai Nan Investment Co. 3. Vice President also referring to as President of Kai Nan Investment Co. 4. Assistant Vice President also referring to as Supervisor of Kai Nan Investment Co. 5. Director is the spouse of chairman of Kai Nan Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Kao Chyuan Inv. Co., Ltd.	1. Company's Chairman and Partial Directors are representatives of Kao Chyuan Inv. Co., Ltd. 2. Chairman and President are the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 3. Chairman a is the director of Kao Chyuan Inv. Co., Ltd.	—
National Development Fund, Executive Yuan Institutional Shareholder Representative : Po-Wu Gean Ming-Shi Chang	105,325,975	13.85%	—	—	—	—	None	None	—
Taiwan Sugar Corporation Representative: Charles Huang Institutional Shareholder Representative : Kuo-His Wang	31,328,811	4.12%	—	—	—	—	None	None	—
President International Development Corp. Representative : Chih-Hsien Lo	27,570,598	3.63%		—	—	—	Uni-President Enterprises Corp.	1. An enterprise invested by Uni-President Enterprises on the basis of equity-method evaluation 2. Chairman is the Chairman of Uni-President Enterprises Corp. 3. President and Director is the Vice President	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Institutional Shareholder Representative : Chiou-Ru Shih								of Uni-President Enterprises Corp. 4.Company Director is Director of Uni-President Enterprises Corp. 5.Company Director is Vice President of Uni-President Enterprises Corp. 6.Company Director is Assistant Director of Uni-President Enterprises Corp. 7. Company Supervisor is Assistant Director of Uni-President Enterprises Corp. 8.Company's Chairman 、 Director	
							Kao Chyuan Inv. Co., Ltd.	1.Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2.Director also referring to as Chairman of Kao Chyuan Inv. Co., Ltd. 3. Company's Director	—
							Tong Yu Investment Corp.	1. An enterprise invested by Tong Yu Investment Corp. on the basis of equity-method evaluation 2.Chairman is the Chairman of Tong Yu Investment Corp. 3.President and Director also referring to as Director of Tong Yu Investment Corp. 4. Supervisor is also referring to as Director of Tong Yu Investment Corp. 5. Assistant Vice President is also referring to as Supervisor of Tong Yu Investment Corp.	—
							Prince Housing &Development Corp.	1. Company's Chairman is also vice chairman of Prince Housing &Development Corp. 2.Director is also Chairman of Prince Housing &Development Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								3.Director is President of Prince Housing & Development Corp. 4.Director is Director of Prince Housing & Development Corp. 5.Supervisor is Director of Prince Housing & Development Corp. 6.Company's Director	
President International Development Corp. Representative : Chih-Hsien Lo Institutional Shareholder Representative : Chiou-Ru Shih	27,570,598	3.63%	—	—	—	—	Kai Yu Investment Co.	1.Chariman is Chairman of Kai Yu Investment Co. 2.President and Director are also referring to as Director of Kai Yu Investment Co. 3.Director is also referring to as Director of Kai Yu Investment Co 4.Supervisor is also referring to as Supervisor of Kai Yu Investment Co	—
							Tainan Spinning Co., Ltd.	1.Director is also referring to as Chairman of Tainan Spinning Co., Ltd. 2.Assistant Vice President is also referring to as Director of Tainan Spinning Co., 3.Company's Director	—
							Kai Nan Investment Co.	1.Diretor is also referring to as Chairman of Kai Nan Investment Co. 2.President is also referring to as Director of Kai Nan Investment Co. 3.Director is also referring to as Director of Kai Nan Investment Co. 4.Supervisor is also referring to as Supervisor of Kai Nan Investment Co.	—
Tainan Spinning Co., Ltd. Representative : Kao-Huei Cheng	22,698,001	2.99%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also referring to as Chairman of Uni-President Enterprises Corp. 2.Vice Chairman is a brother of Director of Uni-President Enterprises Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Institutional Shareholder Representative : Chien-Li Yin							President International Development Corp.	1.Chairman is also referring to as Director of President International Development Corp. 2.Director of President International Development Corp.	—
							Prince Housing &Development Corp.	1.Chairman is also referring to as Director of Prince Housing &Development Corp. 2.Chairman is a brother of Director of Prince Housing &Development Corp.	—
Kao-Huei Cheng	1,807,430	0.24%	—	—	—	—	Tainan Spinning Co., Ltd.	As Honorable Chairman of Tainan Spinning Co., Ltd.	—
							Uni-President Enterprises Corp.	As Director of Uni-President Enterprises Corp.	—
							Prince Housing &Development Corp.	As Director of Prince Housing &Development Corp.	—
Prince Housing &Development Corp. Representative : Kao-Huei Cheng	22,698,001	2.99%	—	—	—	—	Uni-President Enterprises Corp.	1. Uni-President Enterprises Corp. is Company's Vice Chairman and biggest Shareholder. 2.Vice Chairman is also referring to as Chairman of Uni-President Enterprises Corp.	—
							President International Development Corp.	1.Vice Chairman is also referring to as Chairman of President International Development Corp. 2.As Director of President International Development Corp.	—
							Tong Yu Investment Corp.	1.Vice Chairman is also referring to as Chairman of Tong Yu Investment Corp. 2.Director is also referring to as Director of	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								Tong Yu Investment Corp.	
							Tainan Spinning Co., Ltd.	Director is Chairman of Tainan Spinning Co., Ltd.	—
							Kai Yu Investment Co.	1.Vice Chairman is also referring to as Chairman of Kai Yu Investment Co. 2.Director is also referring to as Supervisor of Kai Yu Investment Co.	—
							Kao Chyuan Inv. Co., Ltd.	1. Kai Yu Investment Co. is Company's Director 2. Vice Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd.	—
							Kai Nan Investment Co.	1.Vice Chairman is also referring to as Chairman of Kai Nan Investment Co. 2.Director is also referring to as Supervisor of Kai Nan Investment Co.	—
Tong Yu Investment Corp. Representative : Chih-Hsien Lo	16,274,968	2.14%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also Chairman of Uni-President Enterprises Corp. 2.Director is also referring to as Vice President of Uni-President Enterprises Corp. 3.Director is also referring to as Assistant Vice President of Uni-President Enterprises Corp.	—
Tong Yu Investment Corp. Representative : Chih-Hsien Lo	16,274,968	2.14%	—	—	—	—	President International Development Corp.	1. An enterprise invested by President International Development Corp. on the basis of equity-method evaluation 2.Chairman is also referring to as the Chairman of President International	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								Development Corp. 3.Director is the Director and President of President International Development Corp. 4.Director is also referring to as the Supervisor of President International Development Corp. 5.Supervisor is also referring to as the Assistant Vice president of President International Development Corp. 6.Company's Chairman 、 Director and Supervisor	
							Prince Housing &Development Corp.	1.Chairman is also referring to as the Vice Chairman of Prince Housing &Development Corp. 2.Director is also referring to as the Director of Prince Housing &Development Corp.	—
							Kai Yu Investment Co.	1.Chairman is also referring to as the Chairman of Kai Yu Investment Co. 2.Director is also referring to as the Director of Kai Yu Investment Co. 3.Director is also referring to as the Supervisor of Kai Yu Investment Co.	—
							Kao Chyuan Inv. Co., Ltd.	Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd.	—
							Kai Nan Investment Co.	1.Chairman is also referring to as the Chairman of Kai Nan Investment Co. 2.Director is also referring to as the Director of Kai Nan Investment Co. 3.Director is also referring to as the Supervisor of Kai Nan Investment Co.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kao Chyuan Inv. Co., Ltd. Representative : Shiow-Ling Kao Institutional Shareholder Representative : Shiow-Ling Kao	14,262,244	1.88%	—	—	—	—	Uni-President Enterprises Corp.	1.Chairman is also referring to as the Director of Uni-President Enterprises Corp. 2.Director is Chairman and President of Uni-President Enterprises Corp. 3.Chairman is the spouse of Chairman of Uni-President Enterprises Corp. 4. Uni-President Enterprises Corp.'s Chairman and Director.	—
							President International Development Corp.	1.Chairman is also referring to as the Director President International Development Corp. 2.Director is also referring to as the Chairman of President International Development Corp. 3.Chairman is the spouse of Chairman of President International Development Corp. 4. President International Development Corp.'s Director	—
							Tong Yu Investment Corp.	1.Director is also referring to as the Chairman of Tong Yu Investment Corp. 2.Chairman is the spouse of Chairman of Tong Yu Investment Corp.	—
Kao Chyuan Inv. Co., Ltd. Representative : Shiow-Ling Kao Institutional Shareholder Representative :	14,262,244	1.88%	—	—	—	—	Prince Housing &Development Corp.	1.Chairman is also referring to as the Director of Prince Housing &Development Corp. 2.Director is the Vice Chairman of Prince Housing &Development Corp. 3.Chairman is the spouse of Vice Chairman of Prince Housing &Development Corp. 4. Referring to Prince Housing &Development Corp.'s Director	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shiow-Ling Kao							Kai Yu Investment Co.	1. Director is also referring to as the Chairman of Kai Yu Investment Co. 2. Chairman is the spouse of Chairman of Kai Yu Investment Co.	—
							Kai Nan Investment Co.	1. Director is also referring to as the Chairman of Kai Nan Investment Co. 2. Chairman is the spouse of Chairman of Kai Nan Investment Co.	—
Kai Yu Investment Co. Representative : Chih-Hsien Lo	14,195,351	1.87%	—	—	—	—	Uni-President Enterprises Corp.	1. Referring to a Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp. representatives are Chairman 、Directors and Supervisors 3. Chairman is also referring to as the Chairman of Uni-President Enterprises Corp. 4. Director is also referring to as the Vice President of Uni-President Enterprises Corp. 5. Supervisor is also referring to as the Assistant Vice President of Uni-President Enterprises Corp. 6. Chairman is the spouse of Director of Uni-President Enterprises Corp.	—
							President International Development Corp.	1. Same Parent Company with President International Development Corp. 2. Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is the Director and President of President International Development Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
								4. Director is also referring to as the Director of President International Development Corp. 5. Supervisor is also referring to as the Supervisor of President International Development Corp.	
							Tong Yu Investment Corp.	1. Same Parent Company with Tong Yu Investment Corp. 2. Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3. Director is also referring to as the Director of Tong Yu Investment Corp. 4. Supervisor is also referring to as the Director of Tong Yu Investment Corp.	—
Kai Yu Investment Co. Representative : Chih-Hsien Lo	14,195,351	1.87%	—	—	—	—	Kai Nan Investment Co.	1. Same Parent Company with Kai Nan Investment Co. 2. Chairman is also referring to as the Chairman of Kai Nan Investment Co. 3. Director is also referring to as the Director of Kai Nan Investment Co. 4. Supervisor is also referring to as the Supervisor of Kai Nan Investment Co.	—
							Kao Chyuan Inv. Co., Ltd.	1. Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2. Chairman is the Director of Kao Chyuan Inv. Co., Ltd.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kai Nan Investment Co. Representative : Chih-Hsien Lo	13,413,521	1.76%	—	—	—	—	Uni-President Enterprises Corp.	1.Referring to the Subsidiary of Uni-President Enterprises Corp. 2. Uni-President Enterprises Corp.'s representatives are Chairman 、Directors and Supervisors 3.Chairman is the Chairman and Uni-President Enterprises Corp. 4.Director is also referring to as the Vice president of Uni-President Enterprises Corp. 5.Supervisor is also referring to as the Assistant Vice President of Uni-President Enterprises Corp. 6.Chairman is the spouse of Director of Uni-President Enterprises Corp.	—
							President International Development Corp.	1.Same Parent Company with President International Development Corp. 2.Chairman is also referring to as the Chairman of President International Development Corp. 3. Director is also referring to as the Director and President of President International Development Corp 4.Director is also referring to as the Director of President International Development Corp. 5.Supervisor is also referring to as the Supervisor of President International Development Corp.	—

Name	Current Shareholding(Note1)		Spouse & Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Tong Yu Investment Corp.	1.Same final Parent Company with Tong Yu Investment Corp. 2.Chairman is also referring to as the Chairman of Tong Yu Investment Corp. 3.Director is also referring to as the Director of Tong Yu Investment Corp. 4.Supervisor is also referring to as the Director of Tong Yu Investment Corp.	—
Kai Nan Investment Co. Representative : Chih-Hsien Lo	13,413,521	1.76%	—	—	—	—	Kai Yu Investment Co.	1.Same Parent Company with Kai Yu Investment Co 2.Chairman is also referring to as the Chairman of Kai Yu Investment Co 3.Director is also referring to as the Director of Kai Yu Investment Co 4.Supervisor is also referring to as the Supervisor of Kai Yu Investment Co	—
							Kao Chyuan Inv. Co., Ltd.	1.Chairman is the spouse of Chairman of Kao Chyuan Inv. Co., Ltd. 2.Chairman is also referring to as the Director of Kao Chyuan Inv. Co., Ltd.	—

Note1: Holding Shares and Holding Percentage as of April 29th 2017.

3.10 Ownership of Shares in Affiliated Enterprises

12/31/2016 ; Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
SPT International, Ltd.	60,524,644	100%	-	-	60,524,644	100%
ScinoPharm Singapore Pte Ltd.	2	100%	-	-	2	100%

Note: Company's Long Term Investment on the basis of equity-method evaluation

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Issued Shares

As of 04/30/2017

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
11/1997	10	270,000	2,700,000	67,500	675,000	Registered capital	Technical shares account for 15% of total capital	Note1
12/1998	10	270,000	2,700,000	189,000	1,890,000	Cash Capital Increase 1,032,750	Technical shares account for 15% of total capital 182,250	Note 2
10/1999	10	270,000	2,700,000	270,000	2,700,000	Cash Capital Increase 688,500	Technical shares account for 15% of total capital 121,500	Note 3
02/2002	10	370,000	3,700,000	370,000	3,700,000	Cash Capital Increase 1,000,000	-	Note 4
07/2003	10	530,000	5,300,000	420,000	4,200,000	Cash Capital Increase 500,000	-	Note 5
04/2004	10	530,000	5,300,000	470,000	4,700,000	Cash Capital Increase 500,000	-	Note 6
10/2004	10	530,000	5,300,000	486,000	4,860,000	Cash Capital Increase 160,000	-	Note 7
12/2005	10	610,000	6,100,000	551,000	5,510,000	Cash Capital Increase 650,000	-	Note 8
06/2008	10	610,000	6,100,000	551,373	5,513,734	Merge Capital Increase 3,734	New shares were issued to merge with subsidiary ScinoPharm Biotech Ltd.	Note 9
08/2010	20	610,000	6,100,000	610,000	6,100,000	Cash Capital Increase 586,266	-	Note 10
12/2010	10	1,000,000	10,000,000	610,000	6,100,000	To increase authorized capital	-	Note 11
10/2010	46	1,000,000	10,000,000	631,000	6,310,000	Cash Capital Increase 210,000	-	Note 12
08/2012	10	1,000,000	10,000,000	649,930	6,499,300	capital increase on retained earnings 189,300	-	Note 13
08/2013	10	1,000,000	10,000,000	675,927	6,759,272	capital increase on retained earnings 259,972	-	Note 14

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
08/2014	10	1,000,000	10,000,000	702,964	7,029,643	capital increase on retained earnings 270,371	-	Note 15
08/2015	10	1,000,000	10,000,000	731,082	7,310,829	capital increase on retained earnings 281,186	-	Note 16
08/2016	10	1,000,000	10,000,000	760,326	7,603,262	capital increase on retained earnings 292,433	-	Note 17

Note 1: Approved No.: (86) Yuan Shang No. 23483

Note 2: Approved No.: (88) Yuan Shang No. 003454

Note 3: Approved No.: (88) Yuan Shang No. 027020

Note 4: Approved No.: Nan Erh No. 0910005896

Note 5: Approved No.: Nan Shang No.0920014152

Note 6: Approved No.: Nan Shang No.0930009753

Note 7: Approved No.: Nan Shang No.0930031092

Note 8: Approved No.: Nan Shang No.0950001220

Note 9: Approved No.: Nan Shang No.0970014601

Note 10: Approved No.: Nan Shang No.0990018156

Note 11: Approved No.: Nan Shang No.09900129213

Note 12: Approved No.: Nan Shang No.1000025207

Note 13: Approved No.: Nan Shang No.1010021098

Note 14: Approved No.: Nan Shang No.1020021135

Note 15: Approved No.: Nan Shang No.1030021574

Note 16: Approved No.: Nan Shang No.1040021085

Note 17: Approved No.: Nan Shang No.1050021651

4.1.1.2 Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares (Share)	Total Shares	
Common Stock	760,326,175	239,673,825	1,000,000,000	Listed Company Stock

4.1.1.3 Information for Shelf Registration: None

4.1.2 Status of Shareholders

As of 04/30.2017

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	144	30,158	113	30,417
Shareholding (shares)	105,325,975	11,850,838	462,617,067	142,429,855	38,102,440	760,326,175
Percentage	13.853%	1.559%	60.844%	18.733%	5.011%	100.000%

4.1.3 Shareholding Distribution Status

4.1.3.1 Common Shares (The Par Value for each share is \$10NTD)

As of 04/30/2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	8,855	1,341,365	0.176%
1,000 ~ 5,000	15,485	31,088,285	4.089%
5,001 ~ 10,000	2,972	20,666,148	2.718%
10,001 ~ 15,000	1,243	14,715,731	1.935%
15,001 ~ 20,000	479	8,379,717	1.102%
20,001 ~ 30,000	565	13,638,441	1.794%
30,001 ~ 50,000	379	14,412,762	1.895%
50,001 ~ 100,000	242	16,595,290	2.183%
100,001 ~ 200,000	96	13,037,256	1.715%
200,001 ~ 400,000	51	14,074,994	1.851%
400,001 ~ 600,000	16	7,530,277	0.990%
600,001 ~ 800,000	6	4,331,695	0.570%
800,001 ~ 1,000,000	4	3,524,486	0.464%
1,000,001 ~	24	596,989,728	78.518%
Total	30,417	760,326,175	100.000%

4.1.3.2 Preferred Shares: None.

4.1.4 List of Major Shareholders

As of 04/30/ 2017

Shareholder's Name	Shares	Percentage
Uni-President Enterprises Corp	288,431,384	37.94%
National Development Fund, Executive Yuan	105,325,975	13.85%
Taiwan Sugar Corporation	31,328,811	4.12%
President International Development Corp.	27,570,598	3.63%
Tainan Spinning Co., Ltd.	22,698,001	2.99%
Prince Housing & Development Corp.	22,698,001	2.99%
Tong Yu Investment Corp.	16,274,968	2.14%
Kao Chyuan Inv. Co., Ltd.	14,262,244	1.88%
Kai Yu Investment Co.	14,195,351	1.87%
Kai Nan Investment Co.	13,413,521	1.76%

Note: The Name、Holding Shares and Holding Percentage of the Top Ten Shareholders.

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Year			2015	2016	As of March 31 2017
Item					
Market Price per Share	Highest		62.70	56.40	47.00
	Lowest		30.95	37.25	37.90
	Average		47.71	46.65	43.05
Net Worth per Share	Before Distribution		13.48	13.45	13.62
	After Distribution		13.18	(Note 4)	-
Earnings per Share	Weighted Average Shares (thousand shares)		731,083	760,326	760,326
	Earnings per Share (Undiluted)		0.87	0.87	0.22
	Earnings per Share (Diluted)		0.84	(Note 4)	-
Dividends per Share	Cash Dividends		0.3	(Note 4)	-
	Stock Dividends	Dividends from Retained Earnings(Note 4)	0.4	(Note 4)	-
		Dividends from Capital Surplus(Note 4)	-	(Note 4)	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note1)		51.22	50.86	-
	Price / Dividend Ratio (Note2)		148.53	(Note 4)	-
	Cash Dividend Yield Rate (Note 3)		0.67%	(Note 4)	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: The income distribution plan for fiscal 2016 has not yet approved by the general shareholders meeting.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy:

Since the business environment has been changing enormously, and ScinoPharm is experiencing the steadily growth, the annual earnings distribution should be considered in terms of future capital budget, long-term investment, and business funding needs, etc. in order to determine the amount to be retained of distributed as stock dividend or cash dividend.

If there are earnings for distribution at the end of each fiscal year, after offsetting any loss of prior year(s) and paying all taxes and dues, 10% of the remaining net earnings shall be set aside as legal reserve, then would be appropriated as special reserve in accordance with Securities Exchange Law. The remaining net earnings can be distributed together with prior accumulated unappropriated retained earnings. The Board of Directors will consider the factors that were mentioned above to make the dividend distribution proposal. The dividend should be set in the range from 50% to 100% of the accumulated unappropriated retained earnings and the amount of cash dividend shall exceed 30% of the total amount of dividends distribution. The dividends could be distributed in accordance with the resolution that is approved by the Board of Directors and the Annual Shareholders' Meeting.

4.1.6.2. Proposed Distribution of Dividend

The proposal for distribution of 2016 profits was passed at the Meeting of the Board of

the Board of Directors(March 28th 2017). This proposal, a cash dividend of NTD 0.3 per share and stock dividend of NTD 0.4 per share, will be discussed at annual shareholders' meeting.

4.1.7 Impacts of Stock Dividends on Operation Results and EPS : Not Applicable.

4.1.8 Employee Bonus and Directors' Remuneration

- 4.1.8.1. The limit or percentage of Director's Remuneration and Employee Bonus are regulated by Articles of Incorporation:

A ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.

- 4.1.8.2. Estimate Foundation of Employee Bonus and Directors' Remuneration:

The basis of estimates is based on a certain percentage of 2016 net income after taking into account the legal reserve and other factors, as prescribed under the Company's Articles of Incorporation.

- 4.1.8.3. Profit Distribution of Year 2016 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration

- (1) Recommended Distribution of Employee Bonus and Directors' Remuneration: (NT\$ thousands)

Employee Bonus – in Cash	\$82,180,593
Employee Bonus – in Stock	0
Directors' Remuneration	<u>11,733,766</u>
Total	<u>\$93,914,359</u>

- (2) The aforementioned amounts differed from budgeted amounts by 0 for employee compensation, and by 4 NTD for director compensation; these figures have been listed as gain (loss) in year 2017.

- 4.1.8.4. The Actual Distributable compensation for employees and directors for previous year(including distributable shares,distributable amount and share price):

The Actual Distributable compensation for employees and directors on 2015 is as following:

- (1)The Distributable compensation for employees and directors on 2015 is calculated according to Article 40 of the Articles of Incorporation: "Should the Company earn surpluses within the current term, at least two percent of surpluses should be set aside for employee compensation, and no more than two percent of surpluses should be set aside for director.
- (2) According to the revised Company Act, the employee compensation for 2015 was 77,010,882 NTD, making up 8.64% of the year's profits; director compensation was 11,542,599 NTD, making up 1.29% of the year's profits; all compensation was distributed in cash form. The aforementioned amounts differed from budgeted amounts by 118 NTD for employee compensation, and by 113,216 for director compensation; these figures have been listed as gain (loss) in year 2016.

4.1.9 Buyback of Treasury Stock: None

4.1.9 Buyback of Treasury Stock: None

4.2 Bonds: None

4.3 Status of Corporate Bonds, Preferred Stock, GDR, Employee Stock Option Plan, Employee Restricted Stock Plans, Mergers, Acquisitions, and Spin-Offs

4.3.1 The amount of employee stock options outstanding should be disclosed till the print of the annual report with its impact on shareholders' equity.

Issuance of Employee Stock Options

As of 4/30/2017

Type of Stock Option	First issuance of Employee Stock Options on 2013	First issuance of Employee Stock Options on 2015	First issuance of Employee Stock Options on 2016
Approval date	10/24/2013	10/13/2015	10/12/2016
Issue date	12/03/2013	11/06/2015	10/14/2016
Units issued	1,000,000Units(Note 1)	1,500,000 Units (Note 1)	1,500,000 Units (Note 1)
Shares of stock options to be issued as a percentage of outstanding shares	0.13152% (Note2)	0.19728% (Note2)	0.19728% (Note2)
Duration	10years	10years	10years
Conversion measures	issue new shares	issue new shares	issue new shares
Conditional conversion periods and percentages	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.	The ratios of stock options which could be exercised will reach 50%, 75% and 100%, respectively, after two, three and four years of issuance.
Converted shares	0share	0share	0share
Exercised amount	0	0	0
Number of shares yet to be converted	658,500 shares	1,241,000 shares	1,412,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT\$80.20/share	NT\$40.00/share	NT\$40.55/share
Unexercised shares as a percentage of total issued shares	0.08661% (Note2)	0.16322% (Note2)	0.18571% (Note2)
Impact on possible dilution of shareholdings	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.	The stock options being issued can be exercised in three portions after two years, and the impact on shareholders' equity can be diluted gradually.

Note 1: Each unit of stock options is entitled to buy one common share.

Note 2: As calculated based on a total of 760,326,175 shares outstanding currently.

4.3.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

4/30/2017 ; Unit : share/NT\$

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executives Officers	President	Yung-Fa Chen	1,978,500	0.26022%	0	—	0	0	1,978,500	80.20 / 40.00 / 40.55	94,882,150	0.26022%
	Vice President	Chih-Fang Chen										
	Vice-President	Ching-Wen Lin										
	Vice President	Tsung-Jung Yen										
	Vice President	Kuo-Hsi Cheng										
	Vice President	Li-Chiao Chang										
	Director	Yu-Fen Hung										
	Director	Lung Huang Kuo										
	Director	Chao-An Chou										
	Director Finance & Accounting	Chih-Hui Lin										
	Director	Jessie Wang										
	Director	Ling-Hsiao Lien										
	Director	Luh-Chian Chang										
	Director	Nan-Sheng Chan										
	Director	Sharon Lee										
	Director	Hui-Ching Chou										
	Director	Shun Yang Lin										
	Director	Albert Song										

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Employees	Senior Manager	Tsung-Yu Hsiao	460,000	0.06050 %	0	-	0	0	460,000	80.20 / 40.00 / 40.55	22,039,900	0.06050%
	Senior Manager	Tsung-Cheng Hu										
	Senior Manager	John Tsai										
	Senior Manager	Sabrina Wu										
	Senior Manager	Hanch Su										
	Manger	Jason Liang										
	Senior Manager	Bin Liu										
	Senior Manager	Hui-Chun Chen										
	Senior Manager	Albert Lin										
	Manger	Yu-Wei Shen										

4.4 Financing Plans and Implementation

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported up to end of previous season before the printed date of the Annual Report: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 The business items of the Company are as follows:

- A C802041 Manufacture of pharmaceuticals;
- B C801990 Manufacture of other chemical materials;
- C IG01010 Biotechnological services;
- D F601010 Intellectual property rights related services
- E F401010 International trade.

1. Research, development, production, manufacture and distribution of the following products:
(1) generic APIs, (2) protein drugs, (3) oligonucleotide, (4) peptide, (5) injection formulation, (6) small-molecule new drugs.
2. Consulting, advisory and technical services relating to the above products.
3. International trade in connection with the above products.>>

5.1.1.2 2016 Revenue distribution

Unit : thousand NTD ; %

Major Products	Year 2016	
	Total Sales	(%) of Total Sales
Manufacturing and sales of API	3,840,755	95%
Technical Services Income	190,076	5%
Other Income	90	-
Total Sales	4,030,921	100%

5.1.1.3 Categories of services available currently

ScinoPharm Taiwan Ltd. was set up to provide active pharmaceutical ingredient (API) manufacturing services to the global generic drug makers initially. Powered by its maturing analytic capability, organic synthesizing techniques, and its engagement in special synthetic technology for different therapeutic areas, ScinoPharm is currently able to provide small molecular drugs, complex natural molecules and its derivatives, synthesis services for major biochemistry molecules such as peptides and nucleic acids, as well as customized manufacturing process development from process research to commercial production and to subcontract manufacturing. The company has also continued to expand its business lines to include the offerings of injection drugs and related services. The main results are summarized as follows:

A. In-house developed APIs (active pharmaceutical ingredients) categorized by purpose:

1. Cancer-related application APIs totaling thirty-six items.
2. Central nervous system-related application APIs totaling thirteen items.
3. Cardiovascular-related application APIs totaling seven items.
4. Infection-related application APIs totaling six items.

5. Genitourinary-related application APIs totaling two items.
6. Respiratory system-related application APIs totaling two items.
7. Ophthalmology-related application APIs totaling two items.
9. APIs for other applications totaling four items.

For total APIs developed in house, four are nucleic acid-related APIs.

B. Customized development and subcontract production of APIs:

1. Commercialized production of APIs totaling five items.
2. APIs under clinical trials totaling six items.

C. Development and manufacturing services for injection drugs:

While already being a leading provider of oncological APIs to regulated markets worldwide as far as product categories and customer base are concerned, ScinoPharm has been driven by factors including increasing demand from the injectable product manufacturing industry in recent years and market research feedbacks from global clients to implement a downward integration strategy by setting up an injectable product plant at its existing Tainan production base to provide one-stop service from API research to injectable production to clients. The company has completed the development of two injection drugs in dosage form and has also applied for a drug permit license each via a cooperation model. One of the two injectables is dedicated to cancer-related applications and the other is for cardiovascular-related applications. ScinoPharm can provide customized development and subcontract production for injection drugs once the injectable plant commences its official operations and will also offer injection drugs in dosage form later.

5.1.1.4 Roadmaps for new products:

New products on drawing board	Purpose
SPT1312	Osteoporosis T treatment
SPT1348	Gastrointestinal drugs
SPC1357	Hepatitis drugs
SPC1361	Anticoagulant drugs
SPT1388	Cancer drugs
SPT1394	Cancer drugs
SPT1400	Cancer drugs
SPT1401	Psychiatric drugs
SPT1411	Anticoagulant drugs
SPT1418	anesthesia medicines
SPT1422	psychiatric medicines

5.1.2 Industry Overview

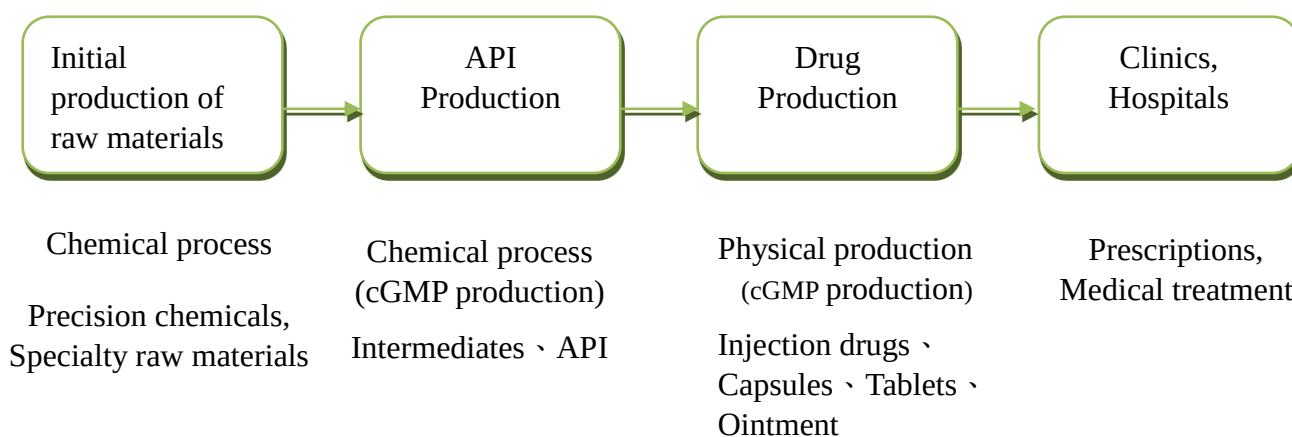
5.1.2.1 Current Situation and Future Development of the Industry

Global sales of pharmaceuticals are expected to approach US\$1.5 trillion by 2021, up from 2016's US\$1.1046 trillion, representing 4-7% of CAGR from 2017 through 2021, during which developed countries will have a CAGR of 4-7% and emerging markets will have a CAGR of 6-9%, according data compiled by IMS. The drug market in the U.S. will reach US\$645-675 billion by 2021, accounting for 45% of the global market, followed by Europe (five major countries) with 13%, China 11% and Japan 6%. Being the developed areas North America and Europe are two major pharmaceutical markets globally, but the growth in the two markets is tapering down due to efforts to reduce gigantic medicare expenses, to encourage the use of generic drugs, to lower pharmaceutical product prices and to pare down drug spending. Comparatively, the drug markets in emerging economies are growing rapidly thanks to economic growth, rising medicare standard and increasing demand for pharmaceutical products. However, the growth of generic drugs in emerging markets is still relatively limited.

The global development of generic drugs has been gaining momentum since the enactment of the Hatch-Waxman Act in the U.S. in 1984. Moreover, since excess medical expenses have become a major issue that has to be addressed urgently in many developed countries, a number of governments have begun in recent years to amend their related laws and regulations, mapping out goals and plans for the use generic drugs, encouraging the roll-out and application of generic medicines, while helping governments and people mitigate their medical expenses. The change of health policy in Japan is also expected to bring benefits to the generic drug market. Market share of generic drugs topped 28.8% in industrially developed nations, which is expected to top 31% in 2021 according to IMS.

While the growth potential of the global generic drug market is increasing, the API market has also continued to expand. The global API market totaled US\$157.9 billion in 2016 and is expected to reach US\$213.9 billion in 2021, according to market data. Meanwhile, the trend of subcontract production or development process of APIs is also growing year by year as drug makers have continued to seek ways to reduce production costs. Consequently, outsourcing of APIs will become the mainstream of the market in the future, and the focus of outsourcing market will shift from the U.S and Europe to Asia, making the region the fastest growing API market while also heating up competition.

5.1.2.2 Industrial supply chain of related pharmaceutical products in the up, middle and downstream sectors



5.1.2.3 Global development trend and competition of the industry of active pharmaceutical ingredients.

A. Outsourcing trend for the production of active pharmaceutical ingredients of new drugs
Demands of preparations companies for active pharmaceutical ingredients can be classified, according to production and supply methods, into own production for own use and outsourcing production. Although majority of major international patented drug companies tend to produce active pharmaceutical ingredients for own use by themselves, for better grip of quality and time, they are intensifying focus on R&D, sales, and market grasp for new drugs, in order to speed up rollout of new drugs, in order to cope with threat of generic drugs and uphold market shares. In view of lesser role of active pharmaceutical ingredients in their profits and in order to massive capital outlays for plant production, growing numbers of major international patented drug companies have outsourced production of active pharmaceutical ingredients. By contrast, majority of smaller patented drug companies have outsourced production of active pharmaceutical ingredients for different stages of new-drug development, including R&D and clinical tests. The outsourcing trend has been intensified by the following objective conditions:

- 1) With timing of marketing of NCEs (new chemical entities) being the primary concern of patented drug companies, outsourcing of production can shorten R&D process and advance materialization of extra revenue and profit.
- 2) Outsourcing production for active pharmaceutical ingredients can reserve limited resources for R&D and production with higher priorities, thereby maximizing profits.
- 3) Joint development of products and division of labor in mass production can lower production cost.
- 4) Outsourcing-production firms can cut cost, via economy of scale and form an industrial chain for higher efficiency, while patented drug companies can maintain flexible operation, in line with market needs.
- 5) Some patented-drug companies lack necessary technologies or expertise for production of active pharmaceutical ingredients.

B. Trend of the market and competition of active pharmaceutical ingredients of generic drugs
According to a report in Journal of Medical Economics in the U.S., 80% of applications by preparations companies for licenses for generic drugs in the U.S. were made in the form of challenging existing patents, the so-called P4 mode, a far cry from 10% in 1995. In addition, the average length between application for generic-drug licenses and marketing time of new drugs has been shortening. Therefore, suppliers have to supply active pharmaceutical ingredients of said generic drugs to generic-drug preparations companies as soon as possible, in order to land business opportunities.

Meanwhile, as for legal requirement of quality, member countries of ICH have substituted knowledge-based risk-management mode for inspection-based quality-control mode, with the U.S. even replacing past practice of itemized inspection with question-based inspection. Therefore, generic-drug companies must have more precise grip of quality of pharmaceuticals. Accordingly, suppliers of active pharmaceutical ingredients have to make concerted effort with generic-drug firms in upgrading quality-control system, so that quality concern would not cause delay in the obtaining of generic-drug licenses. Quality has become prerequisite for suppliers of active pharmaceutical ingredients in landing orders. Lastly, according to a report in the Journal of Medical Economics in the U.S. comparing activities of generic-drug companies in 2009-2011 with their activities in 1995-1998, it is found that with one year following debut of a generic drug, the number of suppliers of such generic drug in the latter stage doubled that in the initial stage, leading to much more competition. Therefore, suppliers have to provide quality active pharmaceutical ingredients in an early stage and at possessing price competitiveness at the same time in order to secure business opportunities.

In sum, with generic-drug preparations companies ever demanding early supply of quality

active pharmaceutical ingredients at low prices, suppliers must focus on products possessing price competitiveness at the same time in order to meet the business demand more efficiently and sustain business growth.

5.1.3 Technology and R&D status

5.1.3.1 Technological level and R&D for the engaged businesses

As for registered inspection files necessary for entering highly regulated markets, such as the U.S. and Europe, the company had registered 53 DMFs (Drug Master Files) with the U.S. FDA as of the end of December 2016, on top of 21 EDMFs (European DMFs) in some 30 European countries, including CEP (COS) for 10 products, applicable in the European Union. Worldwide, the company has made 752 drug registrations and number of its DMFs will increase further yearly, along with increase of the company's product development items and the need of customers in drug marketing.

As for intellectual properties, except patents no longer being upheld by the company due to irrelevance to the company's long-term development, the company now owns 59 inventions, as well as 331 patents worldwide (as shown in the table below). As for technologies needed for mass production of peptide, in addition to the use of solid-phase synthesizing machine, the company has also established technological platform for semi-solid phase synthesis. The company can flexibly embrace either of the two technologies, both fit for cGMP production, according to the features of needed peptide, giving it an extra adaptability and response capability.

No.	Product	Title	Patent number	Country
1	Benazepril	Asymmetric synthesis of a key intermediate for making benazepril and analogues thereof	US6548665B2	US
2	Bio	Monoclonal antibody with the capability of neutralizing enterovirus type 71 infection	US7718775B2	US
3	Crystalline Docetaxel	Crystalline forms of docetaxel and process for preparation thereof	US7662980B2	US
			AU2007309534B2	Australia
			AU2012203862B2	Australia
			US8357811B2	US
			KR1266549B1	Korea
			CA2756603C	Canada
			CA2667416C	Canada
4	Galantamine	Resolution of a Narwedine Amide Derivatives	US7307162B2	US
			IN232259B	India
			AU2004276354B2	Australia
			CN1875004B	China
			CA2540248C	Canada
			EP1670767B1	EP(Switzerland)
			EP1670767B1	EP(Germany)
			EP1670767B1	EP(France)
			EP1670767B1	EP(United Kingdom)
			EP1670767B1	EP(Italy)

No.	Product	Title	Patent number	Country
			JP5020633B2	Japan
			IL174551	Israel
5	Gemcitabine	Process of making an alpha-anomer enriched 2-deoxy-2, 2-difluoro-D-ribofuranosyl sulfonate and use thereof for making a beta nucleoside	US7572898B2	US
			TWI322812B	Taiwan
			CN101203525B	China
			KR1171087B1	Korea
			IN261002B	India
			JP5091126B2	Japan
6	Irinotecan	Process for the preparation of 7-alkyl-10-hydroxy-20 (S)-camptothecin	US7151179B2	US
			CN100344633C	China
			IN230431B	India
			AU2004238358B2	Australia
			IL171789	Israel
			CA2578767C	Canada
			EP1628982B1	EP(France)
			EP1628982B1	EP(Germany)
			EP1628982B1	EP(Italy)
			EP1628982B1	EP(Switzerland)
			EP1628982B1	EP(United Kingdom)
			JP05270091B2	Japan
7	Irinotecan	Crystal forms of irinotecan hydrochloride	US7435818B2	US
			EP1951235B1	EP(France)
			EP1951235B1	EP(United Kingdom)
			DE602006012871D1	EP(Germany)
			CN101277694B	China
			KR1150504B1	Korea
			JP5119153B2	Japan
			AU2006292328B2	Australia
			IN262633B	India
			CA2623117C	Canada
8	Paclitaxel	Process for making taxane derivatives	US6531611B2	US
9	SGLT2	Process for the Preparation of β -C-aryl Glucosides β -C-	US8952139B2	US
			CN103974964B	China
			TWI488861B	Taiwan
10	Tamsulosin	Process for preparing Tamsulosin	US7332621B2	US
			CN100545148C	China
			TWI330175B	Taiwan
11	Travoprost and Bimatoprost	Process for the preparation of prostaglandin analogues and intermediates thereof	US7897795B2	US
			TWI367206	Taiwan
			AU2009250938B2	Australia
			CN102056887B	China
			EP2274266B1	EP(France)
			EP2274266B1	EP(Germany)
			EP2274266B1	EP(United Kingdom)
			EP2274266B1	EP(Spain)
			EP2274266B1	EP(Italy)

No.	Product	Title	Patent number	Country
			JP5485980B2	Japan
			US8742143B2	US
			US8436194B2	US
			KR1634818B	Korea
			CA2721102C	Canada
12	Topotecan	Process for making Topotecan	US7977483B2	US
13	Galantamine intermediate C2	Process for Making Galantamine	US7985879B2	US
			TWI343909B	Taiwan
			AU2008239730B2	Australia
			CA2683098C	Canada
			IN274735B	India
			KR1172044B1	Korea
			JP5441883B2	Japan
			EP2146719B1	EP(Austria)
			EP2146719B1	EP(France)
			EP2146719B1	EP(Germany)
			EP2146719B1	EP(Greece)
			EP2146719B1	EP(Ireland)
			EP2146719B1	EP(Italy)
			EP2146719B1	EP(Poland)
			EP2146719B1	EP(Slovenia)
			EP2146719B1	EP(Spain)
			EP2146719B1	EP(Switzerland)
			EP2146719B1	EP(United Kingdom)
			EP2146719B1	EP(Hungary)
			CN101674835B	China
14	Topotecan-crystal	Crystalline forms of topotecan hydrochloride and processes for making the same	US8013158B2	US
			AU2008241509B2	Australia
			CN101730702B	China
			CA2684599C	Canada
			JP05315337B2	Japan
			EP2139899B1	EP(United Kingdom)
			EP2139899B1	EP(France)
			EP2139899B1	EP(Germany)
			IL201603	Israel
15	Exemestane	Process for preparing aromatase inhibitors	KR1446825B1	Korea
16	SN38	Crystalline Polymorph of 7-ethyl-10- hydroxycamptothecin	US8138343B2	US
			CN101686968B	China
			CA2690145C	Canada
			EP2170329B1	EP(Austria)
			EP2170329B1	EP(Germany)
			EP2170329B1	EP(United Kingdom)
			EP2170329B1	EP(Italy)
			EP2170329B1	EP(Romania)

No.	Product	Title	Patent number	Country
			EP2170329B1	EP(Slovenia)
			EP2170329B1	EP(Spain)
			EP2170329B1	EP(France)
			EP2170329B1	EP(Greece)
			EP2170329B1	EP(Hungary)
			AU2008269148B2	Australia
			JP05860213B2	Japan
			KR1579625B1	Korea
17	Gemcitabine	Process of Making 2-Deoxy-2,2-Difluoro-D-Ribofuranosyl Nucleosides and Intermediates Therefor	US8168766B2	US
18	Granisetron	Polymorphic Form of Granisetron Hydrochloride and Methods of Making the same	US8193217B2	US
			CN102131506B	China
19	Azacitidine	Process for Making 5-Azacytosine Nucleosides and Their Derivatives	IL211100	Israel
			US8212021B2	US
			AU2009279461B2	Australia
			CA2733591C	Canada
			CN102216315B	China
			KR101660549B1	Korea
			EP2318423B1	EP(Austria)
			EP2318423B1	EP(Germany)
			EP2318423B1	EP(Spain)
			EP2318423B1	EP(France)
			EP2318423B1	EP(United Kingdom)
			EP2318423B1	EP(Greece)
			EP2318423B1	EP(Hungary)
			EP2318423B1	EP(Italy)
			EP2318423B1	EP(Romania)
			JP5650643B2	Japan
20	Glatiramer	Synthesis of Glatiramer Acetate	US8212002B2	US
			IL211052	Israel
			CN102112485B	China
21	Cladribine	Process for the preparation of 6-amino-2-chloro-9-(2'-deoxy-β-D-ribofuranosyl)-9H-purine	US8232387B2	US
			US8338586B2	US
			EP2467391B1	EP(Germany)
			EP2467391B1	EP(France)
			EP2467391B1	EP(United Kingdom)

No.	Product	Title	Patent number	Country
			EP2467391B1	EP(Spain)
			EP2467391B1	EP(Italy)
			TWI399381B	Taiwan
22	Bivalirudin	Process for Making Bivalirudin	US8252896B2	US
			IL211555	Israel
			AU2009288027B2	Australia
			TWI395752B1	Taiwan
			KR1634830B	Korea
			CA2736126C	Canada
			EP2349307B1	EP(Germany)
			EP2349307B1	EP(France)
			EP2349307B1	EP(United Kingdom)
			JP5788321B2	Japan
23	Gemcitabine base	Crystalline Polymorphs of Gemcitabine Base	US8350023B2	US
			KR1630468B	Korea
			EP2303906B1	EP(Germany)
			EP2303906B1	EP(France)
			EP2303906B1	EP(United Kingdom)
			AU2009257344B2	Australia
24	Lenalidomide	Solid Forms of 3-(4-amino-1-oxo-1,3-dihydro-is oindol-2-yl)-piperidine-2,6-dione and Methods of Making The Same	US8420672B2	US
			TWI475014B	Taiwan
			AU2010296072B2	Australia
25	Decitabine	Synthesis of Decitabine	AU2010291893B2	Australia
			CN102209467B	China
			CN102171195B	China
			EP2341772B1	EP(Austria)
			EP2341772B1	EP(Germany)
			EP2341772B1	EP(Spain)
			EP2341772B1	EP(France)
			EP2341772B1	EP(United Kingdom)
			EP2341772B1	EP(Croatia)
			EP2341772B1	EP(Hungary)
			EP2341772B1	EP(Italy)
			EP2341772B1	EP(Netherlands)
			EP2341772B1	EP(Romania)
			EP2341772B1	EP(Turkey)

No.	Product	Title	Patent number	Country
			US8586729B2	US
			IL212065	Israel
			JP5766703B2	Japan
26	Atazanavir	A New Process for Preparing Form A Atazanavir sulfate	US8461347B2	US
27	Entecavir	Process for preparing Entecavir and intermediates therefor	US8481728B2	US
			TWI418559B	Taiwan
			EP2536724B1	EP(Germany)
			EP2536724B1	EP(Spain)
			EP2536724B1	EP(France)
			EP2536724B1	EP(United Kingdom)
			EP2536724B1	EP(Italy)
			CN102741254B	China
			JP5791636B2	Japan
28	Bortezomib	Preparing bortezomib using racemic α -aminoboronic ester intermediate	US8497374B2	US
29	Lapatinib	Process and Intermediates for Preparing Lapatinib	US8563719B2	US
			US8710221B2	US
			TWI453202B	Taiwan
			AU2011232219B2	Australia
			CN102812019B	China
			EP2550269B1	EP(Germany)
			EP2550269B1	EP(Spain)
			EP2550269B1	EP(France)
			EP2550269B1	EP(United Kingdom)
			EP2550269B1	EP(Italy)
			EP2550269B1	EP(Austria)
			EP2550269B1	EP(Switzerland)
			EP2550269B1	EP(Sweden)
			EP2550269B1	EP(Portugal)
			EP2550269B1	EP(Greece)
			IL222085	Israel
			CA2793742C	Canada
			JP5833626B2	Japan
30	Cabazitaxel	Crystalline Forms of Cabazitaxel.	US8575373B2	US
			IL230976	Israel
			TWI526437B	Taiwan
			US8735611B2	US
31	Glatiramer	Methods of analyzing peptide mixtures	US8497630B2	US
			IL216223	Israel
			EP2427199B1	EP(Germany)
			EP2427199B1	EP(France)

No.	Product	Title	Patent number	Country
			EP2427199B1	EP(United Kingdom)
			AU2010245773B2	Australia
32	Glatiramer	Methods for Chemical Equivalence in Characterizing of Complex Molecules	US8643274B2	US
33	Clofarabine	Preparation for 2-chloro-9-(2'-deoxy-2'-fluoro-β-D-arabinofuranosyl)-adenine	US8648188B2	US
			EP2404926B1	EP(Germany)
			EP2404926B1	EP(Spain)
			EP2404926B1	EP(France)
			EP2404926B1	EP(United Kingdom)
			EP2404926B1	EP(Italy)
			CN102311472B	China
34	Cell Screening	Inhibition-based High-throughput Screen Strategy for Cell Clones	US8765370B2	US
			US8642327B2	US
			CN102648288B	China
			AU2010258348B2	Australia
			TWI475109B	Taiwan
			EP2440676B1	EP(Germany)
			EP2440676B1	EP(France)
			EP2440676B1	EP(United Kingdom)
35	Fondaparinux	Process for the Preparation of Disaccharides Applied to Heparin Pentasaccharides	JP05797192B2	Japan
			US8889853B2	US
			TWI434857B	Taiwan
			EP2625183B1	EP(Germany)
			EP2625183B1	EP(Spain)
			EP2625183B1	EP(France)
			EP2625183B1	EP(United Kingdom)
			EP2625183B1	EP(Italy)
			EP2625183B1	EP(Austria)
			EP2625183B1	EP(Switzerland)
			EP2625183B1	EP(Sweden)
			EP2625183B1	EP(Portugal)
			EP2625183B1	EP(Greece)
			IL225048	Israel
			JP5883453B2	Japan
36	Lubiprostone	Processes for the Preparation of Lubiprostone	AU2011312907B2	Australia
			CN103168045B	China
			US8846958B2	US
			TWI434837B	Taiwan
			EP2627647B1	EP(Germany)
			EP2627647B1	EP(Spain)
			EP2627647B1	EP(France)
			EP2627647B1	EP(United Kingdom)
			EP2627647B1	EP(Italy)
			NZ608823B	New Zealand

No.	Product	Title	Patent number	Country
			AU2010362494B2	Australia
			CN103180306B	China
			JP5755750B2	Japan
		Intermediates for the preparation of lubiprostone	US9012662B2	US
37	Intermediate for Protease Inhibitor	Process for Reduction of α -acyloxy Sulfide Derivative	US8722921B2	US
			JP5944929B2	Japan
			TWI429620B	Taiwan
			CN103391919B	China
38	Cabazitaxel	Process for Cabazitaxel and Intermediates Thereof	US8722900B2	US
39	Topiramate	Process for the Preparation and Purification of Topiramate	US8748594B2	US
			JP5643844B2	Japan
			TWI477510B	Taiwan
			CN102725301B	China
			EP2367836B1	EP(Germany)
			EP2367836B1	EP(France)
			EP2367836B1	EP(United Kingdom)
40	Pemetrexed disodium	Process for the Production of Pemetrexed Salt	TWI443100B	Taiwan
			US9051322B2	US
			AU2011363636B2	Australia
			CN103459392B	China
			JP5826371B2	Japan
41	Sunitinib malate	Processes for the Preparation of 3-(pyrrol-2-yl)methylene)-2-pyrrolones Using 2-silyloxy-pyrroles	US8846953B2	US
			NZ609475	New Zealand
			JP5732541B	Japan
			AU2010363613	Australia
			CN103328465B	China
42	Peptide	Real-time Monitor Solid Phase Peptide Synthesis (SPPS) by Mass Spectrometry	US8835179B2	US
			CN103261889B	China
			JP5944911B2	Japan
			TWI510781B	Taiwan
43	MITH	Process for the manufacture of chiral catalysts and their salts	US8859765B2	US
			JP5918386B2	Japan
			KR1647415B	Korea
			CN103974932B	China
			TWI483926B	Taiwan
			AU2012346860	Australia

No.	Product	Title	Patent number	Country
44	Roflumilast	A novel Process for the Preparation of Roflumilast	TWI460163B	Taiwan
			US9085533B2	US
			US9233925B2	US
			CA2865539C	Canada
			KR1680182B	Korea
			CN104245672B	China
			NZ629161	New Zealand
45	Large-peptide	Peptide chromatographic purification assisted by combining of solubility parameter and solution conformation energy calculations	US8933196B2	US
			TWI510276B	Taiwan
46	Dapagliflozin and Canagliflozin	Crystalline and Non-crystalline Forms of SGLT2 Inhibitors	US8999941B2	US
			CN103889429B	China
			TWI495472B	Taiwan
47	Fondaparinux	Analytical method for testing sulfating oligose	TWI479150B	Taiwan
48	Fondaparinux	Manufacturing method for fondaparinux sodium	TWI478934B	Taiwan
49	Fondaparinux	Process for the Production of Fondaparinux Sodium	US9346844B2	US
50	Leuprolide	A Process for the Preparation of Leuprolide and its Pharmaceutically Acceptable Salts	US9150615B2	US
51	Abiraterone	Preparation method for abiraterone and intermediates	TWI506034B	Taiwan
52	Gefitinib	Process of Preparing a Quinazoline Derivative	TWI541235B	Taiwan
53	SGLT2	Process for the Preparation of beta-C-Arylglucosides	US9328100B2	US
54	Regadenoson	A Process for the Preparation of Regadenoson	TWI527826B	Taiwan
55	Pemetrexed diacid	Crystalline Forms of Pemetrexed Diacid and Manufacturing Processes therefor	TWI551603B	Taiwan
56	Prostaglandin Platform	A Metal-Catalysed ASymmetric 1,4-Conjugate addition of Vinylboron Compounds to 2-Substituted-4-oxy-Cyclopent-2-en-1-ones to Yield Prostaglandins and Prostaglandin Analogs	TWI541227B	Taiwan
57	Paliperidone	Intermediate for the preparation of paliperidone	US7629469B2	US
58	Ixabepilone	Process for Ixabepilone and Intermediates Thereof	US9309259B2	US
			TWI520956B	Taiwan

No.	Product	Title	Patent number	Country
59	Liposome screening	Method for Selecting a Pool of Molecules	US9465032B2	US
			EP2786147B2	EP(Spain)
			EP2786147B2	EP(Italy)
			EP2786147B2	EP(Germany)
			EP2786147B2	EP(France)
			EP2786147B2	EP(United Kingdom)

5.1.3.2. R&D Expenses for the latest Two Years as of Annual Report print date

Unit: NT\$ thousands

Year	2015	2016	Jan.~April 2017
Combined R&D expense	324,214	279,575	84,314
Combined Net Operating Revenue	3,955,207	4,030,921	1,180,724
Combined R&D expense/ Combined Net Operating Revenue (%)	8.20	6.94	7.14

5.1.3.3. Generic-drug active pharmaceutical ingredients or technologies successfully developed in recent five years.

Year	Products
2012	Roflumilast
	SPT1317
	SPT1181
	SPT1213
2013	Abiraterone
	Everolimus
	Regadenoson
	Fosaprepitant
2014	Lapatinib
	Apixaban
	Gefitinib
	SPT1325
2015	Apremilast
	Celecoxib
	Enzalutamide
	Ibrutinib
	Idelalisib
	SPT1366
2016	Brexpiprazole
	Cangrelor
	Olaparib
	Palbociclib

5.1.4 Long-term and Short-term Development

In product marketing, the company targets both near- and long-term markets. Upon its inception, the company focused on solicitation of generic-drug pharmaceutical firms and patented drug firms as customers. Along with enhancement of R&D and production capability, as well as changes in market demand, the company has considerably expanded its customer base. Based on the mutual trust with customers built up over the past years, the company has established a business development division, in charge of joint development of products with customers under a strategic alliance, so as to combine the R&D on active pharmaceutical ingredients in the upstream sector and preparations in the downstream sector, creating even greater benefits. Meanwhile, in practice select niche products from the angles of intellectual properties, technologies, and markets, so as to boost the market value of end products. In addition, backed by its existing technological prowess and service quality, the company is capable of providing process R&D and cGMP manufacturing service to pharmaceutical firms. It can carry out outsourcing manufacturing for new-drug pharmaceutical companies, functioning as their important partners. To maximize profits for the company, shareholders, and employees, as well as care for both near- and long-term benefits, the company seeks, in line with market demands, business development according to the following strategies:

--Near term:

Cautiously select active pharmaceutical ingredients for development, to meet the needs of generic-drug companies, and clinical-test drugs with potential, from the angle of functional mechanism, to meet the needs of patented-drug pharmaceutical firms for outsourcing manufacturing, so as to augment benefits in the future.

Take advantage of the expanded capacities of Taiwan's Tainan plant and mainland China's Changshu plant to expand business volume and high-quality custom services.

Via strategic alliance, jointly develop, on one hand, drugs with downstream preparations companies, using developed active pharmaceutical ingredients, and new derivatives of developed active pharmaceutical ingredients, from the perspective of preparations companies, so as to pocket maximum benefits.

--Medium term:

Take advantage of the new injection-drug plant in Taiwan to augment the added value of ScinoPharm's active pharmaceutical ingredients for anti-cancer drugs and satisfy the need of the company's customers for one-stop shopping service.

Utilize production lines in China, ready for operation now, to augment ScinoPharm's capacity in supplying to the needs of the global market, and join hands with strategic partners to accelerate development, in compliance with Chinese laws/regulations, of preparations, so as to tap China's domestic market and expand output value. Join hands with Japanese customers in tapping Japan's generic-drug market and tap other emerging markets via agencies.

--Long term:

Develop complete R&D and production capability covering both active pharmaceutical ingredients and injection drugs and cooperate with special-drug R&D units in foraying into quasi-new drug market.

Contents and fruits for the utilization of the aforementioned strategies follow:

- (1) Markets of generic drugs and active pharmaceutical ingredients--customer orientation in product selection.

The company cooperates closely with generic-drug customers in pinpointing possible

patent deadlines for new drugs, from the perspective of patent litigation, and selecting products with high potential, without the concern of patent infringement. Then, via different strategies and in line with customer needs, provide active pharmaceutical ingredients and related R&D and outsourcing manufacturing service, thereby becoming exclusive suppliers to specific customers for specific products and determining, via discussion with pharmaceutical firms, items for long-term development, in order to establish long-term stable cooperative relationship. Backed by its high expertise and insight for market trend, the company is capable of developing highly active products with high technological threshold, as a result of which some of its active pharmaceutical ingredients boast high shares on the global market.

(2) Outsourcing manufacturing for patented drug firms--branded quality and Asian edge

Compared with development active pharmaceutical ingredients of generic drugs, outsourcing manufacturing for new drugs entails lower cost but generates higher profits. Having passed many times inspection by U.S. FDA and regulators of other developed countries, the company has obtained an branded reput e for high-specifications manufacturing capability on the global market, ready to undertake outsourcing manufacturing for many patented drug companies.

Presently, ScinoPharm has formed cooperative relationship with a number of international patented drug companies, providing active pharmaceutical ingredients during the development stage for new drugs. Some of such new drugs have completed clinical tests and been approved by the U.S. FDA and other countries' regulators for marketing.

Active pharmaceutical ingredients for new drugs command higher margin than active pharmaceutical ingredients for generic drugs, although new-drug firms are more demanding in plant specifications and manufacturing process, especially for drugs meant for the U.S. and European markets. ScinoPharm is capable of meeting international standards, in terms of software/hardware, control system, analysis and design capability, technological prowess, production skills, and quality control, acquiring established reput e for outsourcing manufacturing service.

(3) Actively expand capacity--shorten product development cycle and provide one-stop shopping service

ScinoPharm Taiwan began to build two new large-scale production lines in 2012, which already started operation in 2013. The production line of ScinoPharm (Changshu) Pharmaceuticals in China have also been completed and ready for test run in the first quarter of 2016, after passing inspection, with zero flaw, by the U.S. FDA in the fourth quarter of 2015. These production lines have strong edge in the development and manufacturing of active pharmaceutical ingredients and intermediates with higher demand. Therefore, proper arrangement of production can not only improve production process and materials management, but also provide most efficient service, in terms of time, legal compliance, and market.

As both the Tainan plant and the Changshu plant have in-house R&D centers, ScinoPharm is capable of supplying upstream key intermediates and active pharmaceutical ingredients, giving it an edge of vertical integration. The company aims to provide products with the shortest development cycle and "interactive compound custom service," a one-stop shopping service for the marketing of new products, so as to meet the needs of developers of brand-name drugs and new drugs.

Finally, the company has also forayed into the realm of injection drugs and preparations, starting to construct related facilities in the second half of 2013, which had been completed in 2015. The first production line, undergoing equipment certification and conducting test run now, is expected to turn out trial products in 2017. It will be able to

conduct integrated production of active pharmaceutical ingredients and injection drugs for sales via global marketing channel, thereby accelerating business development.

(4) Development plan for the Chinese market

Mainland China is expected to become the world's second largest pharmaceutical market in 2016, next to the U.S. As China's pharmaceutical laws/regulations/system are undergoing major adjustment, the company has started strategic deployment in the market, with an eye to active pharmaceutical ingredients and preparations. ScinoPharm will select from its product lineup items with high technological threshold and competitive edge for cooperating with Chinese pharmaceutical firms for development of preparations for the Chinese market.

(5) Strategic alliance for drug development-march towards the realm of new drug development.

Take advantage of ScinoPharm R&D team's capability in synthesis and preparations, select new drugs with development potential as R&D subjects via evaluation from the angles of intellectual properties, technologies, and market need, and then upgrade the R&D capability for new-drug development, in preparation for marching towards the realm of new-drug development. Join hands with new-drug companies, via strategic alliance, in engineering new-drug development, cooperate with companies of quasi-new drug preparations in joint development of competitive 505(b)2 quasi-new drugs, or take part, as a specialized investor, in alliance for new-drug development, in which ScinoPharm can lead the development of process for active pharmaceutical ingredients, boosting the edge of the alliance. Finally, ScinoPharm can dominate new-drug development using structural features deriving from the active pharmaceutical ingredients developed and then team up with pre-clinical test or clinical-test operators in developing new drugs, gradually ushering the company into the realm of new-drug development.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Major Products (Services) by Region

Unit: NT\$ thousands ; %

Year Region		2015		2016	
		Amount	%	Amount	%
Abroad	US&CAN	1,663,714	42	2,022,097	50
	EU	882,878	22	839,776	21
	AU&NZ	193,425	5	72,251	2
	ASIA	1,060,199	27	930,153	23
	Subtotal	3,800,216	96	3,864,277	96
Domestic Market		154,991	4	166,644	4
Total Combined Revenue		3,955,207	100	4,030,921	100

5.2.1.2 Outlook of supply and demand in the market and growth potential

According to IMS report, in 2016 the three medicines with largest outlays in industrially developed nations (the U.S., five European nations, Japan, and Canada) and pharmaceutical emerging countries (China, Brazil, Russia, India, Turkey, and Mexico) are, in descending order, anti-cancer, cardiovascular, and autoimmune diseases, topping US\$75.3 billion in total . With compound average growth rate (CAGR) reaching 9-12 during 2016-2021 and will reach US\$120 to US\$ 135 billion on Year 2021. Further increase in the number of anti-cancer new drugs and generic drugs on the market will entail massive demand for active pharmaceutical ingredients of anti-cancer drugs. ScinoPharm will be a major beneficiary of the trend, in view of its leading market status, in terms of the number of products or services provided to major customers.

Furthermore, with the demand in the pharmaceutical industry for the production of anti-cancer injection drugs becoming every higher, including that from those companies lacking production capability for anti-cancer injection drugs, production of many anti-cancer injection drugs has been outsourced to CMOs (contract manufacturing organizations). With related laws/regulations having become increasing rigorous worldwide, many injection-drug companies in the U.S. and Europe have been unable to meet legal requirements. Some major anti-cancer injection-drug CMOs or in-house injection-drug plants of ScinoPharm's customers have received warning from the U.S. FDA demanding improvement by a deadline or face mandatory closure. The situation has led to overstrained supply of injection-drug contract production, especially anti-cancer injection drugs.

Aware of the market demand and based on the finding of a recent market study of its customers worldwide, ScinoPharm has started evaluation of a plan for downward vertical integration, aiming for an all-round business ranging from R&D for active pharmaceutical ingredients to contract production for anti-cancer injection drugs, so as to meet customer needs and foray into the fast growing anti-cancer pharmaceutical market.

5.2.1.3 Competitive niche and development outlook

The company's competitive niche lies in: 1) high-caliber R&D team: Members of the company's R&D team major in disciplines of synthesis or analysis, mostly with doctorate degree, under the leadership of veteran managers. It is the most R&D team among

domestic peers; 2) bountiful R&D results: In addition to around 80 inventions, the company has filed 500 patent applications and submitted 10 papers to academic journals, attesting to its bountiful R&D fruits; 3) complete production facilities: For the purpose of pluralized functions, the company's production lines are capable of producing highly active pharmaceutical ingredients of cellular-toxin, steroid, hormone, and anti-cancer drugs. The R&D unit is furnished with a wide range of equipment, including nuclear magnetic resonance, crystal diffractometer, and mass spectrometer, enabling the company to overcome various barriers in producing unique active pharmaceutical ingredients; 4) seasoned operating skill: With veteran experience, operators can operate efficiently and effectively utilize solvents, reducing unnecessary expenses and thereby lowering cost; 5) good product quality: Thanks to complete process norms put forth by the R&D team and strict abidance by the GMP requirements, the company has firm grip of the production flow, resulting in good quality; 6) good customer relationship and competent marketing capability: Thanks to long-standing supply, regular visits to customers for understanding their needs, and meeting of customers' emergent needs, the company has established a relationship of mutual trust with customers, facilitating works of the marketing team; 7) complete after-sales legal support: As active pharmaceutical ingredients have to be subject to the inspection of regulators, the company actively replies to the concern of inspectors about active pharmaceutical ingredients and preparations, thereby facilitating the acquisition of generic-drug licenses by customers, which also benefit the company. In addition to the aforementioned niche, the company stresses market segmentation in development strategy, as shown in its selection of development targets:

A. Highly active and low toxic products

When processing highly active and low toxic chemicals, many producers of active pharmaceutical ingredients often create serious polluting and workplace-safety problems, disrupting supply to customers. ScinoPharm already installed sufficient protective facilities for highly active products from the outset at its factories. Despite the high cost for the facilities, they can augment the company's edge in producing highly active products, such as steroid and toxic cellular compounds.

In view of the low-toxin requirement for injection drugs, the company is furnished with highly pure water supply system, capable of producing pure water similar to WFI (water for injection) in quality. As a result, ScinoPharm Taiwan's products boast very low toxin, another edge of the company. Industry insiders note that there are only a few companies capable of producing injection drugs on the market. Thanks to its manufacturing edge meeting market need, the company has been acknowledged as an injection-drug supplier, segmented from members of low-priced market. The company has become a reputed injection-drug supplier among international generic-drug pharmaceutical firms.

B. Raw materials/products with difficulty to obtain from supply chain

To secure raw materials, the company embrace a mode similar to development of new products, wherein it join hands with long-term partners in the R&D of raw materials, to assure stable supply of raw materials for mass production. For instance, the company has signed contract with Chinese-yew (*Taxus chinensis*) plantation for supply of 10-DAB, contained in the plant's leaves, which is needed for producing paclitaxel and docetaxel, the company's two major products. Therefore, despite price drop of 10-DAB following increase of qualified suppliers, the company has enjoyed steady supply of the material, giving it an edge of head start.

C. Peptide

Thanks to gene sequencing, humans have more understanding of the function of genes and their association with peptide, paving the way for the rollout of more medicines containing peptide. Moreover, via constant improvement and progress in drug

production, there will be increasing methods for transmission of peptide in human bodies, leading to rapid growth in the number of and demand for peptide medicines. In the past, annual market demand for peptide reached only several kilos, resulting in substantial idled capacity, a problem which has been substituted by strained capacity, thanks to rapid increase in demand in recent years. The traditional solid-phase peptide synthesis can be applied in mass production but the production equipment is expensive, on top of the high cost and disposal problem for the solvent needed for its purification. In addition to solid-phase peptide synthesis, the company has introduced the technology for forecasting solubility and the technology of continuous parallel purification, which greatly simplifies purification process and slashes the use of solvent. In addition, a chemical reaction is applied for final assembly of peptide, following the use of solid-phase synthesis, thereby eliminating the problem of connection caused by solubility issue. Finally, carry out reaction via traditional liquid-phase chemical reactor to change chemical polarity and produce sediment, thereby achieving convenient purification. This constitutes the company third technology for peptide production, featuring even reaction and simple separation and purification.

Furnished with aforementioned technologies, the company can apply optimal technology for different kinds of peptide medicines, which enable it to catch up with major suppliers of active pharmaceutical ingredients of peptide medicines, such as UCB, Lonza, Bachem, and Polypeptide, thereby breaking their oligopoly of the market, an outcome aspired by generic-drug companies or developers of new medicines.

D. Injection drugs

ScinoPharm Taiwan specializes in the development and production of active pharmaceutical ingredients of anti-cancer medicines featuring high activity and high technological threshold. It is a leading supplier of raw materials for highly active anti-cancer injection drugs, with the largest variety of products in the field worldwide. Moreover, it has extended its operation to downstream production of injection drugs by building an injection-drug plant which meets the international cGMP standards.

At present, most customers of active pharmaceutical ingredients of anti-cancer medicines are incapable of producing injection drugs and rely on the manufacturing service of dedicated manufacturers of anti-cancer injection drugs, overstraining the latter's capacity, especially those which meet the cGMP standard. The situation has deteriorated, as many injection-drug manufacturers in the U.S. and Europe have received warning notice from the FDA demanding improvement by a deadline or even termination of production, for failing to meet cGMP standard, which has become increasing rigorous. Therefore, many generic-drug companies are eagerly seeking cooperative partners capable of stable supply at good quality. The extension of the company to downstream manufacturing will enable it to provide one-stop shopping service to customers, thereby not only consolidating its existing business of active pharmaceutical ingredients but also augmenting its long-term competitive edge and expanding leeway for growth.

Facilities of the company's injection-drug plant, situated in Tainan Science Park, have been completed. The plant consists of the operational sections of R&D, quality control, cleansing, sterilization, manufacturing, filling, freezing and drying, packaging, and warehousing, capable of producing injection drugs in various forms, including bottled liquid, bottled frozen dried powder, and injection drugs filled in syringes.

ScinoPharm will focus on anti-cancer injection drugs but also other injection drugs via arrangement of production lines, giving the injection-drug plant a complete function. The transformation is meant to provide value-added service to customers, without causing conflict with customers' business. The plant will boast versatile functions, including contract manufacturing service for existing customers of active pharmaceutical ingredients, development of own medicines, registration and production

of injection drugs for sale to customers, and custom service for international pharmaceutical firms.

5.2.1.4 Favorable and adverse factors for development outlook

A. Favorable factors:

a. Government policy

In line with the thriving development of biomedicine industry worldwide, various governments have put forth programs pushing the development of the industry. In Taiwan, the Board of Science and Technology, under the Executive Yuan (the Cabinet), passed the "diamond action plan for Taiwan's biotech takeoff," renamed "action plan for takeoff of Taiwan's biotech industry" later on, in 2012.

According to the latest version of its medical regulation GMP, dubbed "regulation governing quality and quality of medicine production" (revised in 2010), the Chinese government will force exit of pharmaceutical manufacturers with lower output and quality from the market, while encouraging others to invest more in transformation or carryout merger and acquisition. The policy will be conducive to the development of quality enterprises.

At the end of 2015, the Chinese government issued a decree calling for intensifying the screening of imitation medicines and the review and approval of modified new medicines, improving the review and approval of clinical test, concentrating the review and approval of medicines of the same category, permitting applications to withdraw applications for unqualified medicines, strictly screening the safety and effectiveness of medicines, speeding up the screening and approval of medicines in urgent need for clinical tests, permitting the request for clinical test and medicine application before the expiration of patents, strictly penalizing faking of clinical tests, inducing rational applications, and regulating review of medicine registration. These measures are meant to reform the review and screening system for medicines. One key objective to enhance the quality of imitation medicines. As a result, the medicine review and screening system of China will link up with the international practice, facilitating the development of companies meeting international norms in the market.

In its 12th five-year national development plan, the Chinese government has set a 20% annual growth target for the nation's medicine market and encourage enterprises to build high-caliber plants, boosting the edge of its medicine industry. Another objective is to link China's biomedicine industry with the world. A major challenge for the nation is its fast expanding aged population. According to the forecast of the Economist Intelligence Unit, China's population will hit 1.36 billion at the end of 2016, the highest worldwide and slightly higher than India, 9.7% of which, or 130 million, will be people aged 65 or over, up from 2011's 8.4%. The aged population has high demand for medical and hygiene service, as aged citizens are more vulnerable to disease due to weaker immune system. Presently, the aged population accounts for 23-40% of China's prescription medicine market and 40-50% of the over-the-counter medicine market. Prompted by the rosy outlook, the company started to deploy in the Chinese market several years ago.

In October 2015, the talk on TPP (Trans-Pacific Partnership), spearheaded by the U.S., resulted in an agreement on medicine norm, which will be based on the Hatch-Waxman Act of the U.S., in the close linkage between patents and medicine applications, facilitating the extension of the company's operation to other markets, due to its focus on the U.S. market. Passed in 1984, the U.S. Hatch & Waxman Act encourages in principle the application and usage of generic drugs, helping the latter achieve 70% market penetration rate in the U.S. (For every 100 prescription, 70 use generic drugs). The implementation of the "Patient Protection and Affordable Care Act," or known as "Obamacare," following its passage in March 2010, has further boosted the development of generic drugs.

b. Accelerated approval for marketing of new medicines and generic drugs

In 1992, the U.S. FDA promulgated the "Prescription Drug User Fee Act" (PDUFA),

requiring pharmaceutical firms to pay fees to the FDA when applying for approval of new medicines, generating several tens of millions of U.S. dollar of extra income for the FDA for use in accelerating approval of applications for new medicines. Consequently, the majority of new drug applications (NDA) now need only one review cycle for approval, half of the previous duration.

In 2012, the "Generic Drug User Fee Amendments" (GDUFA) was promulgated, according to which pharmaceutical firms have to pay screening fee and fee for the cost of inspection facilities for applying the approval of generic drugs. The act has boosted the efficiency of the FDA in screening and approving applications for generic drugs, slashing backlog of applications awaiting approval, and shortening average screening time, on top of additional risk check, facilitating marketing of generic drugs and enabling the public to access safe and effective generic drugs. The proposition of GDUFA was prompted by the success of PDUFA, which had helped patients obtain safe and effective new prescription drugs more rapidly. The implementation of GDUFA has facilitating obtaining of information on generic-drug manufacturing facilities and sites worldwide, augmenting the safety of global supply chain.

- c. Secure supply sources for key materials and cooperate closely with customers to speed approval of marketing for products

On the global prescription-medicine market, some active pharmaceutical ingredients most demanded by generic-drug pharmaceutical firms are very difficult to come by or are very difficult for certification and analysis. As a result, the market of generic drugs is still often in the firm grip of the original patent owners, despite the expiration of the patents. Therefore, in addition to effective planning for the sources of active pharmaceutical ingredients, the company has invested, in terms of manpower and fund, in related analytical work and actively cooperated with customers in obtaining approval of the marketing of medicines within the shortest time possible, thereby facilitating the company's development.

- d. Complying with cGMP norm

Pertaining to contract manufacturing of active pharmaceutical ingredients, despite higher cost than mainland Chinese and Indian counterparts, the company stands out on emphasis on patents and intellectual properties, cutting-edge facilities compliant with U.S. cGMP norm, in both hardware and software, and business mode and language compatible with the West. In China and India, only some large pharmaceutical firms can meet the requirements of quality and regulations in the U.S. and Europe, while great majority of companies there are incapable of large-scale investments for building plants compliant with the cGMP standard in the U.S. and Europe.

B. Adverse factors

- a. Price competition for generic drugs

Generic drugs refer to drugs with expired patents, enabling pharmaceutical firms other than original patent owners to produce, following approval, drugs with similar ingredients, dosage type, dosage amount, and curative effect. The scramble for the generic-drug market among pharmaceutical firms has driven downward their prices, thereby dampening prices of active pharmaceutical ingredients and the gross margin of their manufacturers.

Countermeasure:

The development of new generic drugs is a key strategy of ScinoPharm Taiwan, which selects development targets via analysis of market potential and possible competition. The company has been rolling out a number of generic drugs every year, focusing on those drugs which feature active pharmaceutical ingredients with high technological threshold, speedy R&D for synthetic method, and efficient process technology, so as to tap the market opportunities emerging after the expiration of patents. Following mass production, the company would continuously improve process technology, secure supply source for raw materials, and farm out front-end processing, so as to cut production cost. The company

even develops process technology with cost lower than original patent owners, while upholding the purity and safety of products.

In general, the company would develop process technology for active pharmaceutical ingredients in one year following approval of original patent owners and then provide samples to generic-drug customers for conducting tests necessary for registration, in an effort to become their first supplier of active pharmaceutical ingredients. After setup of the partnership, the customers would need the approval of FDA for changing suppliers of active pharmaceutical ingredients, which would take two years and entail extra investments. The stable long-term partnership would help the company keep its overall gross margin at an adequate level.

Meanwhile, the company is building an injection-drug plant at the site of its existing Tainan plant, which will also accommodate the R&D on active pharmaceutical ingredients and preparations. Carry out integration of upstream and downstream operations to bolster the value of ScinoPharm's active pharmaceutical ingredients and the gross margin of its products, to cope with prices of generic drugs and active pharmaceutical ingredients trending downward. There are some 300 dedicated manufacturers worldwide capable of producing active pharmaceutical ingredients conforming to the standard set by the U.S. FDA. Only some 20 of them can provide highly active anti-cancer injection drugs, including ScinoPharm which boasts the largest product lineup in the pack, a market segmentation which constitutes a strong edge for the company in developing preparations and new anti-cancer medicines. As for active pharmaceutical ingredients, the company selects items featuring high technological threshold for early development and applies for patents for protecting process and crystal forms, upholding its edge. The development of preparations enables the company to take into account the schedule and steps for R&D on preparations in the R&D on active pharmaceutical ingredients enabling the company to have better grasp of the schedule for the marketing of drugs, compared with peers. The complete planning, on top of the market segmentation and timeliness for active pharmaceutical ingredients will furnish the company with a stronger edge than peers.

b. Price competition from China and India

Taking advantage of their low manufacturing-cost edge, China and India produce bulk generic drugs with low added value. Via imitation synthesis technology, India has grasp organic synthesis chemical technology and embraced low-price strategy in penetrating emerging markets.

Countermeasure:

Since its establishment, the company has targeted market of products featuring high technological threshold, such as active pharmaceutical ingredients for anti-cancer injection drugs. The company has been actively developing next-generation production technologies with higher efficiency, in order to supply active pharmaceutical ingredients at reasonable prices and help customer augment market competitiveness, while upholding the company's dominating status on the global market of active pharmaceutical ingredients.

The company specializes in special pharmaceutical ingredients featuring high technology, high price, and high activity. The Taiwan plant already passed five times of inspections by the U.S. FDA and the certification of the hygienic agencies of various countries, while the Changshu plant in China has also passed inspection by the FDA. In addition, the company has conducted rigorous control and management of public safety, hygiene, and the stability of process technology, to prevent intellectual-property infringement and harm to environmental ecology, while assuring stable supply. The purpose is to create a quality reputation for the company's products, thereby upholding their competitive edge and assuring business performance and growth.

ScinoPharm has shipped active pharmaceutical ingredients to Europe and the U.S. for many years, accumulating abundant experience in compilation of product information, inspection

and certification registration (such as DMF registration for active pharmaceutical ingredients), communications with regulators, and reply to official documents, which enables the company to provide legal and technological service to customers. The expertise has given the company a strong edge, as customers invariably expect abundant legal experience from suppliers of active pharmaceutical suppliers capable of replying to regulators quickly, so as to speed up the screening and marketing of drugs.

- c. Laws/regulations on drug production feature strict standards and demand multiple inspections, as a result of which marketing of drugs has often been delayed, should the quality of their active pharmaceutical ingredients be doubted.

On top of protracted R&D process, as drugs are meant for application inside human bodies, the safety and effectiveness of active pharmaceutical ingredients are subject to rigorous screening and check of the regulator and have to pass certification before marketing. The end result is heavy pressure of development schedule and funding requirement, which often entrap small enterprises in financial difficulty.

Countermeasure:

The company has set up a legal unit for pharmaceutical affairs, in charge of import-related documents demanded by hygiene agencies of import countries or areas for approval of local sales. The company carries out internal auditing periodically, to assure compliance of the company's operation and internal procedures with cGMP standard. The regulation-compliance unit is in charge of affairs related to official inspection and customer auditing, cGMP education and training for staffers, stability testing plan, and annual product inspection. The company's quality assurance and control unit is responsible for the checking and testing of all products and samples, including raw materials, initiators, samples in process, and finished products, to assure compliance with set specifications. Since the company mainly produces pharmaceutical ingredients with high activity for anti-cancer injection drugs, monitoring and control of the water-supply system and manufacturing environment is crucial, in order to control the amount of particulate matters and microbes in equipment, to avoid contamination of medical-use pure water. In addition, the quality-control unit will stability test for samples, to assure that they are not affected by contamination of the external environment. Therefore, the company have fully prepared for meeting the strict standards of related laws/regulations for pharmaceutical production, enjoying a strong edge over peers.

- d. In order to postpone the stocking up of generic drugs after their marketing, original patent owners tend to file suits for patent infringement.

As innovation and R&D is the core competence of the biomedicine industry, pharmaceutical firms would spare no effort in prevent infringement of their intellectual properties by competitors. In order to safeguard their market share, original patent-owning firms would file suit related to patents or intellectual-property infringement, blocking stocking up by generic-drug firms or shipment by suppliers of active pharmaceutical ingredients.

Countermeasure:

The company strictly abides by the U.S. and international standards on intellectual-property right. For active pharmaceutical ingredients, process-technology patent is the most noteworthy intellectual property. A generic-drug firm may be sued by the original patent-owning firm for intellectual-property infringement, should it use active pharmaceutical ingredients implicated in infringement of process-technology patent. In order to avoid encroaching on others' intellectual properties, the company develops most of its patents by itself and licenses technologies from patent owners, when necessary. The company is furnished with advanced patent-searching software and subscribes to related services, to assure avoidance of infringing existing or expiring patents. In addition, it employs U.S. patent lawyers to provide legal protection of chemical process technologies. Meanwhile, it provides complete technological support to customers in product-marketing

registration, minimizing the impact of the adverse factor.

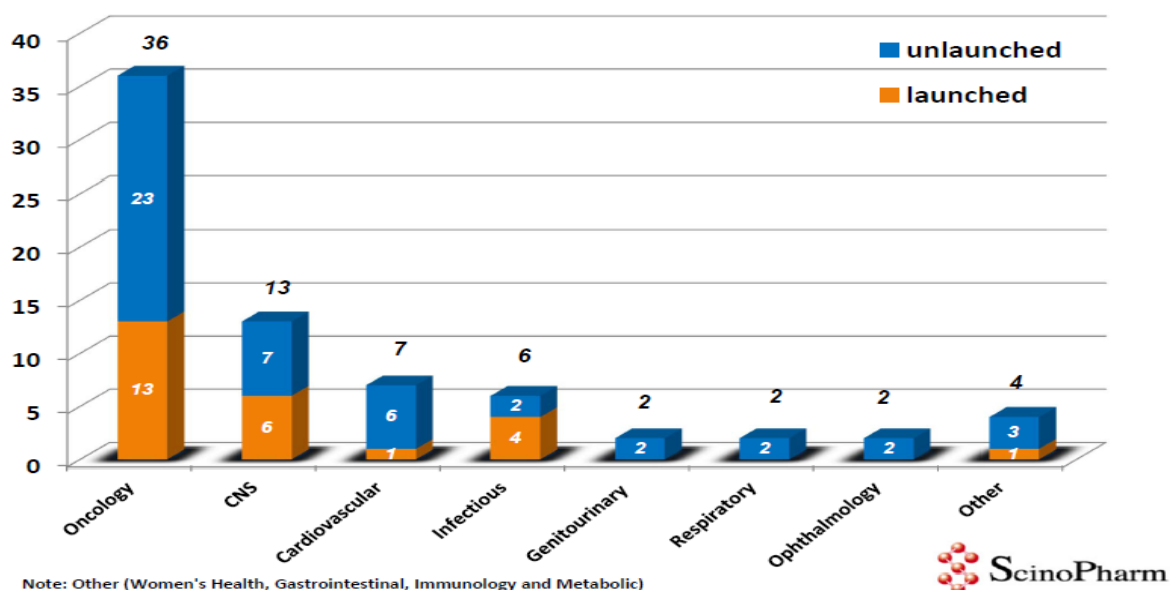
5.2.2 Important usages and production process of major products

5.2.2.1. Important usages of major products

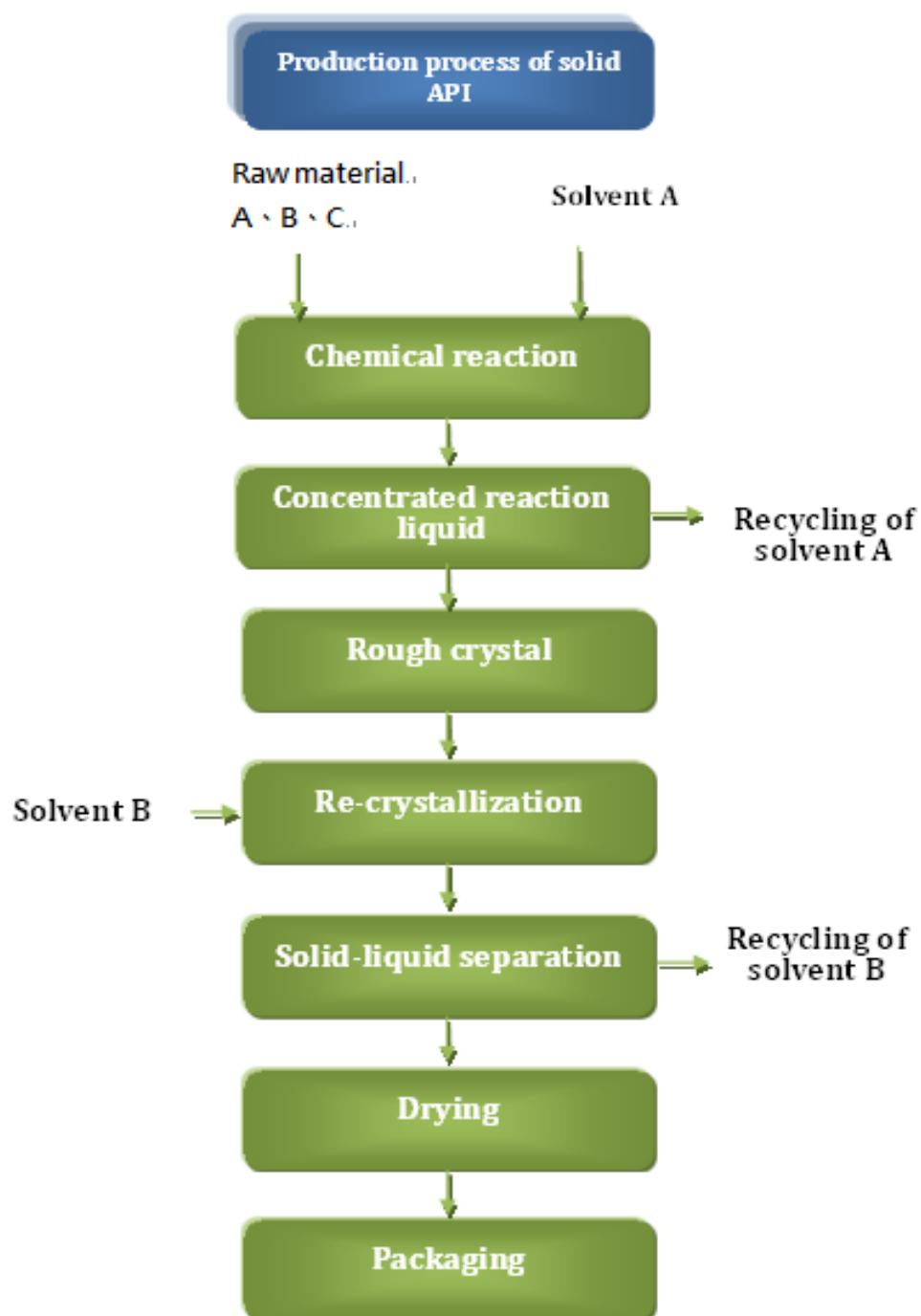
In the industry of active pharmaceutical ingredients, the success or failure of a company hinges on the success or failure of product development, for which the ability of a company in choosing right products and developing them according to schedule is crucial. In product selection, ScinoPharm takes into account customer orientation, market need, size of revenue, patent restriction, ability of technology and facilities, production cost, access to raw materials, workplace safety, and environmental protection. Priority is placed on those products for which ScinoPharm owns cutting-edge technologies and has control of source of raw materials, on top of less competition, high margin, and strong need by customers.

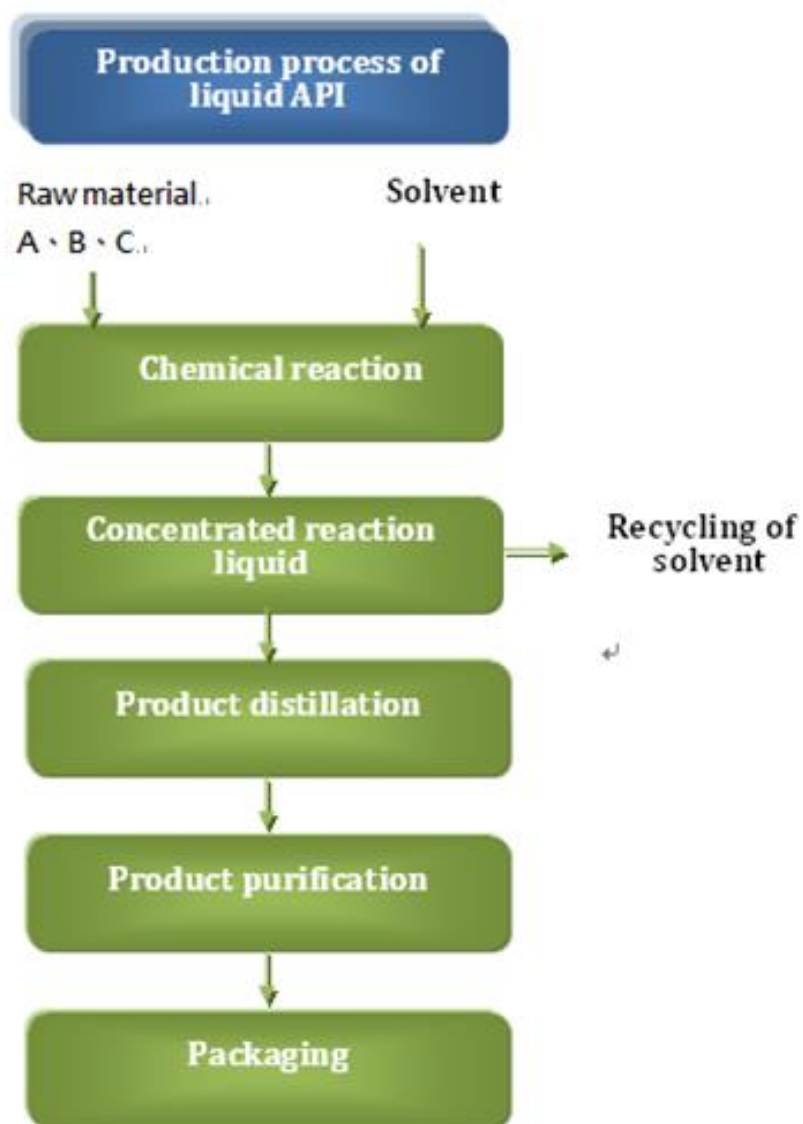
In order to speed up the pace of R&D, in addition to the utilization of solid in-house R&D strength, the company also entrusts a number of domestic and foreign research bodies for initial R&D or establishment of platform technology. Up to now, the company has successfully developed 20 products via cooperation with 10 domestic and foreign research institutions, the latter mainly academic and research units in mainland China. From those cases, many technologies have been transferred to the company as initial technologies for amplification and the company has applied patents for them. In 2011, the company incorporated its Kunshan subsidiary in China's Jiangsu Province, set up in 2001, into ScinoPharm (Changshu) Pharmaceuticals in China, while recruiting excellent chemical and chemical-engineering specialists in China for R&D and operating pilot plant for producing key materials and intermediates. ScinoPharm (Changshu) Pharmaceuticals has not only helped ScinoPharm cut production cost but also integrated cross-Strait resources for R&D, production, and management, on top of enriching its international management experience. ScinoPharm (Changshu) will be positioned as international plant for active pharmaceutical ingredients and parent company's operating base in China, which will provide large volume of quality active pharmaceutical ingredients and all-round R&D and contract manufacturing service, giving ScinoPharm a strong backing in its effort to expand international service.

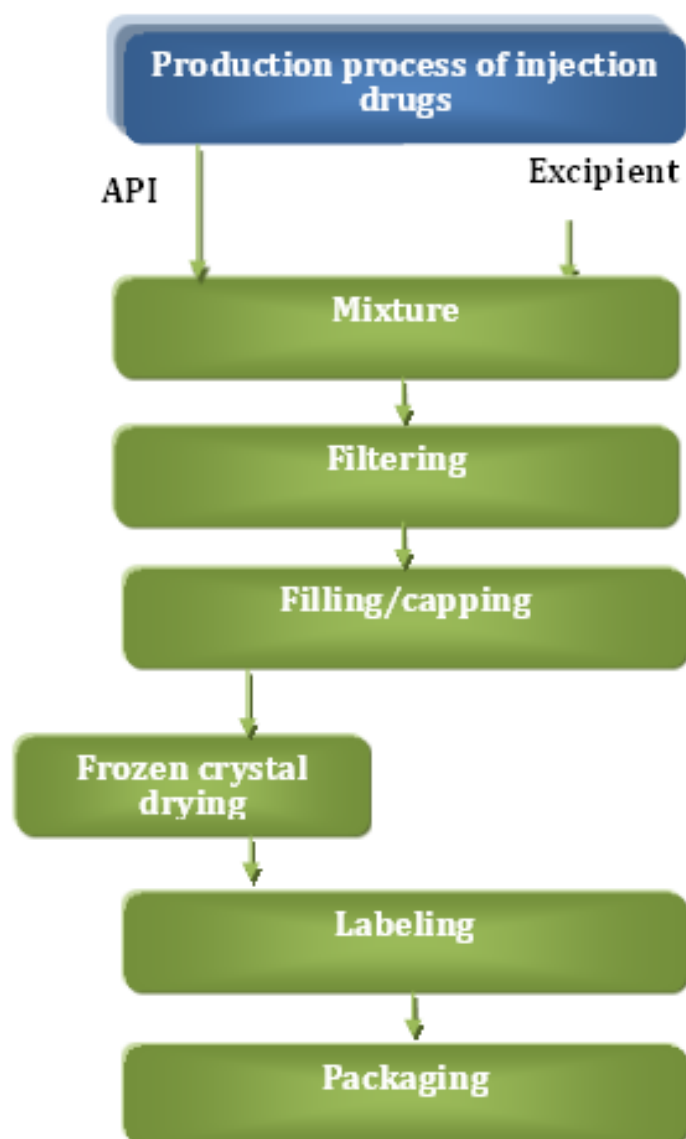
In view of the acute competition in the market of active pharmaceutical ingredients, the company chooses active pharmaceutical ingredients featuring high technological threshold and high prices for early development. The focus is on pharmaceutical ingredients featuring high activity for anti-cancer drugs, which have a high-growth market. Major usages, in terms of their shares, for the company's development products are listed below:



5.2.2.2. Production process of major products







5.2.2.3 Supply status of major raw materials

As a dedicated manufacturer of active pharmaceutical ingredients, the company is very demanding for the quality of raw materials, in order to uphold the stability of the quality of products. It requires suppliers, once selected, to comply with the need of production. The relationship between the company and suppliers is based on long-term cooperation, which will not be changed easily. Meanwhile, to avoid disruption of supply, the company has also been continuously seeking alternative suppliers to meet emergent situation.

5.2.2.4 Information on major suppliers/clients who have accounted for at least 10% of sales/procurement in either of the past two years

A. List of suppliers that have accounted for at least 10% of procurement over the past two years:

Unit: NT\$ thousands ; %

Item	2015				2016				2017 First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	S Supplier	427,639	43	None	S Supplier	217,515	26	None	S Supplier	128,648	41	None
2	H Supplier	88,565	9	None	H Supplier	112,887	14	None	H Supplier	0	0	None
	Other	473,643	48	None	Other	503,032	60	None	Other	182,494	59	None
	Net Supply	989,847	100		Net Supply	833,434	100		Net Supply	311,142	100	

B. List of clients that have accounted for at least 10% of sales over the past two years:

Unit: NT\$ thousands ; %

Item	2015				2016				2017First Quarter			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Biddle Sawyer Pharma LLC	1,427,493	37	None	Biddle Sawyer Pharma LLC	1,713,226	45	None	Biddle Sawyer Pharma LLC	378,056	46	None
2	ZHOPL	509,992	13	None	AI	361,233	9	None	AI	93,424	11	None
3	AI	280,109	7	None	ZHOPL	112,024	3	None	ZHOPL	26,829	3	None
4	Other	1,603,951	43	None	Other	1,654,362	43	None	Other	324,365	40	None
	Net Sales	3,821,545	100		Net Sales	3,840,845	100		Net Sales	822,674	100	

Explanation for change in sales in 2016 and 2015:

1. Sales for Biddle Sawyer Pharma LLT rose, due to increased demand for products used in the production of new drugs.
2. Sales for customer ZHOPL decreased, due to decline in demand.
3. Sales for customer AI increased, more purchase from customer due to price reduction for partial products.
- 4.Customer AI, and customer ZHOPL are code names, adopted in line with the contracts of confidentiality signed by the customers.

5.2.2.5 Production in the Last Two Years

Unit: Kilo / NT\$ thousands

Output Major Products	Year	2015			2016		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
API		34,477	20,800	2,195,271	51,133	27,936	1,973,593
Total		34,477	20,800	2,195,271	51,133	27,936	1,973,593

Note: The company capacity and output vary according to difference in the production of product lineup. Output volume was higher in 2014, due to the production of massive amount of lower-priced products.

5.2.2.6 Shipments and Sales in the Last Two Years

Unit: Kilo / NT\$ thousands

Shipment & Sales Major Products (or by department)	Year	2015				2016			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chemical		5,849	1,374	291,106	1,196	-	-	54,168	90
API		573	143,625	16,875	3,675,350	613	151,353	23,441	3,689,402
Technical Services		-	9,992	-	123,670	-	15,291	-	174,785
Total		6,422	154,991	307,981	3,800,216	613	166,644	77,609	3,864,277

1. Technological-service income increased. Such income hinges on the demand of customers for R&D and analysis, as customers often outsourced the works to the company. Therefore, the income would be affected by the timing of customers' assignment and the length of its execution, which would affect the timing for its listing in the books.

5.3 Human Resources

5.3.1 The Company

Year		2015	2016	4/30/2017
Number of Employees	Executive Officers	81	77	84
	Professionals	234	244	250
	Technical personnel	257	252	267
	Administration Personnel	30	23	23
	Total	602	596	624
Gender	male	72%	72%	72%
	Female	28%	28%	28%
Average Age		38	38	38
Average Years of Service		8.2	8.6	8.4
Education	Ph.D.	8.97%	8.05%	7.69%
	Masters	30.73%	29.70%	31.73%
	Bachelor's Degree	55.98%	55.88%	53.85%
	Senior High School (include under Senior High School)	4.32%	6.37%	6.73%

5.3.2 As of April 30, 2017, the company and subsidiaries had 856 employees, compared with 818 in 2016 and 828 in 2015.

5.4 Environmental Protection Expenditure

5.4.1 The law requires application for license for the setup of pollution-abatement facilities, permit for emission of pollutants, payment of anti-pollution fees, and setup of dedicated environmental-protection unit and staffers. The company's status in meeting the requirement.

(1) Environmental-Protection Staffs: Air-pollution specialist, Waste-water specialist, Waste specialist
Toxin specialist

Item	Explanation
Air-pollution specialist	One grade-A specialist, license No: FA040125
Waste-water specialist	One grade-A specialist, license No: 0246 One grade-B specialist, license No: GB480953
Waste specialist	One grade-A specialist, license No: HA160133
Toxin specialist	One grade-A specialist, license No: JA010198 One grade-B specialist, license No: JB060251

Equity investment in China

Item	Explanation
Waste-water specialist	One primary-grade specialist, License No.: 0510045613562
Waste-water specialist	One intermediary-grade specialist, license No.: 0603000297418150
Operational license for operating dangerous chemicals	Three specialists, license No. 20121304 、20120853 、20120305

(2)Permit

The company

Items	Permit No.
Air pollution permit	
M01Production procedure for active pharmaceutical ingredients	Permit No. R0062-02
M03Production procedure for active pharmaceutical ingredients	Permit No. R0094-01
M04Production procedure for active pharmaceutical ingredients	Permit No.R0002-02
M05Production procedure for active pharmaceutical ingredients	Permit No.R0008-02
M06Production procedure for active pharmaceutical ingredients	Permit No R0018-02
M07Production procedure for active pharmaceutical ingredients	Permit No R0079-01
M08Production procedure for active pharmaceutical ingredients	Permit No R0080-01
Permit No	Permit No R0090-01
M11Production procedure for active pharmaceutical ingredients	Permit No D0140-00
M12Production procedure for active pharmaceutical ingredients	Permit No D0137-00
Water-pollution permit	
Emission-pipe installation permit	B015-CH9-1041217
Water pollution-abatement measure	No. 1020008829
Waste permit	
Waste disposal plan	No. 1050005884, March. 09, 2016
Toxin operation permit	
(Aniline)	038-12-O0001
(Arsenic trioxide)	045-12-O0001
(Sodium cyanide)	046-21-O0001
(Potassium cyanide)	046-21-O0001
(Copper(I) cyanide)	046-21-O0001
(Zinc cyanide)	046-11-O0002
(Acrylamide)	050-21-O0001
(Acrylonitrile)	051-21-O0001
(Benzene)	052-21-O0001
(Carbon tetrachloride)	053-21-O0002
(Chloroform)	054-21-O0001
(Potassium dichromate)	055-21-O0003
(Potassium chromate)	055-21-O0003
(Ethylene Dibromide)	060-21-O0001
(Ethylene oxide)	061-21-O0002
(Trichloroethylene)	064-21-O0001
(Formaldehyde)	Usage 066-21-11002 Stockpile066-21-21002
(o-Dichlorobenzene 、 1,2-Dichloro benzene)	069-21-J0008

Items	Permit No.
(2-Methoxyethanol)	071-21-O0001
(Epichlorohydrin)	072-21-21002
(Phthalic anhydride)	073-21-O0001
(1,2-Dichloroethane)	No. 075-O010030 075-O010030
(1,1-Dichloroethylene)	077-O010025
(1,2-Dichloroethylene)	077-O020019
(Dichloromethane)	079-O010010
(Cumene)	081-010004
(Cyclohexane)	082-010006
(Chloroacetic acid)	083-010001
(Ethyl chloroformate)	084-010001
(Dimethyl sulfate)	Usage086-21-11004 、 Stockpile086-21-21004
(Carbon disulfide)	089-21-O0001
(Chlorobenzene)	090-21-O0002
(1,4-Dioxane)	Usage 093-21-11001 、 Stockpile 093-21-21001
(Methyl Iodide)	095-21-O0001
(Pyridine)	Usage 097-21-11002 、 Stockpile 097-21-21002
(N,N-Dimethyl formamide)	Usage 098-21-11013 、 Stockpile 098-21-21013
(Formamide)	Usage 098-21-11006 、 Stockpile 098-21-21006 098-0001
(Acrolein)	100-21-O0001
(Allyl alcohol)	101-21-J0003
(Acetaldehyde)	104-010018
(Acetonitrile)	105-O010002
(Benzyl Chloride)	106-010005
(Butylaldehyde)	108-O010008
(m-Cresol)	112-O010009
(Diphenylamine)	115-010016
(Ethybenzene)	116-010012
(Methyl iso-butyl Ketone)	117-010023
(Propane sultone)	120-010007
(Triethylamine)	121-O010005
(Dibromomethane)	124-21-O0001
Bromoform (Tribromomethane)	125-21-O0001
(Chloroethane, Ethyl chloride	126-21-O0001
(Nitrobenzene)	129-21-O0001
(Hexamethylphosphoramide(HMPA))	132-21-O0001

Items	Permit No.
(Crotonaldehyde (2-butenal))	143-J010001
(Thiourea)	144-010023
(Tributyltin oxide)(Bis(tributyltin)oxide)	148-21-O0001
(Tributyltin Chloride)	148-070008
(Tributyltin hydride)	148-O070009
(Dimethylcarbamyl chloride)	153-21-O0001
(Phosphorus trichloride)	158-21-O0001
(Thiosemicarbazide 1-amino-2-thiourea)	159-21-O0001
(Methyl tert-butyl ether)	160-O010001
(Hydrazine)	164-O010030
(Nonylphenol polyethylene glycol ether)	165-21-O0001

Company of equity investment in China

Item	Permit No.
Waste permit (Kunshan Deyuan Environmental Protection Development Co., Ltd.	JSSZ0583OOD029
Waste disposal permit (Jiangsu Kangbo Industrial Solid Waste Disposal Co., Ltd.	JS0581OOI301-11
Waste disposal permit (Taicang Kay source of waste containers Regeneration Co., Ltd.)	JSSZ0585OOD015

- (3)The company and affiliates deliver recyclable waste solvent to qualified firms for recycled use and entrust the park's resource regeneration center for disposal of the remaining waste.
- (4)The amount of waste for recycling and use: the company 63 tons/month, affiliates: 0 ton/month.
- (5)The company entrusts the park's resource regeneration center to handle common waste, while affiliates entrust the work to city administrative units in coastal developed areas.
- (6)Other wastes are delivered to qualified firms for processing.

Processing fees for the aforementioned wastes (common solvent, common wastes, and other wastes): the company NT\$2.1 million per month, total for affiliates NT\$1,200,000.

Air-pollution abatement fees: the company NT\$0 (amount of air-pollutant emission is lower than the threshold for fee collection) and affiliates NT\$0.

5.4.2. Investment in major environmental pollution-abatement equipment, their usage, and possible benefits:

The company:

4/30/2017 ; Unit: NT\$ thousands

Name of equipment	Amount	Acquisition date	Investment cost	Balance of value after depreciation	Usage and expected benefit
MBR	2	2011/3/1~ 2014/3/1	11,763	4,822	Waste-water treatment system, in order to comply with the waste-water emission standard of Southern Taiwan Science Park
Strathtox active mud respiratory device	1	2015/05/01	1,048	886	Waste-water treatment system, monitoring the biological status of waste water, in order to assure that it can be effectively processed and meet the emission standard of Southern Taiwan Science Park.
Scrubber	18	2000/4/1~ 2016/6/1	32,557	7,641	For use in air-pollution abatement and reduction of emission of pollutants, in order to safeguard human health and cut air-pollution fee.

4/30/2017 ; Unit: RMB thousands

Name of equipment	Amount	Acquisition date	Investment cost	Balance of value after depreciation	Usage and expected benefit
Waste-water treatment system	1	2010/8/1	RMB2,275	RMB1,558	Waste-water treatment system, in order to comply with the regulation
Scrubber	7	2011/1/1~ 2013/2/1	RMB147	RMB92	For use in air-pollution abatement and reduction of emission of pollutants, in order to safeguard human health and cut air-pollution fee.

5.4.3. Describe the company's effort in improving environmental pollution in recent two years and as of the date of the publication of the annual report, as well as pollution-related disputes and their handling, if any: Nil.

5.4.4. Describe, in recent two years and as of the date of the publication of the annual report, the total amount of the company's loss (including compensation) and fines from environmental pollution, as well as its countermeasures (including improvement measures) and possible outlays (including estimated value of possible loss, fines, and compensations in the absence of countermeasures; make explanation, should the value be unable to be estimated reasonably): Nil.

5.4.5. Existing polluting status and the effect of its improvement on the company's earnings, competitiveness status, and capital outlay, as well as forecast on capital outlays for

environmental protection in the coming two years:

- (1) Existing polluting status: According to the kinds of pollutants, the major polluted sections of the company and affiliates can be classified into the three major categories of air pollution, waste water, and wastes.
 - A. Air pollution: nil.
 - B. Waste water: The company has invested NT\$9.1 million in waste-water treatment, which is expected to improve the capacity of steam stripper in 2017, cutting expense for the treatment of waste solvent, reducing impact on waste-water processing station, alleviating the existing problems of insufficient supply and high cost for the outsourcing of waste-water treatment. Affiliates don't have investment in waste-water treatment.
 - C. Waste: nil.
- (2) Effect of improvement of environmental pollution on the company's earnings, competitive status, and capital outlay:

In an all-out effort for combating environmental pollution, the company has invested heavily in air pollution-abatement equipment, including condenser, scrubber, and activated carbon absorber, and waste-water treatment equipment, such as membrane bioreactor, steam stripper, waste-liquid distillation system, and Strathtox active mud respiratory device. Abatement of environmental pollution can cut outlay for waste treatment, boosting the company's earnings, and meet the requirements of laws/regulations and customers on the treatment of toxic waste liquid and waste water by API (active pharmaceutical ingredients) plants, augmenting the company's competitiveness.
- (3) Planned major capital outlays for environmental protection in the coming two years:

The company hasn't made related investment, affiliates will spend NT\$1.4 million on MBR and related projects.

5.5 Protective measures for workplace and personal safety of employees

To enhance autonomous management capability for safety and hygiene, the company has passed entirely the systematic certification of the management guidelines of the Taiwan Responsible Care Association (TRCA) SINCE 2007, including safety management of contractors, distribution management, product management, emergency response management, process safety management, waste management, and reduction management, as well as the acknowledgement by the vocational safety and hygiene management system for enterprises of the Ministry of Labor. Meanwhile, in line with the features of pharmaceutical business. To shield employees from exposure to the hazard of potent compound handling. In 2009, the company passed the certification of activated pharmaceutical operating system by international third fair party SafeBridge and has been maintaining and improving the operation according to the criteria of SafeBridge ever since. The company has been striving to build up a comfortable and safe working environment, free from accident, via participation in the operation of safety and hygiene management system by all staffers, enforcement of various safety and hygiene management measures, and the use of such tools of hazard detection, risk assessment, and risk control.

Related workplace, personal-safety measures, and supervisory measures of ScinoPharm are listed below:

- * Status of dedicated units or staffers for safety/hygiene and environmental management

The company has set up "vocational safety and hygiene committee" and "sustainable management committee." The former, set up according to "vocational safety and hygiene

management measures," is the supreme policy-making unit for environment, safety, and hygiene affairs. It is convened by the president and consists of tier-one chiefs of various business units and plants, chiefs of various sections, and representatives of employees. The committee convenes quarterly to review the company's affairs related to environment, safety, and hygiene, thereby putting forth key directors for improvement. The latter coordinates the company's effort in environmental protection, safety/hygiene, energy conservation, water-saving, and management of greenhouse-effect gases, in order to boost the company's competitiveness for sustainable development. Convened by the vice president in charge of production, the committee consists of the five functional sections of distribution and sales, health, safety, waste reduction, and energy conservation and puts forth sustainable development plan and review on the effect of implementation every year, for internal inspection. The goal is to strength the company's foundation for development, via safeguarding employees' health, creating a safe and friendly workplace, and incorporating environmental protection into the company's agenda.

* Control of the hazard of active pharmaceutical ingredients

For controlling the exposure to the hazard of active pharmaceutical ingredients, the company embraces common management mode among pharmaceutical firms worldwide. The mode calls for setup of exposure ceiling for active pharmaceutical ingredients and grading of hazards, planning for engineering protection for different grades of hazards, definition of the use and management of engineering-protective measures, and measurement of the effectiveness of the function and operating environment of engineering protection, the latest for ascertaining the sufficiency of engineering protection for different grades of hazards and the need for improvement or upgrading. In order to correctly identify the grades of hazards of active pharmaceutical ingredients and determine the exposure ceiling for active pharmaceutical ingredients, the company has set up an evaluation panel consisting of in-house and external experts in pharmacy, toxicology, chemical, and industrial hygiene for the task. Meanwhile, in order to assure protective engineering measures attaining expected containment, the company has established method for air sampling for analysis, by its own or outsourcing, carried out sampling via ISPE practice guide, for evaluating the actual effect.

* Management of process safety

To prevent unacceptable risk of process hazard during the stages of R&D through mass production, embrace four-stage analysis for process hazard: analysis of process hazard at laboratory (Lab PHA), analysis of intrinsic hazard (PHA1), analysis of reactive hazard (PHA2), and analysis of operating hazard (PHA3). Meanwhile, for evaluating safety issue resulting from thermal hazard induced by chemical reaction, carry out safety-test analysis with such laboratory equipment as differential scanning calorimeter, reaction calorimeter, and adiabatic calorimeter, in addition to conducting hazard forecast for chemicals without sufficient toxicological data with pharmaceutical-toxin forecast software Derek for Windows.

Change management procedure to evaluate and lower potential risks connected with modification of process engineering change. For control of operating safety, there have been norms for hazardous operations, such as procedural document for hazardous-operation permit, document for locking/tagging operational procedure, and document for restrictive-space operating procedure.

For in-plant use of chemicals, control its inventory at safe level and put in place standard procedure for separate bottling, with complete personal protective gear ready for use by

operators, to assure safety in the use and stockpiling of chemicals.

* Emergency response management

To assure effective response to and removal of accidents, install three-stage emergency-response mechanism: initial accident-handling stage, emergency response and handling stage, and major disaster management stage. Since emergency response is a comprehensive incident, in addition to two whole-place drills, there are nighttime drills and drill for dispersal without alert, with the drills covering not only employees but also staffers of contractors stationed in the plants.

Moreover, install the mechanism of emergency-response and disaster-relief experts by providing long-term training of disaster-relief skills to staffers selected by various plants, so as to carry out rapid and effective emergency response and disaster relief.

* Monitoring of operating environment

For detecting operating environment, formulate operating-environment detection plan containing sampling strategy, which starts with basic data collection and check of raw materials, process procedure, and hazardous materials, to be followed by observation, interviews and recording, investigation, planning of similar exposure groups, and sampling of staffers with largest chance of exposure. Detection items include CO₂, noise, and organic solvent.

Meanwhile, in line with the features of the pharmaceutical industry, in order to shield staffers from the exposure to hazard resulting handling active drugs, set up air-sampling method for analysis, by its own or outsourcing, which adopts the aforementioned procedure for detecting operating environment, to evaluate the effect of exposure to hazard.

* Training for industrial safety, hygiene, and environmental protection

To strengthen staffers' concept of industrial safety, hygiene, and environmental protection and prompt them to continuously strengthen and improve the safety of their own operating environment, in addition to holding legally required courses, the company formulate educational and training program on industrial safety, hygiene, and environmental protection according to actual needs inside the plants, the company also conduct related courses regularly or irregularly, so as to intensify the responsibility and awareness of staffers for industrial safety and hygiene.

* Management of contractors

Integrate the information on the management of contractors via the e-contractor management system, so as to actually control the number of contractor staffers, as well as their authorized rights, entering the plant compound, in order to intensify admission control and enhance the efficiency of industrial safety and dispersal of staffers for emergency response. In addition, contractors are required to convene related units for safety meeting before start of construction works, as well as tool-box meeting daily, informing related workers, orally or in written form, on noticeable items for safety and hygiene. All contractors are required to carry out safety-protective and control measures for construction works, in line with the requirements set out in the document on the procedure for hazardous-operation permit.

* Augmentation of employee health

To safeguard the health of staffers and shield them from the risk of exposure to hazard in operation and contraction of vocational diseases, in addition to provision of various protective equipment and semi-annual detection of operating environment, arrangement regular physical exam for staffers, including management and rank-and-filers, clinical service, promotion and provision of breastfeeding space, and the provision of messaging service to relieve the pressure

of staffers, so as to strengthen staffers' immunity from diseases and work efficiency. Moreover, under a care-responsibility framework, set up a task force for review of employee health and sponsor health-enhancement events irregularly, so as to prompt staffers forming the habit of regular exercise, via the encouragement and inducement of organization, for upholding their physical and mental health and vigor. In addition, with an eye on enhancing the awareness of own health management among staffers, the infirmary conducts various health lectures and promotional events for health enhancement.

* Establishment of safety culture

In order to establish a safety culture with rank-and-file basis, push all staffers conducting comprehensive internal safety observation, whose outcome is included in their performance evaluation. To facilitate staffers recording their observations, install on-site safety observation management system for instance response and tracking status of improvement. Push mechanism for observation of behavioral safety by basic-level superiors training them to conduct skillful and systematic observation of behavioral safety, so as to encourage safe behaviors and rectify unsafe behaviors of operators. Meanwhile, have on-site operators take part in the discussion for pushing safety risk evaluation or analysis of product/process hazard, to prevent increase of hazard risk resulting from discrepancy of recognition between the result of the discussion and actual operation.

In order to boost autonomous management capability, the mainland Chinese company invested by the company has conducted certification of standard corporate-safety management system for hazardous chemicals, including safety management for contractors, distribution management, product management, emergency response management, process safety management, and waste management and reduction management. Meanwhile, in line with the features of pharmaceutical business, the mainland Chinese company has had SafeBridge, an international fair third party, audit the system and has improved the system according to the opinions of SafeBridge auditors, so as to shield employees from exposure to the hazard of potent compound handling. The mainland Chinese company has been striving to build up a comfortable and safe working environment, free from accident, via participation in the operation of safety and hygiene management system by all staffers, enforcement of various safety and hygiene management measures, and the use of such tools of hazard detection, risk assessment, and risk control.

Related workplace, personal-safety measures, and supervisory measures are listed below:

* Status of dedicated units or staffers for safety/hygiene and environmental management

For controlling the exposure to the hazard of active pharmaceutical ingredients, the company embraces common management mode among pharmaceutical firms worldwide. The mode calls for setup of exposure ceiling for active pharmaceutical ingredients and grading of hazards, planning for engineering protection for different grades of hazards, definition of the use and management of engineering-protective measures, and measurement of the effectiveness of the function and operating environment of engineering protection, the latest for ascertaining the sufficiency of engineering protection for different grades of hazards and the need for improvement or upgrading. In order to correctly identify the grades of hazards of active pharmaceutical ingredients and determine the exposure ceiling for active pharmaceutical ingredients, the company has set up an evaluation panel consisting of in-house and external experts in pharmacy, toxicology, chemical, and industrial hygiene for the task. Meanwhile, in order to assure protective engineering measures attaining expected containment, the company

has established method for air sampling for analysis, by its own or outsourcing, carried out sampling via ISPE practice guide, for evaluating the actual effect.

* Management of process safety

To prevent unacceptable risk of process hazard during the stages of R&D through mass production, embrace four-stage analysis for process hazard: analysis of process hazard at laboratory (Lab PHA), analysis of intrinsic hazard (PHA1), analysis of reactive hazard (PHA2), and analysis of operating hazard (PHA3). Meanwhile, for evaluating safety issue resulting from thermal hazard induced by chemical reaction, carry out safety-test analysis with such laboratory equipment as differential scanning calorimeter, reaction calorimeter, and adiabatic calorimeter, in addition to conducting hazard forecast for chemicals without sufficient toxicological data with pharmaceutical-toxin forecast software Derek for Windows.

Change management procedure to evaluate and lower potential risks connected with modification of process engineering change. For control of operating safety, there have been norms for hazardous operations, such as procedural document for hazardous-operation permit, document for locking/tagging operational procedure, and document for restrictive-space operating procedure.

For in-plant use of chemicals, control its inventory at safe level and put in place standard procedure for separate bottling, with complete personal protective gear ready for use by operators, to assure safety in the use and stockpiling of chemicals.

5.6 Labor Relations

5.6.1 The company's various employee welfares, advanced study, training, and retirement system and their execution, as well as labor-management agreements and various measures upholding employee rights and interests

1. Employee-caring measures:

In order to create a good and harmonious working environment, actively provide employees various caring measures, on top of legally required measures, such as labor insurance and health insurance:

- (1) Sound regulations and system: Formulate management regulations, according to the spirit of Labor Standards Law, governing promotion, award and punishment, performance evaluation, leave, and salaries.
- (2) In addition to year-end bonus equivalent to two months of pays, appropriate a portion of pretax net profit as performance bonus.
- (3) Issue bonus on the three major festivals of Spring Festival, Dragon-Boat Festival, and Mid-Autumn Festival.
- (4) Provide group insurance to every employee, including life insurance, injury insurance, medical insurance for accidental injuries, and major disease insurance.
- (5) Set up employee welfare committee, according to law, appropriate employee-welfare fund, push contracted stores and employee clubs, and hold annual domestic or overseas travels for employees, so as to enhance emotional bond among employees. In addition, fringe benefits, such as scholarship for employees' children, birth subsidy, and subsidies for attendance of wedding ceremonies or funerals are available.

- (6) Provide employee physical exam, subsidy for employees' advanced study, scholarship for employee's offspring, subsidy for child birth, subsidy for children care, subsidy for gift money for wedding or funeral, and regular events of employee well-being month or family day, measures meant to have employees feel deeply the company's high regard and care for every employee in the ScinoPharm family.
- (7) Introduce "employee assistance program," providing professional mental assistance and counseling and counseling in other aspects, so as to help employees solve problems and pressure associated with job, life, or health, thereby calming their minds and boosting their work efficiency.
- (8) Expand and furnished the lactation room to provide bigger space to accommodate more female employees' usage.
- (9) To help employees have a balanced diet, employees' restaurant designs light meals every week; set up simple in-house stores for the convenience of employees. There are small shops in the company's premises, offering employees a place to rest and have some foods, included cooked foods, snacks, and beverages.

2. Advanced training

As an international pharmaceutical firm, ScinoPharm has been actively cultivating international talent. In addition to PMT courses focusing on enhancement of management capability and job efficacy, as well as encouragement of forward-looking mindset and innovation, provide subsidy for on-the-job study and training, so as to encourage employees making self-improvement constantly. In view of the need for strategic management of human resources and organizational development, introduced Professional Strength Development Series from the third quarter, giving, via workshops and coaching, intensive exercise and training for thinking power and brainpower to managerial staffers at various levels. One-to-one coaching and guidance is available for managerial staffers and trainees, so as to enhance the performance of individuals at various levels and the entire team.

As for professional expertise and knowledge, conduct internal or external training on GMP quality system, environmental protection, industrial safety, and hygiene, whose execution is also incorporated into ERP system for management and regular tracking:

(1) Business and management training:

Upon its inception, the company already established Professional Management Training (PMT) system, designing tailor-made courses for managerial staffers at various levels and cultivation of other talents, which is supplemented coaching by senior superiors for dissemination of corporate culture, facilitating passing of experience and attaining sustainable development of the company. Up to now, the company has completed five rounds of such training courses, which have become critical channel for the company's talent cultivation.

- (2) GMP training: To uphold high product quality and assure compliance of all production-related operations with legal requirement, every employee has to undertake set hours of GMP training, according to their different positions.
- (3) Industrial safety/hygiene training: To provide employees a safe working environment, in addition to enforcement of workplace-safety management, fire-fighting safety management, and employee health management, the company holds education and

training on safety and hygiene for employees regularly, so that they can possess necessary safety and hygiene knowledge.

- (4) Training on professional knowledge and skills: In addition to measures encouraging subsidizing employees for advanced study, appropriate annual budget for education and training for every employee, for him/her to attend job-related lecture/training or local or overseas seminars on professional technologies. The technological division also arranges on-the-job training, according to professional needs, so as to pass on professional knowledge and experience.
- (5) Language training and Lectures for personal development: Language course and lectures for individual development: Given frequent contact with international pharmaceutical firms in the company's operation, the company has cooperated with English-language training institutions for the provision of English-language courses, in addition to subsidizing employees for attending external classes, so as to help employees augment their skills needed for their jobs. To assure mental and physical health of employees, the company holds mental and art/literature lectures regularly or irregularly, to help them relieve pressure.

ScinoPharm Taiwan conducted training sessions for 10,735 person/times totaling 20,052 hours in time, with training items and results listed below:

Items	Person/times	Total hours
Business and management	308	808
GMP training	3,031	4,350
Training on industrial safety, hygiene, and environmental protection	1,969	2,251
Training on professional skills	4,179	9,206
Language and others	1,248	3,437

3. Retirement system and status of execution

According to the company's measures for employee retirement, employees can apply for retirement at 55 with over 25 years of service or 60 with over 10 years of service. The company can demand employees turning 65 to retire, should they become unfit for their jobs. Retirement pay is determined by the number of retirees' service years in the company, amounting to two basis points a year for first 15 years of service. For the years beyond, those covered by the old system are entitled to one basis point a year. One basis point will be given for the balance which exceeds half a year or half a basis for the balance less than half a year. The total is capped at 45 basis points. One basis point is equivalent to the average monthly pay in the six months before retirement, according to the Labor Standard Law. The company makes appropriation for retirement reserve fund every month, which is overseen by the retirement reserve fund supervisory committee.

4. Labor-management agreement

The company has high regard for a harmonious labor-management relationship. Consequently, the company has set up labor-management meeting as a platform for exchanges of opinions, notably on key issues such as work rules. In addition, the company

holds employees' meeting every quarter to inform employees of the latest business development of the company and let them propose suggestions, thereby facilitating participation by employees in the company's affairs.

5. Various measures for upholding employees' rights and interests

In accordance with Labor Standards Law, the company has formulated work rules and complete management-related regulations, specifying employees' rights and obligations, in addition to regularly reviewing welfare measures for employees, so as to uphold their interests.

5.6.2 Estimated Losses from Labor Relation Conflicts during the Past Two years and the Future and our planned reaction: None.

5.7 Important Contracts

ScinoPharm Taiwan, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Customer Protection Agreement	A company in China	2010/10/26~2018/10/26	Agency for oncology	Secrecy Obligation
Development Agreement	A local organization	2011/02/08~until the work is completed	Manufacture of API for clinical trial and stability testing	Secrecy Obligation
Development Agreement	A local organization	2012/11/20~until the work is completed	Development for oncology API	Secrecy Obligation
Master Service Agreement	A company in the USA	2011/03/02~until the work is completed	Validation for the API and stability testing	Secrecy Obligation
Supply Agreement	A company in the USA	2010/08/19~7 th anniversary after commercial launch	Supply of API for depressive disorder	Secrecy Obligation
Supply Agreement	A company in the USA	2011/01/18~2 nd anniversary after commercial launch and will automatically renew unless either party terminates	Supply of API for diseases of central nervous system	Secrecy Obligation
Supply Agreement	A company in Jordan	2012/05/24~2019/05/24	Supply of API for cardiovascular diseases	Secrecy Obligation
Supply Agreement	B Company in China	2012/12/10~3 years after commercialization of finished product	Supply of API for Cardiovascular Disease	Secrecy Obligation
Development Agreement	A company in China	2011/02/08~2026/02/08	Development of Oncology API	Secrecy Obligation
Patent License Agreement	C Company in Canada	2011/03/01~2025/05/26	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Patent License Agreement	S Company in India	2011/11/18~2025/06/30	License of Patent for Manufacturing Anti-cancer API	Secrecy Obligation
Collaboration Agreement	A company in the USA	2012/03/27~7 th anniversary after commercial launch	Supply of oncology API	Secrecy Obligation
Lease Agreement	Southern Taiwan Science Park Bureau	2011/06/01~2018/02/28	Land Renting for Building ScinoPharm Taiwan's Factory	1. Contract term is up to 20 years 2. Contract can be renewed after expiration
Collaboration Agreement	Baxter	2017/02/27~10 th anniversary after commercial launch	Development and sales of Oncology drug	Secrecy Obligation
Development Agreement	Two companies in China	2014/01/02~2024/01/01	Development of oncology drug	Non-competition & Secrecy Obligation
Non-Exclusive License Agreement	A local research institution and a local university	2013/12/10~expiration of the licensed patents	License of the patents for manufacture of API for Cardiovascular diseases	Royalties & Secrecy Obligation

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Non-Exclusive License Agreement	A company in China	2013/07/20~	Technology license for manufacture of API for central nervous system	Royalties & Secrecy Obligation
Supply Agreement	F Company in Germany	2014/01/01~2018/12/31	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	E Company in Ireland	2013/04/12~2018/04/12	Supply of Anti-viral API	Secrecy Obligation
Supply Agreement	A company in China	2014/06/03~ 5 th anniversary after commercial launch	Development and Supply of the API for Peripheral Nervous System	Exclusive Supply Obligation & Secrecy Obligation
Collaboration Agreement	A company in China	2014/11/06 ~ 10 th anniversary after commercial launch	Development, Manufacture and sale of the drug for Myocardial Perfusion Imaging.	Secrecy Obligation
Collaboration Agreement	A company in China	2014/09/26 ~ 20 th anniversary from commercial launch	Development and sales of Oncology drug	Non-Competition & Secrecy Obligation
Service Agreement	A local company	2014/07/30~2024/07/29	development of new drug for Stem cell	Non-Competition & Secrecy Obligation
Collaboration Agreement	A company in China	2014/05/05 ~8 th anniversary from commercial launch	Development and sale of anticoagulant medication	Exclusive supply
Development and supply agreement	A company in the USA	2014/03/06 ~10 th anniversary after commercial launch	Development and Sales of drug for leukemia	Non-Competition & Secrecy Obligation
Development and Supply Agreement	A company in the USA	2015/01/19~7 th anniversary after commercial launch	Development and Supply of oncology drug	Secrecy Obligation
Service Agreement	A company in the USA	2015/04/10~10 years after the effective date, or all works in the project orders effective before the 10 th anniversary are completed, whichever is later.	API development	Secrecy Obligation
Development Agreement	A local medical device company	2015/07/29~	Development of certain medical device	Secrecy Obligation
Supply Agreement	F Company in Germany	2015/02/01~2019/01/31	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	E Company in Ireland	2015/04/28~2017/04/28	Supply of Anti-cancer API	Secrecy Obligation
Supply Agreement	R Company in USA	2015/06/10~2018/06/10	Supply of Anti-cancer API	Secrecy Obligation
Customer Protection Agreement	C Company in Uruguay	2015/11/02~2018/11/02	Protection of Sales Efforts in South America for ScinoPharm Taiwan	Secrecy Obligation
Cooperative Contract	A Taiwanese company	2016/07/27 ~ 2018/07/26	Joint product development	Non-compete clause and the obligation of confidentiality
Contract for outsourcing of R&D and production	A U.S. company	2016/07/27 ~ 2021/07/26	Commissioned R&D and production for API	Obligation of confidentiality

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Contract for outsourcing of R&D and production	A Taiwanese company	2016/04/27 ~	Commissioned R&D and production for API	Obligation of confidentiality

ScinoPharm (Changshu) Pharmaceuticals, Ltd.

Contract Type	Counterparty	Contract Period	Major Content	Restriction
Collaboration Agreement	Two companies in China	2013/01/31 ~20 th anniversary after commercial launch	Development, manufacture and sales of oncology drug	Secrecy Obligation
Research agreement	A company in China	2013/08/06 till both parties' obligations are completed	Contract research service for oncology drug	Secrecy Obligation
Research agreement	A company in China	2014/02/24 till both parties' obligations are completed	Contract manufacturing for API	Secrecy Obligation
Supply Agreement	A company in China	2014/10/28 ~5 th anniversary after commercial launch	Supply of oncology API	Non-Competition & Secrecy Obligation
Service Agreement	A company in the USA	2015/07/15~2017/07/14 and will be automatically renewed for one year	Contract research service	Secrecy Obligation
Contract for syndicated loan	Banking consortium led by CTBC Bank	2016/6/14~2019/6/14	Repayment of banking loans owed by ScinoPharm (Changshu)	According to the stipulation of the contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Financial Information-IFRS

Consolidated Condensed Balance Sheet Based on IFRS

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017
		2012	2013	2014	2015	2016	
Current assets		6,057,655	6,143,428	5,249,555	6,032,910	6,585,375	6,656,473
Property, Plant and Equipment		3,559,228	4,213,982	5,065,025	5,170,714	5,208,898	5,154,883
Intangible assets		17,521	28,709	23,554	22,918	24,078	21,681
Other assets		155,472	1,098,109	1,033,686	995,053	964,649	1,020,021
Total assets		10,339,876	11,484,228	11,371,820	12,221,595	12,783,000	12,853,058
Current liabilities	Before distribution	1,203,672	1,774,787	1,918,033	2,274,983	1,691,693	1,691,573
	After distribution	1,983,588	2,585,900	2,058,625	2,494,308	(Note 2)	(Note 2)
Non-current liabilities		65,462	66,187	73,516	89,619	863,514	803,245
Total liabilities	Before distribution	1,269,134	1,840,974	1,991,549	2,364,602	2,555,207	2,494,818
	After distribution	2,049,050	2,652,087	2,132,141	2,583,927	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent		9,069,139	9,643,254	9,380,271	9,856,993	10,227,793	10,358,240
Capital stock		6,499,300	6,759,272	7,029,643	7,310,829	7,603,262	7,603,262
Capital surplus		1,246,977	1,247,796	1,257,277	1,265,544	1,275,660	1,279,136
Retained earnings	Before distribution	1,357,902	1,591,831	992,677	1,211,525	1,352,325	1,522,454
	After distribution	318,014	510,347	570,899	699,767	(Note 2)	(Note 2)
After distribution		(35,040)	44,355	100,674	69,095	(3,454)	(46,612)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		1,603	-	-	-	-	-
Total equity	Before distribution	9,070,742	9,643,254	9,380,271	9,856,993	10,227,793	10,358,240
	After distribution	8,290,826	8,832,141	9,239,679	9,637,668	(Note 2)	(Note 2)

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note 2: Proposal for allocation of the company's earnings in 2016 has yet to be approved by shareholders' meeting.

Parent Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note 3)
		2012	2013	2014	2015	2016	
Current assets		5,377,385	5,377,889	4,311,642	4,928,490	5,718,294	
Property, Plant and Equipment		2,869,977	3,153,292	3,736,412	3,718,257	3,722,375	
Intangible assets		1,538	7,906	7,013	12,656	12,633	
Other assets		1,707,619	2,167,083	1,940,707	1,766,228	1,508,972	
Total assets		9,956,519	10,706,170	9,995,774	10,425,631	10,962,274	
Current liabilities	Before distribution	821,918	996,729	541,987	479,019	641,933	
	After distribution	1,601,834	1,807,842	682,579	698,344	(Note 2)	
Non-current liabilities		65,462	66,187	73,516	89,619	92,548	
Total liabilities	Before distribution	887,380	1,062,916	615,503	568,638	734,481	
	After Distribution	1,667,296	1,874,029	756,095	787,963	(Note 2)	
Equity attributable to shareholders of the parent		-	-	-	-	-	
Capital stock		6,499,300	6,759,272	7,029,643	7,310,829	7,603,262	
Capital surplus		1,246,977	1,247,796	1,257,277	1,265,544	1,275,660	
Retained earning	Before distribution	1,357,902	1,591,831	992,677	1,211,525	1,35,2325	
	After distribution	318,014	510,347	570,899	699,767	(Note 2)	
Other equity interest		(35,040)	44,355	100,674	69,095	(3,454)	
Treasury stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	Before distribution	9,069,139	9,643,254	9,380,271	9,856,993	10,227,793	
	After distribution	8,289,223	8,832,141	9,239,679	9,637,668	(Note 2)	

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note 2: Proposal for allocation of the company's earnings in 2016 has yet to be approved by shareholders' meeting.

Note 3: According to the guidelines for the compilation of financial statement by securities issuers, individual financial report only has to be compiled at the end of a year.

Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note 2)
	2012	2013	2014	2015	2016	
Operating revenue	4,572,509	5,088,245	4,097,844	3,955,207	4,030,921	919,487
Gross profit	2,313,428	2,542,533	1,600,566	1,676,654	1,805,961	470,390
Income from operations	1,259,738	1,397,500	559,442	749,703	868,276	221,284
Non-operating expenses	112,419	11,013	42,767	53,181	(57,676)	(29,045)
Income before tax	1,372,157	1,408,513	602,209	802,884	810,600	192,239
Net income	1,170,829	1,273,404	484,143	634,965	658,693	170,129
Loss from discontinued operations	-	-	-	-	-	-
Net income (Loss)	1,170,829	1,273,404	484,143	634,965	658,693	170,129
Other comprehensive income (income after tax)	(36,107)	79,808	54,506	(25,918)	(78,684)	(43,158)
Total comprehensive income	1,134,722	1,353,212	538,649	609,047	580,009	126,971
Total comprehensive income	1,170,876	1,273,404	484,143	634,965	658,693	170,129
Net income attributable to non-controlling interest	(47)	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	1,134,769	1,353,212	538,649	609,047	580,009	126,971
Comprehensive income attributable to non-controlling interest	(47)	-	-	-	-	-
Earnings per share	1.80	1.88	0.69	0.87	0.87	0.22

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note2: According to " Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

Parent Condensed Statement of Income –Based on IFRS

Unit:NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note2)
	2012	2013	2014	2015	2016	
Operation revenue	4,572,198	5,083,603	4,092,478	3,897,137	3,888,611	
Gross profit	2,225,123	2,569,998	1,664,368	1,665,688	1,848,076	
Income from operations	1,423,213	1,609,242	837,561	920,731	1,066,196	
Non-operating income/ expense	(22,329)	(94,496)	(232,213)	(150,622)	(244,390)	
Income before tax	1,400,884	1,514,746	605,348	770,109	821,806	
Income from operations of continued segments- After tax	1,170,876	1,273,404	484,143	634,965	658,693	
Income from discontinued operation	-	-	-	-	-	
Income before tax	1,170,876	1,273,404	484,143	634,965	658,693	
Income from operations of continued segments after tax	(36,107)	79,808	54,506	(25,918)	(78,684)	
Total comprehensive income	1,134,769	1,353,212	538,649	609,047	580,009	
Net income attributable to shareholders of the parent	-	-	-	-	-	
Net income attributable to non-controlling interest	-	-	-	-	-	
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-	
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share	1.80	1.88	0.69	0.87	0.87	

Note 1: According to guidelines for mandatory registration for companies with public offering, companies having embraced international guidelines for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of follow-up reports.

Note2: According to " Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

6.1.2 Financial Information- ROC GAAP

Consolidated Condensed balance sheet – Based on ROC GAAP

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note3)
		2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)	
Current assets		6,058,509					
Funds & Long-term investments		188,924					
Fixed assets		3,790,318					
Intangible assets		107,539					
Other assets		167,691					
Total assets		10,312,981					
Current liabilities	Before distribution	1,187,327					
	After distribution	1,967,243					
Long-term liabilities		-	-				
Other liability		30,179					
Total liabilities	Before distribution	1,217,506					
	After distribution	1,997,422					
Capital stock		6,499,300					
Capital surplus		1,246,977					
Retained Earnings	Before distribution	1,328,143					
	After distribution	288,255					
Unrealized gain or loss on financial instruments		-					
Capital Collected in advance		-					
Cumulative translation adjustments		19,452					
Net loss unrecognized as pension cost		-					
Total equity	Before distribution	9,095,475					
	After distribution	8,315,559					

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary

Note3: According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

Parent Condensed balance sheet – Based on ROC GAAP

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note2)
		2012	2013	2014 (Note2)	2015 (Note2)	2016 (Note2)	
Current assets		5,378,239					
Funds & Long-term investments		1,431,239					
Fixed Assets		3,008,629					
Intangible assets		1,538					
Other assets		109,979					
Total assets		9,929,624					
Current liabilities	Before distribution	805,573					
	After distribution	1,585,489					
Long-term liabilities		-					
Other liabilities		30,179					
Total liabilities	Before distribution	835,752					
	After distribution	1,615,668					
Capital stock		6,499,300					
Capital surplus		1,246,977					
Retained Earnings	Before distribution	1,328,143					
	After distribution	288,255					
Unrealized gain or loss on financial instruments		-					
Collected Capital in advance		-					
Cumulative translation adjustments		19,452					
Net loss unrecognized as pension cost		-					
Total equity	Before distribution	9,093,872					
	Before distribution	8,313,956					

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary.

Consolidated Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note1)					Financial Summary As of 3/31/2017 (Note3)
	2012	2013(Note2)	2014(Note2)	2015(Note2)	2016(Note2)	
Operating revenue	4,572,509					
Gross profit	2,313,428					
Income from operations	1,259,248					
Non-operating income	184,987					
Non-operating expenses	72,568					
Income from operations of continued segments - before tax	1,371,667					
Income from operations of continued segments-gain or loss	1,170,422					
Income from discontinued operations	-					
Extraordinary gain or loss	-					
Cumulative translation adjustments	-					
Net income	1,170,422					
Earnings per share	1.80					

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary.

Note3: According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the parent company only financial reports should be prepared at end of year.

Parent Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Financial Summary As of 3/31/2017 (Note 2)
	2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)	
Operating revenue	4,572,198					
Gross profit	2,225,123					
Income from operations	1,422,723					
Non-operating income	123,310					
Non-operating expenses	(145,639)					
Income from operations of continued segments - before tax	1,400,394					
Income from continued operations	1,170,469					
Income from discontinued operations	-					
Extraordinary gain or loss	-					
Cumulative translation adjustments	-					
Net income	1,170,469					
Earnings per share	1.80					

Note1: Financial information of above years has been verified by independent auditors.

Note2: Financial information of year 2013 follows IFRS and has been disclosed in previous Financial Summary

6.1.3 Auditors' Opinions from 2012 to 2016

Year	Accounting Firm	CPA	Audit Opinion
2012	PricewaterhouseCoopers, Taiwan	Tzu-Meng Liu Tzu-Yu Lin	Unqualified
2013	PricewaterhouseCoopers, Taiwan	Tzu-Meng Liu Tzu-Yu Lin	Unqualified
2014	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Tzu-Meng Liu	Unqualified
2015	PricewaterhouseCoopers, Taiwan	Tzu-Yu Lin Ming-Hsien Lee	Unqualified
2016	PricewaterhouseCoopers, Taiwan	Yung-Chih Lin Ming-Hsien Lee	Unqualified

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Year Item(Note 4)		Financial Analysis for the Last Five Years (Note1)					Financial Analysis As of 3/31/2017 (Note2)
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt Ratio	12.27	16.03	17.51	19.35	19.99	19.41
	Ratio of long-term capital to property, plant and equipment	256.69	230.41	186.65	192.36	212.93	216.52
Solvency (%)	Current ratio	503.26	346.15	273.69	265.18	389.28	393.51
	Quick ratio	330.08	193.68	138.15	162.42	268.57	270.10
	Interest earned ratio (times)	47,316.76	178.93	146.50	90.03	23.44	16.89
Operating performance	Accounts receivable turnover (times)	10.87	5.62	5.49	5.50	5.10	5.16
	Accounts receivable turnover (times)	34	65	67	66	72	71
	Inventory turnover (times)	1.18	1.04	0.90	0.84	0.90	0.73
	Accounts payable turnover (times)	8.58	10.36	15.51	30.69	26.94	16.41
	Average days in sales	309	351	406	435	406	500
	Property, plant and equipment turnover (times)	1.42	1.31	0.88	0.75	0.74	0.64
	Total assets turnover (times)	0.46	0.47	0.36	0.32	0.31	0.26
Profitability	Return on total assets (%)	11.81	11.73	4.27	5.45	5.51	5.62
	Return on stockholders' equity (%)	13.28	13.61	5.09	6.60	6.56	6.61
	Pre-tax income to paid-in capital (%)	21.11	20.84	8.57	10.98	10.66	10.11
	Profit ratio (%)	25.61	25.03	11.81	16.05	16.34	18.50
	Earnings per share (NT\$) (Note3)	1.80	1.88	0.69	0.87	0.87	0.22

Cash flow	Cash flow ratio (%)	81.55	52.93	46.31	45.91	98.42	48.17
	Cash flow adequacy ratio (%)	129.04	99.98	75.24	60.63	68.31	83.75
	Cash reinvestment ratio (%)	2.87	1.22	0.58	6.39	9.21	5.14
Leverage	Operating leverage	1.30	1.34	1.88	1.67	1.54	1.52
	Financial leverage	1.00	1.01	1.01	1.01	1.04	1.06

Analysis of financial ratio differences for the last two years.

(Not required if the difference does not exceed 20%) :

1. Current ratio increased due to increase in 2016 Current Liabilities
2. Quick ratio increased due to decrease in 2016 Current liabilities
3. Decrease in the times for guaranteed interests due to increased interest burden in 2016.
4. Cash flow ratio increased due to 2016 Cash Provided by Operating Activities increased and Current liabilities decreased
5. Cash flow reinvestment ratio increased due to Cash Provided by Operating Activities increased caused the Cash flow reinvestment ratio increased

Note1: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note2: Calculated based on weighted average number of outstanding shares during each year.

Note3: The calculation formula of financial analysis:

1. Capital Structure Analysis
 - (1) Debt ratio = Total Liabilities / Total Assets
 - (2) Long-term fund to fixed assets ratio = (Shareholders' Equity + Long-term Liabilities) / Net Properties
2. Liquidity Analysis
 - (1) Current ratio = Current Assets / Current Liabilities
 - (2) Quick ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
 - (3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
 - (1) Average collection turnover = Net Sales / Average Trade Receivables
 - (2) Average collection days = 365 / Receivables Turnover rate
 - (3) Average inventory turnover = Cost of Sales / Average inventory
 - (4) Average inventory turnover days = 365 / Inventory Turnover rate
 - (5) Average payment turnover = Cost of Sales / Average Trade Payables
 - (6) Fixed assets turnover = Net Sales / Average Net Properties
 - (7) Total assets turnover = Net Sales / Average Total Assets
4. Profitability Analysis
 - (1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
 - (2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
 - (3) Operating income to paid-in capital = Operating Income / Capital
 - (4) Pre-tax income to paid-in capital = Income before tax / Capital
 - (5) Net income to net sales = Net Income / Net Sales
 - (6) Earnings per share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
5. Cash Flow
 - (1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.
 - (3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
 - (1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: Cash-flow analysis

1. Net cash flow for business activities refers to the amount of business activities-related cash flow in the cash-flow table
2. Capital outlay refers to the amount of cash outflow for capital investment
3. Increased amount of inventory is taken into account only when final inventory is larger than initial inventory. The entry will be zero, should inventory at the end of year decrease.
4. Cash dividend includes cash dividend for both common shares and preferred shares
5. Gross value of real estates, factory buildings, and equipment refers to their gross value before accumulated depreciation.

Parent Financial Analysis – Based on IFRS

Year Item(Note 4)		Financial Analysis for the Last Five Years (Note1)					Financial Analysis As of 3/31/2017 (Note2))
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt Ratio	8.91	9.93	6.16	5.45	6.70	N/A
	Ratio of long-term capital to property, plant and equipment	318.28	307.91	253.02	267.51	277.25	
Solvency (%)	Current ratio	654.25	539.55	795.52	1,028.87	890.79	
	Quick ratio	418.42	290.47	356.36	593.56	602.53	
	Interest earned ratio (times)	48,307.34	1,514,747.00	302,675.00	27,504.89	74,710.63	
Operating performance	Accounts receivable turnover (times)	5.41	5.61	5.48	5.60	5.31	
	Average collection period	67	65	67	65	69	
	Inventory turnover (times)	1.29	1.11	0.95	0.91	0.92	
	Accounts payable turnover (times)	11.50	13.93	18.53	55.88	32.23	
	Average days in sales	283	329	384	401	397	
	Property, plant and equipment turnover (times)	1.69	1.69	1.19	1.02	1.02	
	Total assets turnover (times)	0.47	0.49	0.40	0.37	0.35	
Profitability	Return on total assets (%)	12.08	12.33	4.68	6.22	6.16	
	Return on stockholders' equity (%)	13.28	13.61	5.09	6.60	6.56	
	Pre-tax income to paid-in capital (%)	21.55	22.41	8.61	10.53	10.81	
	Profit ratio (%)	25.61	25.05	11.83	16.29	16.94	
	Earnings per share (NT\$) (Note 3)	1.80	1.88	0.69	0.87	0.87	
Cash flow	Cash flow ratio (%)	145.21	125.32	219.64	257.31	291.35	
	Cash flow adequacy ratio (%)	159.20	105.53	87.17	77.01	89.91	
	Cash reinvestment ratio (%)	4.63	3.61	2.90	7.86	11.27	
Leverage	Operating leverage	1.24	1.25	1.49	1.46	1.36	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Analysis of financial ratio differences for the last two years.

1. Increase of debt/assets ratio, due to increased total debt in 2016
2. Increase of interest protection multiple, due to decreased interest expense in 2016
3. Decrease of turnover rate of account payable, due to increased account payable in 2016
4. Increase of cash reinvestment ratio, due to increased cash flow resulting from business activities in 2016

Note 1: Individual financial statement is only compiled at the end of year, according to the guidelines for compilation of financial statement issuers of securities.

Note 2: Calculated based on weighted average number of outstanding shares during each year.

Note 3: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to fixed assets ratio = (Shareholders' Equity + Long-term Liabilities) / Net Properties

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average collection turnover = Net Sales / Average Trade Receivables

(2) Average collection days = 365 / Receivables Turnover rate

(3) Average inventory turnover = Cost of Sales / Average inventory

(4) Average inventory turnover days = 365 / Inventory Turnover rate

(5) Average payment turnover = Cost of Sales / Average Trade Payables

(6) Fixed assets turnover = Net Sales / Average Net Properties

(7) Total assets turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets

(2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity

(3) Operating income to paid-in capital = Operating Income / Capital

(4) Pre-tax income to paid-in capital = Income before tax / Capital

(5) Net income to net sales = Net Income / Net Sales

(6) Earnings per share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Share Outstanding

5. Cash Flow

(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.

(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: Cash-flow analysis

1. Net cash flow for business activities refers to the amount of business activities-related cash flow in the cash-flow table

2. Capital outlay refers to the amount of cash outflow for capital investment

3. Increased amount of inventory is taken into account only when final inventory is larger than initial inventory. The entry will be zero, should inventory at the end of year decrease.

4. Cash dividend includes cash dividend for both common shares and preferred shares

5. Gross value of real estates, factory buildings, and equipment refers to their gross value before accumulated depreciation.

Consolidated Financial Analysis – Based on ROC GAAP

Year(Note1) Item(Note 4)		Financial Analysis for the Past Five Years(Note 1)					Financial Analysis As of 3/31/2017 (Note2)
		2012	2013(Note2)	2014 (Note2)	2015(Note2)	2016(Note2)	
Financial structure (%)	Debt Ratio	11.81	N/A	N/A	N/A	N/A	N/A
	Ratio of long-term capital to fixed assets	239.97					
Solvency (%)	Current ratio	510.26					
	Quick ratio	334.70					
	Interest earned ratio (times)	47,299.86					
Operating performance	Accounts receivable turnover (times)	5.37					
	Average collection period	68					
	Inventory turnover (times)	1.18					
	Accounts payable turnover (times)	8.63					
	Average days in sales	309					
	Fixed assets turnover (times)	1.29					
	Total assets turnover (times)	0.46					
Profitability	Return on total assets (%)	11.83					
	Return on stockholders' equity (%)	13.22					
	Ratio to issued capital (%)	21.10					
	Profit ratio (%)	25.81					
	Earnings per share (NT\$) (Note3)	1.80					
Cash flow	Cash flow ratio (%)	86.00					
	Cash flow adequacy ratio (%)	151.01					
	Cash reinvestment ratio (%)	3.25					
Leverage	Operating leverage	1.26					
	Financial leverage	1.00					

Note 1: According to “Regulations Governing Information to be published in Annual Reports of Public Company”, Company’s Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis
 - (1)Debt ratio = Total Liabilities / Total Assets
 - (2)Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties
2. Liquidity Analysis
 - (1)Current ratio = Current Assets / Current Liabilities
 - (2)Quick ratio = (Current Assets — Inventories - Prepaid Expenses) / Current Liabilities
 - (3)Times interest earned = Earnings before Interest and Taxes / Interest Expenses
- 3.Operating Performance Analysis
 - (1)Average collection turnover = Net Sales / Average Trade Receivables
 - (3) Average collection days = 365 / Receivables Turnover rate
 - (4) Average inventory turnover = Cost of Sales / Average inventory
 - (5) Average inventory turnover days = 365 / Inventory Turnover rate
 - (6) Average payment turnover = Cost of Sales / Average Trade Payables
 - (7) Fixed assets turnover = Net Sales / Average Net Properties
 - (8) Total assets turnover = Net Sales / Average Total Assets
- 4.Profitability Analysis
 - (1)Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
 - (2)Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
 - (3)Operating income to paid-in capital = Operating Income / Capital
 - (4)Pre-tax income to paid-in capital = Income before tax/ Capital
 - (5)Net income to net sales = Net Income / Net Sales
 - (6)Earnings per share = (Net Income — Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
- 5.Cash Flow
 - (1)Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2)Cash Flow Adequacy Ratio =Five-year sum of cash from operations / Five-year sum of capital expenditures , inventory additions , and cash dividends.
 - (3)Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
 - (1)Operating leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2)Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

Parent Financial Analysis –Based on ROC GAAP

Year(Note 1) Item (Note 4)		Financial Analysis for the Last Five Years (Note 1)					Financial Analysis As of 3/31/2017 (Note2)
		2012	2013 (Note 2)	2014 (Note 2)	2015(Note 2)	2016(Note 2)	
Financial structure (%)	Debt Ratio	8.42	N/A	N/A	N/A	N/A	N/A
	Ratio of long-term capital to property, plant and equipment	302.26					
Solvency (%)	Current ratio	667.63					
	Quick ratio	426.91					
	Interest earned ratio (times)	48,209.45					
Operating performance	Accounts receivable turnover (times)	5.41					
	Average collection period	67					
	Inventory turnover (times)	1.29					
	Accounts payable turnover (times)	11.57					
	Average days in sales	283					
	Property, plant and equipment turnover (times)	1.63					
	Total assets turnover (times)	0.47					
Profitability	Return on total assets (%)	12.10					
	Return on stockholders' equity (%)	13.22					
	Pre-tax income to paid-in capital (%)	21.55					
	Profit ratio (%)	25.60					
	Earnings per share (NT\$) (Note3)	1.80					
Cash flow	Cash flow ratio (%)	153.10					
	Cash flow adequacy ratio (%)	147.40					
	Cash reinvestment ratio (%)	4.99					
Leverage	Operating leverage	2.90					
	Financial leverage	1.00					

Note 1: According to “Regulations Governing Information to be published in Annual Reports of Public Company”, Company’s Financial Information following IFRS less than five years are required to prepare Financial Information following ROC GAAP. Please refer to following for required Financial Information.

Note2: Financial Information prepared as of 3/31/2016 follows IFRS and has been verified by independent auditors.

Note3: Calculated based on weighted average number of outstanding shares during each year.

Note4: The calculation formula of financial analysis:

1. Capital Structure Analysis
 - (1)Debt ratio = Total Liabilities / Total Assets
 - (2)Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties
2. Liquidity Analysis
 - (1)Current ratio = Current Assets / Current Liabilities
 - (2)Quick ratio = (Current Assets — Inventories - Prepaid Expenses) / Current Liabilities
 - (3)Times interest earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
 - (1)Average collection turnover = Net Sales / Average Trade Receivables
 - (2)Average collection days = 365 / Receivables Turnover rate
 - (3)Average inventory turnover = Cost of Sales / Average inventory
 - (4)Average inventory turnover days = 365 / Inventory Turnover rate
 - (5)Average payment turnover = Cost of Sales / Average Trade Payables
 - (6)Fixed assets turnover = Net Sales / Average Net Properties
 - (7)Total assets turnover = Net Sales / Average Total Assets
4. Profitability Analysis
 - (1)Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
 - (2)Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
 - (3)Operating income to paid-in capital = Operating Income / Capital
 - (4)Pre-tax income to paid-in capital = Income before tax/ Capital
 - (5)Net income to net sales = Net Income / Net Sales
 - (6)Earnings per share = (Net Income — Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
5. Cash Flow
 - (1)Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2)Cash Flow Adequacy Ratio =Five-year sum of cash from operations / Five-year sum of capital expenditures , inventory additions , and cash dividends.
 - (3)Cash flow reinvestment ratio = (Cash Provided by Operating Activities – Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
 - (1)Operating leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2)Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report

(Translated from Chinese)

I hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2016 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

ScinoPharm Taiwan, Ltd.

Chairman of the Audit Committee: Wei-te Ho

March 28, 2017

6.4 The Audited Consolidated Financial Report for the most Recent Fiscal Year

Please refer to appendix A

6.5 The Audited Parent Company only Financial Report for the most Recent Fiscal Year

Please refer to appendix B

6.6 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties as of the date of this Annual Report: None

VII Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Consolidated Financial statement

Unit: NT\$ thousands

Item \ Year	2016	2015	Difference	
			Amount	%
Current Assets	6,585,375	6,032,910	552,465	9.16
Property, Plant and Equipment	5,208,898	5,170,714	38,184	0.74
Intangible Assets	24,078	22,918	1,160	5.06
Other Assets	964,649	995,053	(30,404)	-3.06
Total Assets	12,783,000	12,221,595	561,405	4.59
Current Liabilities	1,691,693	2,274,983	(583,290)	-25.64
Other Liabilities	863,514	89,619	773,895	863.54
Total Liabilities	2,555,207	2,364,602	190,605	8.06
Total Stockholders' Equity	10,227,793	9,856,993	370,800	3.76

Parent Company Only Financial statement

Unit: NT\$ thousands

Item \ Year	2016	2015	Difference	
			Amount	%
Current Assets	5,718,294	4,928,490	789,804	16.03
Property, Plant and Equipment	3,722,375	3,718,257	4,118	0.11
Intangible Assets	12,633	12,656	(23)	-0.18
Other Assets	1,508,972	1,766,228	(257,256)	-14.57
Total Assets	10,962,274	10,425,631	536,643	5.15
Current Liabilities	641,933	479,019	162,914	34.01
Non-current Liabilities	92,548	89,619	2,929	3.27
Total Liabilities	734,481	568,638	165,843	29.16
Total Stockholders' Equity	10,227,793	9,856,993	370,800	3.76

7.1.1 Explanation for variance (if the variation is 20 % or more):

Consolidated Financial statement:

1. Current liabilities decreased, mainly due to the newly increased syndicated loan to repay short term debt.
2. Other liabilities increased, mainly due to the newly increased syndicated loan to repay short term debt.

Parent Company Only Financial statement:

1. Current liabilities increased, mainly due to increased material at end of the year, increased estimation of bonus and sales revenue received in advance at year end.

7.1.2 Effect of said changes on the Company: The aforementioned changes did not affect the Company significantly.

7.1.3 Future response plans: Not applicable.

7.2 Analysis of Operation Results

Consolidated Financial statement

Unit: NT\$ thousands

Item	2016	2015	Difference	(%)
Net Operating Revenue	4,030,921	3,955,207	75,714	1.91
Operating Costs	(2,224,960)	(2,278,553)	53,593	-2.35
Net Operating Margin	1,805,961	1,676,654	129,307	7.71
Operating Expenses	(937,685)	(926,951)	(10,734)	1.16
Operating Profit	868,276	749,703	118,573	15.82
Non-operating Income And Expenses	(57,676)	53,181	(110,857)	-208.45
Profit Before Income Tax	810,600	802,884	7,716	0.96
Income Tax Expense	(151,907)	(167,919)	16,012	9.54
Profit For the Year	658,693	634,965	23,728	3.74
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(78,684)	(25,918)	(52,766)	203.59
Total Comprehensive Income For The Year	580,009	609,047	(29,038)	-4.77

Parent Company Only Financial statement

Unit: NT\$ thousands

Item	2016	2015	Difference	(%)
Net Operating Revenue	3,888,611	3,897,137	(8,526)	-0.22
Operating Costs	(2,040,535)	(2,231,449)	190,914	-8.56
Net Operating Margin	1,848,076	1,665,688	182,388	10.95
Operating Expenses	(781,880)	(744,957)	(36,923)	4.96
Operating Profit	1,066,196	920,731	145,465	15.80
Non-operating Income And Expenses	(244,390)	(150,622)	(93,768)	62.25
Profit Before Income Tax	821,806	770,109	51,697	6.71
Income Tax Expense	(163,113)	(135,144)	(27,969)	20.70
Profit For the Year	658,693	634,965	23,728	3.74
Total Other Comprehensive Income (Loss) For The Year (After Tax)	(78,684)	(25,918)	(52,766)	203.59
Total Comprehensive Income For The Year	580,009	609,047	(29,038)	-4.77

7.2.1 Explanation for variance (if the variation is 20 % or more):

Consolidated financial statement

1. Loss from non-operating income/expense decreases, due mainly to absence of investment returns, unlike that from share swap with Foreseeacer in 2015.
2. Total amount of other current after-tax net profit decreases, due mainly to increased loss from exchange rates suffered by overseas business units.

Individual financial statements:

1. Loss from non-operating income/expense decreases, due to absence of investment returns, unlike that from share swap with Foreseeacer in 2015.
2. Total amount of other current after-tax net profit decreases, due mainly to increased loss from exchange rates suffered by overseas business units.

7.2.2 Sales forecast and basis

A. Forecast of sales amount

Item	Amount(kg)
Generic API	19,752
CMO API	7,519
CRO API	2,666
Total	29,937

B. Basis of sales forecast:

The forecast of sales amounts in the above table is based on the needs of customers for the company's products, the company's capacity, and status of new-product development, and the schedule for the introduction of new products.

C. Possible effect of future finance and business and contingency plan:

In view of the company's sound finance and stable business outlook, there is no major uncertainty for future finance and business.

7.2.3 Effect of said changes on the Company: The aforementioned changes did not affect the Company significantly.

7.2.4 Future response plans: Not applicable.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Parent Company Only Financial statement

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year(1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,335,697	1,665,024	(293,570)	3,707,151	-	-

- (1) Business activities: Business activities generated NT\$ 1,665,024thousands dollars net cash inflow in 2016, attesting to the company's good business status.
- (2) Investment activities: Investment activities caused NT\$ 202,318 thousands dollars of net cash outflow in 2016, mainly for the construction of new injection-drug plant and substitution of new equipment for old one.
- (3) Funding activities: Funding activities caused NT\$137,619 thousands dollars of net cash outflow, mainly due to cash-dividend payout and increased deposits.
- (4)Effect of change in exchange rate to cash and cash equivalent

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Countermeasure for insufficient cash: There was no shortage of cash in the year.

7.3.3 Cash Flow Analysis for the Coming Year

Parent Company Only Financial statement

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
3,707,151	334,249	(324,497)	3,716,903	-	-

7.3.3.1 Analysis of change in cash flow in the coming one year:

- (a) Business activities: The main source is net profit from the company's business.
However, it is predicted that business-related net cash inflow will top NT\$334,249 thousands dollars in order to meet the need for development of products for the injection-medicine plant and other business needs, as well as stockpile of materials, in accordance with the company's policy.
- (b) Investment activities: Investment activities are expected to cause NT\$ 292,200 thousands dollars of net cash outflow, mainly due to, on top of capital outlays for equipment updating and maintenance, continuing outlay for the last phase of construction of new injection-drug plant.
- (c) Funding activities: Funding activities are expected to cause NT\$32,297 thousands dollars, due mainly to the increased medium- and long-term loans for the operation of ScinoPharm (Changshu) and the payout of cash dividend.

7.3.3.2 Countermeasures for insufficient cash and liquidity analysis: Not applicable, since the situation is nonexistent.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Parent Company Only Financial statement

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Expected Capital Expenditure	Actual Capital Expenditure
Plant construction	Own fund	2017/12	2012/07/01~ 2017/04/30	1,502,910	Had invested NT\$1,415,283 as of April 30, 2017

Note: The aforementioned major capital expenditure have no effect on the company's finance and business, thanks to stable profit, sufficient liquidity, and good relations with financial institutions.

7.4.2 Expected benefits

ScinoPharm is the leading supplier, in terms of the variety of products and number of major customers, of active pharmaceutical ingredients for anti-cancer drugs in the global regulated market. Majority of customers outsourced preparations to CMOs (contract manufacturing organizations), due to inability to produce anti-cancer injection drugs. Many existing injection-drug plants have been forced to close down, due to failure to pass the increasingly rigorous legal requirements, resulting in huge demand which overstrains the capacity of CMOs, especially that for anti-cancer injection drugs. In order to meet customers' need for one-stop shopping service and boost their adherence, the company has invested in the construction of anti-cancer injection drug plant, which will raise the added value of supply chain for active pharmaceutical ingredients of anti-cancer drugs, while augmenting the long-term competitiveness and expanding the growth potential and business scale of ScinoPharm.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1. Equity investment policy

- (1) ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.: ScinoPharm's Kunshan plant stopped operation in 2013 and transferred its operation to the company's Changshu plant, while continuing to make shipment from its inventories.
- (2) ScinoPharm (Changshu) Pharmaceuticals Co., Ltd.: ScinoPharm's Changshu plant obtained production license for 14 active pharmaceutical ingredients from China's State Food and Drug Administration and passed inspection by several major customers in 2016, as well as inspection by the U.S. FDA at the end of the year. The plant is now dedicated to the development and production of new active pharmaceutical ingredients. In addition, equipment for second-stage production line had completed adjustment in mid-2017 and is ready for mass production.
- (3) ScinoPharm Shanghai Biochemical Technology Ltd.: The subsidiary is mainly meant for tapping China's domestic market and service U.S. and European customers in Shanghai,

on top of agency, sales, and import/export of active pharmaceutical ingredients and intermediates in China, as well as biotech R&D consulting service.

7.5.2 Reasons for profit or loss

- (1) ScinoPharm (Kunshan) Biochemical Technology: With termination of production, the subsidiary is only selling intermediates from inventory now. Since the sales orders decreased this period, the Operating Loss increased compared with last period.
- (2) ScinoPharm (Changshu) Pharmaceuticals: The subsidiary was in the red in 2016, due to inadequate production efficiency, as the companies engaged mainly in the development and registration of active pharmaceutical ingredients in the year, resulting in much idled capacity.
- (3) ScinoPharm Shanghai Biochemical Technology Ltd.: The subsidiary as its business was still confined to assistance for the parent firm and ScinoPharm (Changshu) in applying for registration of pharmaceuticals in China and development of potential customers. The profit increased, though, thanks to increased income from management service.

7.5.3. Improvement plan

Having passed plant inspection by the U.S. FDA, ScinoPharm (Changshu) is striving to have China's State and Drug Administration inspect its plant and is stepping up tapping CRO(contract research organization) and CMO(contract manufacturing organization) businesses with promising potential, in order to enhance its capacity utilization rate and attain economy of scale.

7.5.4. Future investment plans

ScinoPharm (Changshu) Pharmaceuticals: The company's board of directors has resolved to increase the capital of 100%-owned offshore subsidiary SPT International Ltd. for investing US\$54.5 million in ScinoPharm (Changshu) Pharmaceuticals in stages. The investment had been completed at the end of 2016.

7.6 Analysis of Risk Management

7.6.1. Risk-management policy and organizational structure

7.6.1.1. Organizational structure for risk management

The company carries out risk management via acknowledgement, identification, analysis, and evaluation of potential risks before controlling, handling, and monitoring them via proper methods and then formulating improvement plan for centralized management and tiered executions according to the features and range of effect of risks, so as to have a firm grip of all risks.

(1) Organizational structure for risk management and responsibilities

Names of organization	Responsibilities
Board of Directors and the Auditing Committee	Formulate risk-management culture and policy, in addition to overseeing the responses to and handling of major risks and assuring the effectiveness of risk-management mechanism.
Ranking managers (president, vice presidents)	Execute risk-management policies of the board of directors, conduct resources allocation, evaluation and notify existing and future risks in response to changes in environment, assess possible loss, propose countermeasures, make adjustments, and track effect.
Various centers and units	Abide by company policy and implement daily risk management-related operations, set up cross-section risk-management communications mechanism, and conduct own assessment of risk-management operation.
Auditing office	Assist management in conducting risk assessment and offer internal-control suggestion, formulate annual auditing plan according to the outcome of risk management, and carry out objective and independent auditing of key spots, so as to assure propriety in the design and execution of risk management and internal control.
Legal affairs Division	Take charge of legal affairs, patents, and intellectual properties, handle litigations and contracts, and assure abidance of government policy, so as minimize legal risk.

(2) Coverage of major risk-management units

Items	Major risks	Direct risk management unit	Risk review mechanism	Policy making and supervision
1.	Change in interest rate and exchange rate	Financial center	Management decision making meeting	The Board of Directors: The ultimate decision-making body for various risk countermeasures Auditing Office: Risk monitoring and tracking
2.	Risks associated with high-risk, high-leveraged investments, lending, endorsement/guarantee, and trading in derivatives	Financial center	Management decision making meeting	
3.	R&D investment risk	R&D center	Management decision making meeting	

4.	Risk associated with changes in domestic and foreign policies and laws	Legal Affairs Division	Management decision making meeting	
5.	Risk associated with change in technologies and industry	R&D center	Management decision making meeting	
6	Risk associated with change in corporate image	Financial center	Management decision making meeting	
7	M&A risk	Financial center	Investment Committee	
8	Risk of worse-than-expectation benefit for capacity expansion	Production Center	Management decision making meeting Investment Committee	
9.	Risk arising from concentration of supply and sale	Business Development	Management decision making meeting	
10	Risk of litigations and non-contentious cases	Legal Affairs Division	Management decision making meeting	
11	Risk associated with industrial safety, hygiene, and environmental protection	Production Center	Security Committee	
12	Product quality risk	Quality Control Center	Management decision making meeting	

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Effect of change in interest rate

Presently, the company doesn't face risk deriving from change in interest rates. As shown in the financial statement, the Taiwanese parent company raked in NT\$13,360 thousands dollars of net interest income in 2016, higher than NT\$11,039 thousands dollars in 2015, accounting for 0.34% of operating revenue and 1.25% of operating profit, higher than corresponding rates of 0.28% and 1.20% in 2015. The main reason is the completion of the construction of the injection-medicine plant, which has entered the stage of equipment installation and testing, leading to decreased outlay for fixed assets and equipment, in contrast with business income remaining at the level of the previous year. As a result, operating fund remains high. In addition, following advance repayment of entire syndicated loans in April 2010, the company has not incurred new debt up to now. As for allocation of assets, the company invests mainly in banking deposits and short-term fixed-yield financial products, such as commercial papers or bonds with repurchase agreement, for the sake of security and liquidity.

As shown in the consolidated financial statement, net interest outlays amounted to NT\$31,119 thousands dollars in 2016, higher than NT\$6,682 thousands dollars in 2015,

accounting for 0.77% of operating revenue and 3.58% of operating profit, compared with corresponding rates of 0.17% and 0.89% in 2015. Interest outlay increased, due mainly to the need of operating fund by the Chinese subsidiary in Changshu and the borrowing of medium-term syndicated terms, for use in stages, of 300 million renminbi yuan in May 2016, to offset the risks resulting from changes in exchange and interest rates. Although change in renminbi interest rate will inevitably affect at certain extent the operation of the Chinese subsidiary, chance for interest hike in China in short term is low, as the Chinese economy is still undergoing structural adjustment. As for allocation of assets, subsidiaries focus on short-term principal-protection fixed-yield products, to safeguard principal and retain good liquidity.

Unit: NT\$ thousands

Item	2016 Parent Company Only Financial statement	2016 consolidated financial statement
Net interest income (expense) –(1)	13,360	(31,119)
Operating revenue-(2)	3,888,611	4,030,921
Operating profit -(3)	1,066,196	868,276
Share of interest income (expense) in operating revenue-(1)/(2)	0.34%	(0.77%)
Share of interest income (expense) in operating profit-(1)/(3)	1.25%	(3.58%)

In line with the plan for future capital expenditures, the company and its affiliates will be monitoring closely change in interest rate, to ward off adverse effect of change in interest rates on the company's business development. In view of possible funding need in the future, the company will adopt the following countermeasures according to actual need, to sidestep the effect of change in interest rate:

- A. Funding from financial institutions: The company has maintained a good relationship in dealing with financial institutions, such as banks and bills finance companies, retained proper loan quota, and periodically evaluate the discrepancy between loan rate and average market rate, ready to secure most preferential interest rates when it needs to borrow from financial institutions.
- B. Taking advantage of the capital market: The company is ready, whenever necessary for business development, to float corporate bonds or convertible bonds for direct finance or carry out cash capital increment, to lower funding cost.
- C. Plural fund-raising channels: In line with the scale of capital expenditures, the company can also secure syndicated banking loan. It can also borrow foreign currency-denominated loans or float overseas convertible bonds, to meet the need of foreign currency-denominated funds, maintaining a flexible fund-funding method.
- D. Effect of change in laws/regulations: As for the Chinese subsidiary, it is necessary to notice the effect of change in laws/regulations on funding method, as well as possible overall effect resulting from change in interest and exchange rates, in order to seek optimal funding channel.

(2). Effect of change in foreign exchange rate

The financial statement of the Taiwanese parent company shows that net loss from change in exchange rate amounted to NT\$9,574 thousands dollars in 2016, equivalent to 0.25% of operating income and 0.9% of operating profit, a far cry from net exchange-rate gains of NT\$17,220 thousands dollars, or 0.44% of operating income and 1.87% of operating profit. The 2016 loss is attributed mainly to fluctuation and rebound of New Taiwan dollar's exchange rate against the U.S. dollar, compared with that in the previous year, which greatly complicates risk-hedging operation. The consolidated financial statement shows that net loss from change in exchange rate amounted to NT\$39,001 thousands dollars in 2016, equivalent to 0.97% of operating income and 4.49% of operating profit, compared with net exchange-rate loss of NT\$65,734 thousands dollars in 2015, or 1.66% of operating income and 8.77% of operating profit. This shows that despite exchange-rate loss suffered by the parent company in 2016, due to large-scale revaluation of the NT dollar, the Chinese subsidiary managed to lower the adverse effect from change in exchange rate, thanks to adjustment of the currency denomination for its debt position, in response to the continuing depreciation of renminbi recently.

Unit: NT\$ thousands

Item	2016 Parent Company Only Financial statement	2016 consolidated financial statement
Net currency exchange gain (loss)-(1)	(9,574)	(39,001)
Operating revenue-(2)	3,888,611	4,030,921
Operating profit-(3)	1,066,196	868,276
Share of net currency exchange gain (loss) in operating revenue-(1)/(2)	(0.25%)	(0.97%)
Share of net currency exchange gain (loss) in operating profit- (1)/(3)	(0.90%)	(4.49%)

For the Taiwanese parent company, due to its focus on export, thanks to trust of major U.S. and European pharmaceutical firms in the quality of its products, proceeds from its sales are mainly denominated in U.S. dollar, with a small part in Euro. On the other hand, its payment is mainly denominated in NT dollar, with U.S. dollar and Euro accounting for a small part. Therefore, depreciation of the NT dollar against U.S. dollar and Euro would benefit the company financially, and vice versa, with the extent of influence hinging on the scale in the fluctuation of the exchange rates. To meet the need of working capital by the Changshu plant after its formal operation, in addition to loans from affiliates, the company resorts mainly to banking loans. The sharp depreciation of renminbi against the U.S. dollar since August 2015, however, has caused adverse effect on the U.S.dollar debt position. Although the adverse effect can be offset by U.S.dollar accounts receivable in the long run, thanks to the export-oriented business, the company still gradually converted its debt position to renminbi denomination in 2016, in order to avoid exchange rate- and interest-rate risks expected from a strong U.S. dollar and U.S.dollar interest hike.

The company has adopted the following countermeasures for the possible effect of change in exchange rate:

- A. The financial unit keeps close contact with the foreign exchange departments of financial institutions, constantly collects information on change in exchange rate, and have firm grip on the international trend of exchange rates and political and economic development, as reference for engagement in foreign-exchange trading and counter the adverse effect of exchange-rate fluctuation.
- B. The financial unit engages in certain extent of forward forex trading for risk hedging and proposes evaluation report periodically, as reference for the management to make judgment.
- C. Make general evaluation of the effect of exchange/interest rates and adjust currency denominations for debt position properly, so as to ward off the adverse effect of exchange-rate fluctuation.
- D. Open foreign-currency deposit accounts and adjust the position of foreign-currency assets properly, according to actual funding need and trend of exchange rates.
- E. Make payment for procurements in currencies similar to the denominated currencies for proceeds from sales, so as to achieve a risk-hedging effect automatically.
- F. Business or procurement units should consult financial unit on trend of exchange rates and other factors of influence before offering quotes, to facilitate overall consideration and evaluation.

(3) The effect of inflation

According to statistics of the Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS), consumer price index (CPI) and wholesale price index (WPI) in Taiwan rose 1.40% and dropped 3.01%, respectively, in 2016 from 2015. Meanwhile, according to the statistics of China's National Bureau of Statistics, China's CPI and producer price index (PPI) rose 2.0% and dropped 1.4%, respectively, in 2016 from 2015. In 2016, price level registered minor increase or only slight drop, as global prices of crude oil and many other raw materials bottomed out and the global economy, bolstered by the growth of the U.S. economy, staged gradual recovery. Despite higher price hike in Taiwan, due to price increase of foods and other daily-life goods, core CPI, both in Taiwan and china, only rose moderately. Overall speaking, inflation was not obvious in 2016 and there was no sign of deflation.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

(1) High-risk and high-leveraged investment

In line with the principle of stability for business development, the company shuns high-risk and high-leveraged investments.

(2) Lending, endorsement, and guarantee

In view of the need of the group's overall operation, the Taiwanese parent company and Chinese subsidiaries have formulated "Procedural Rules for Providing Lending to Other Persons" and "Procedural Rules for Providing Endorsements and Guarantees", according to the regulation of the regulator, and have dedicated unit undertake risk evaluation and effective control, to safeguard the company's utmost benefit.

In 2016, the Board of Directors of ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. resolved to lend loans to ScinoPharm (Changshu) Pharmaceuticals, Ltd.. There was

no other case involving lending of loans or provision of endorsement or guarantee in the year. As of the end of 2016, ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. had NT\$8,5907 thousands dollars of outstanding loans provided to ScinoPharm (Changshu) Pharmaceuticals, Ltd.

As for endorsement/guarantee, the company's board of directors approved in March 2016 to offer endorsement and guarantee to subsidiary ScinoPharm (Changshu) in its application for 350,000 thousands dollars renminbi yuan of syndicated loan. Otherwise, the company and its subsidiaries didn't provide other endorsement and guarantee. As of the end of 2016, the outstanding amount of endorsement and guarantee provided by the company reached NT\$1,625,270 thousands dollars.

(3) Trading in derivatives

The Taiwanese parent company and Chinese subsidiaries have formulated respective "Rules Governing the Procedure for Handling Acquisition and Disposal of Assets" to regulate trading in derivatives, restricting such trading to the purpose of hedging the market risk associated with the effect of fluctuation of exchange rates and interests rates on the net positions of foreign currency-denominated assets (liabilities). Trading for arbitrage and speculation is forbidden.

As shown in its financial statement, in 2016 the Taiwanese parent company incurred NT\$3,981 thousands dollars of gain from the evaluation of financial products, mainly from forward trading for hedging the risk of currency exchange rate fluctuation, and the net currency exchange loss is NT\$9,574 thousands dollars. In the consolidated financial statement, there was NT\$3,981 thousands dollars of gain from the evaluation of financial products, mainly due to the aforementioned gain of the parent company from exchange-rate risk hedging investment, The company's Chinese subsidiaries didn't engage in trading in derivatives.

In the future, the company will still invest in derivatives only for hedging risks associated with swing in exchange rates and interest rates and avoid possible loss from speculative trading. In compliance with the "Rules Governing the Procedure for Handling Acquisition and Disposal of Assets", periodically evaluate investment status and report to the management as reference, in addition to adjusting risk-hedging strategy timely, in accordance with the company's business status and market trend.

7.6.4 Future Research & Development Projects and Corresponding Budget

Given protected process for pharmaceutical R&D and its uncertain outcome, ScinoPharm Taiwan, backed by its robust R&D dynamism and technological advantage, as well as high-caliber cGMP production equipment and abundant experience, has invested heavily in R&D annually. In addition to the development of products with high market potential and the establishment of new technological platform, the company has also partnered with peers in the R&D of new pharmaceuticals and new dosage forms, resulting in a synergy effect and helping ScinoPharm Taiwan step into new realm. In the next five years, on the existing base, the company will continue developing new API process for new anti-cancer and CNS (central nervous system) medicines and evaluate the development of new crystal form or new pharmaceutical compound for API for anti-toxin and chronic-disease medicines, according to market potential, difficulty of production technology, and access to technology. Thanks of years of painstaking effort, the company has gradually made major inroads, especially into the realm of the process

technology for combination pharmaceuticals. Taking advantage of the features of combination pharmaceuticals, the technology offers the transmission function for targeted medicines, thereby boosting its effect while lowering side effect. Meanwhile, along with the gradually increase of new peptide medicines, ScinoPharm Taiwan's peptide medicine technological platform will be able to demonstrate its advantage, facilitating the development of technology-intensive API for peptide medicines.

In addition to continuing focus on anti-cancer API, the company's core business, and retain leading status on the market, ScinoPharm Taiwan has also extended to the R&D for the formula and process for anti-cancer injection medicines, for which it has obtained new-medicine approval via a simplified application procedure in the U.S. and Europe. Another R&D focus is new preparation formula and medicine-administration technology, in the hope of developing niche pharmaceuticals with ScinoPharm's patented technologies.

The company has gradually stepped into the realm of new-pharmaceutical development, building up a store of intellectual properties and assets of clinical experience, in preparation for entry into the new-pharmaceutical market.

ScinoPharm previously budgeted approximately 7% of revenue for product research and development activities. With sales growth, we expect to increase our R&D budget to an estimated 800 million NTD in the next two years in order to enhance our capabilities and expand our range of product offerings.

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company's R&D team leads the counterparts of peers in product-development capability. Our R&D, marketing, and planning staffers constantly monitor the development trend of pharmaceuticals and development status of new technologies, as the basis for medium- and long-term development. Since the company develops and produces active pharmaceutical ingredients by its own, in addition to avoidance of infringing existing patents in process development, it actively carries out technological innovation and develops patented processes, to assure the competitiveness of its products. The company has developed at least five new products a year, expanding its product lineup. Rapid development of new products has given the company a strong boost in tapping the global market. Presently, the company has been extending its reach from active pharmaceutical ingredients to preparations and new drugs, transforming into an all-round pharmaceutical firm. Due to its leading technological status and firm grip of industrial trend, the company has been able to keep up with the pace of industrial and technological development on the global market. Therefore, changes in technologies and the industry have no bearing on the company's finance.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The company has been adhering to the management principle of professionalism, integrity, and stability, having high regard for corporate image and risk management, on top of the setup of corporate website, spokesman, and investor-relationship window for provision of time explanation of key messages, which constitutes a communications

channel featuring transparency, mutual trust, and rapid response, facilitating the upholding of a good corporate image. Therefore, there has yet to have cases in which major change in corporate image causes corporate crisis management.

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

As of the date for the publication of the yearbook, the company had no other M&A plan. Should there be any such plan in the future, the company will cautiously evaluate, according to the company's "measures for acquisition and disposal of assets," whether it can bring concrete synergy to the company, so as to uphold the interest of the company and shareholders.

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Due to progress in uperization equipment and technology, requirements of international laws/regulations on the production and quality of injection medicines have become increasingly stringent. As a result, many renowned injection-medicine plants have been forced to suspend their operations, due to inability to meet cGMP requirements on factory design or product quality, leading to short supply for many injection medicines.

In line with the trend and for the purpose of boosting the company's competitiveness in the overall supply chain, the company has built a new injection-medicine plant in Tainan, Taiwan, which will witness the establishment of two production lines in 2017, following obtaining of utilization license at the end of 2015. As a result, in addition to the provision of generic drugs and API for new medicines, the company will extend its service to the provision of injection medicines, removing the headache of customers in finding a reliable contract manufacturer for such drugs. Anticipated benefits, possible risks, and countermeasures of the injection-medicine plant are listed as follows:

(1) Benefits

With evolving global regulations on the manufacturing and quality for injectables, ScinoPharm's injection-medicine plant will embrace the glove-box production method, minimizing aseptic-operation space, as well as possible human interference of the aseptic environment, on top of the adoption of disposable materials, to eliminate possible cross contamination from cleansing and repeated usage.

In addition to the two production lines now under construction, another production line has also been planned, which will produce cellular-toxin liquid or frozen dry anti-cancer bottle dosage, taking advantage of the company's advantage in ant-cancer API. It is expected that in addition to self-developed injection dosages of generic drugs, the injection-medicine plant will compete with peers for contract production business. Moreover, combination of API and injection medicine services will give rise to opportunities for various business cooperation models.

(2) Risks/Adaptive measures

While expansion to injection-medicine production in the manner of vertical integration will boost the company's competitiveness, thanks to the effect of market segmentation, the new injection-medicine plant faces the risk of low capacity utilization rate and idled equipment, should orders fail to meet expectation. As countermeasures, the company will strive to solicit one-stop shopping business, covering API and injection medicines, from customers and offer custom process service, according the features of customers' products, on top of continuing cooperation with generic-drug customers in the U.S. and Europe in tapping the market of self-developed generic drugs to reduce the risk.

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The company generated NT\$1,447,914 thousands dollars and NT\$1,716,484 thousands dollars of revenue, respectively, from Biddle Sawyer Pharma LLC in 2015 and 2016, for shares of 36.61%. and 42.58%. Biddle Sawyer Pharma LLC is the company's sole agent for the North American market, the world's largest generic-drug market, having helped the company sell its active pharmaceutical ingredients of anti-cancer drugs to 60 generic-drug companies in the region. The heavy reliance on Biddle Sawyer Pharma LLD brings a concentration risk, which will impact the company's operation, should the former stop placing orders with the company.

Countermeasures:

(1) Maintain long-term strategic alliance with Biddle Sawyer Pharma LLC

Based on long-term dealings, the company has formed a strategic alliance with Biddle Sawyer Pharma LLC, which is also one of the company's founding shareholders.

(2) Keep close relationship with end customers

For a long while, the company has been keeping close contact with end customer generic-drug companies, ruling out the concern of information monopoly by agent or dealers and enabling the company to have a firm grip of status of market demand. Moreover, likelihood for generic-drug companies to substitute other suppliers for the company, in view of the protracted certification process for active pharmaceutical ingredients.

(3) Actively developing customers in other regions

Following consolidation of the North American market, the company is extending its business reach to other regions, such as Europe, Asia, and Japan and lowering the share of the North American market.

Consequently, the risk of adverse effect associated with business concentration on Biddle Sawyer Pharma LLC has been alleviated.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights **There is no change in operating right in the most recent years.**

7.6.13 Litigation or Non-litigation Matters:

- (1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.14 Other Major Risks: None

7.7 Other Important Matters: None

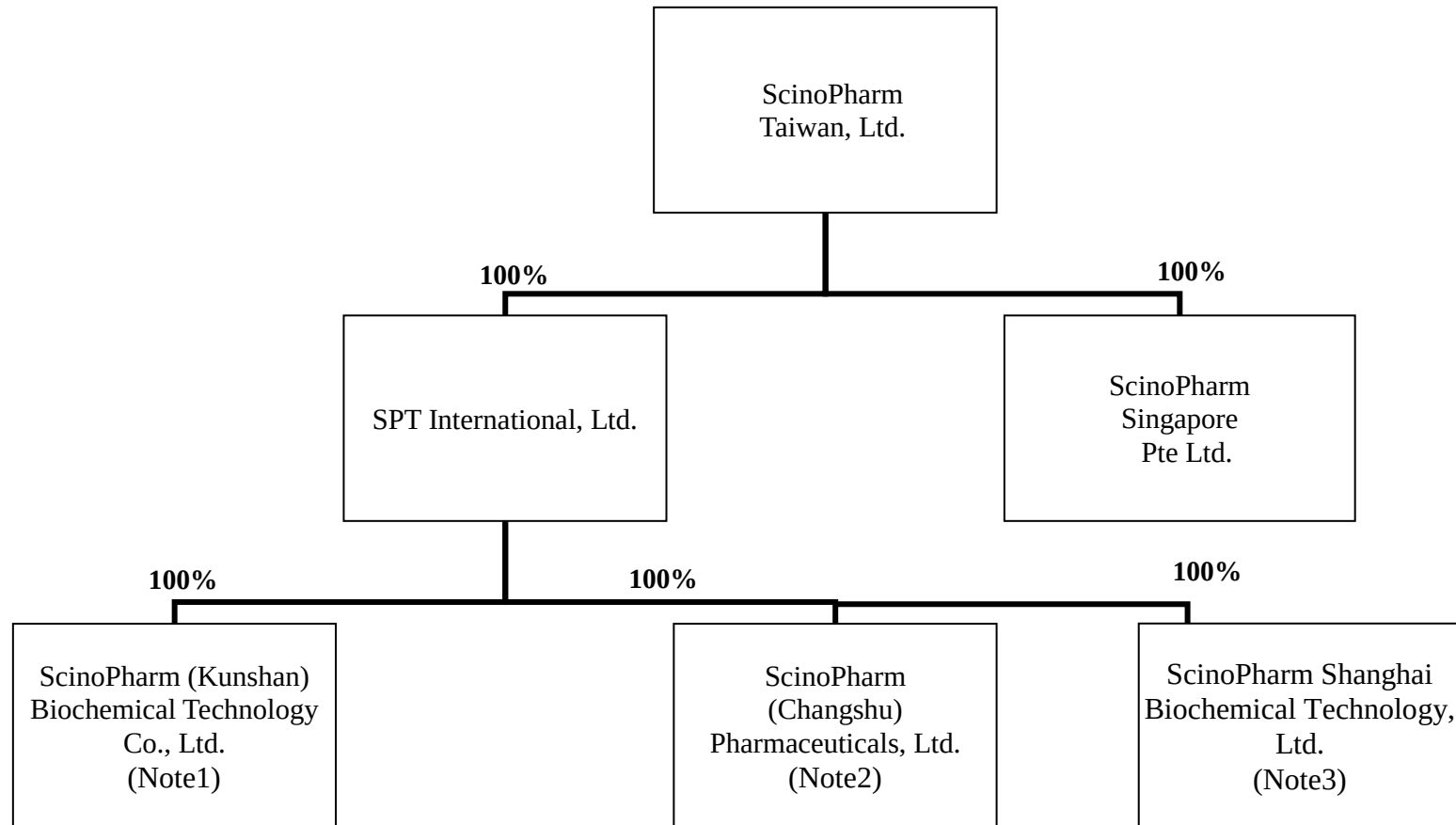
VIII.Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Business Report of Affiliated Companies

8.1.1.1Affiliated Companies Chart

Dec 31, 2016



Note1: ScinoPharm (Kunshan) Biochemical Technology Co., Ltd. was renamed as SciAnda (Kunshan) Biochemical Technology, Ltd.

Note2: ScinoPharm (Changshu) Pharmaceuticals, Ltd. was renamed as SciAnda (Changshu) Pharmaceuticals, Ltd.

Note3: ScinoPharm Shanghai Biochemical Technology, Ltd. was renamed as SciAnda Shanghai Biochemical Technology, Ltd.

8.1.1.2 of Affiliated Companies Information

Dec 31, 2016

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business Production Items
ScinoPharm Taiwan, Ltd.	1997.11.11	No.1, Nan-Ke 8th Road, Southern Taiwan Science Park, Shan-Hua, Tainan, 74144, Taiwan	NT\$7,310,828,600	Counseling, consulting, and technological services for active pharmaceutical ingredients, injection drugs, preparations, and other related products
SPT International, Ltd.	1998.10.22	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US\$60,524,644	Common investment business
ScinoPharm Singapore Pte Ltd.	1999.11.13	50 Raffles Place #06- 00 Singapore Land Tower, Singapore 068808	SG\$2	Common investment business
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	2001.02.13	No.88 Weiye Road, Business Incubator For Overseas Chinese Scholars, Kungshan, Jiangsu, China.	US\$4,000,000	Establish R&D center, develop new drugs, new process for active pharmaceutical ingredients, medical pharmaceutical technology, and provide consulting service for biotechnical R&D and others; produce and sell active pharmaceutical ingredients and intermediates
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	2009.08.18	No. 16, Dong Zhou Rd., Economic Development Zone, Changshu, Jiangsu, China	US\$54,500,000	Production of heterocyclic fluoride and other fluorine-containing highly active intermediates and preparations; R&D on recipe of active pharmaceutical and crafting, recipe of preparations, and consulting for on biotech R&D; sale of own products Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D
ScinoPharm Shanghai Biochemical Technology, Ltd.	2011.11.15	Room 209, Block B, Uni-President Building, NO.568 Tianshan west Road, Changning District, Shanghai, 200335, China	US\$1,200,000	Agency, sale, and export of active pharmaceutical ingredients and intermediates and consulting for biotech R&D

8.1.1.3 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

8.1.1.4 Business covered by ScinoPharm and its Affiliated Enterprises: Pharmaceutical, biotech service, and equity investment

8.1.1.5 Directors, Supervisors and Presidents of Affiliated Companies

Dec 31, 2016

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
ScinoPharm Taiwan, Ltd.	Chairman	Kao-Huei Cheng (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Chih-Hsien Lo (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Tsung-Ming Su (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Kun-Shun Tsai (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Tsung-Pin Wu (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Yung-Fa Chen (Representative of Uni-President Enterprises Corp.)	288,431,384	37.94%
	Director	Po-Ming Hou (Representative of Tainan Spinning Co., Ltd.)	22,698,001	2.99%
	Director	Po-Wu Gean (Representative of National Development Fund, Executive Yuan)	105,325,975	13.85%
	Director	Ming-Shi Chang (Representative of National Development Fund, Executive Yuan)	105,325,975	13.85%
	Director	Chiou-Ru Shih (Representative of President International Development Corp.)	27,570,598	3.63%
	Director	Shiow-Ling Kao (Representative of Kao Chyuan Investment Co., Ltd.)	14,262,244	1.88%
	Director	Kuo-His Wang (Representative of Taiwan Sugar Corporation)	31,328,811	4.12%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
	Independent Director	Ih-Jen Su	0	0%
	Independent Director	Wei-Cheng Tian	98,213	0.013%
	Independent Director	Wei-Te Ho	0	0%
	CEO	Yung-Fa Chen	6,895	0.001%
SPT International, Ltd.	Director	Yung-Fa Chen (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
	Director	Kuo-Hsi Cheng (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
	Director	Chih-Hui Lin (Representative of ScinoPharm Taiwan, Ltd.)	60,524,644	100%
ScinoPharm Singapore Pte Ltd	Director	Yung-Fa Chen (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Director	Chih-Hui Lin (Representative of ScinoPharm Taiwan, Ltd.)	2	100%
	Independent Director	Krishnaveni D/O Sandanam	0	0%
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Director	Kuo-Hsi Cheng (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$4,000,000	100%
	General Manager	Yung-Fa Chen	0	0%
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$54,500,000	100%

Company	Title	Name or Representative	Shareholding (Note)	
			Shares (Amount)	%
	Director	Kuo-Hsi Cheng (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	Supervisor	Chin-Lin Liu (Representative of SPT International, Ltd.)	US\$54,500,000	100%
	General Manager	Kuo-Hsi Cheng	0	0%
ScinoPharm Shanghai Biochemical Technology, Ltd.	Chairman	Shou-Cheng Yang (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Yung-Fa Chen (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Kuo-Hsi Cheng (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Director	Ching-Wen Lin (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	Supervisor	Chih-Hui Lin (Representative of SPT International, Ltd.)	US\$1,200,000	100%
	General Manager	Ching-Wen Lin	0	0%

Note: Shareholding column lists either shares or amounts.

8.1.1.6 Summarized Operation Results of Affiliated Enterprises

Dec.31, 2016; Unit: NT\$ thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income (After Tax)	Earnings Per Share (NT\$) (After Tax)
ScinoPharm Taiwan, Ltd.	7,603,262	10,962,274	734,481	10,227,793	3,888,611	1,066,196	658,693	0.87
SPT International, Ltd.	1,833,304	864,231	0	864,231	0	-78	-264,129	-1.44
ScinoPharm Singapore Pte Ltd	0	120	54	66	393	18	16	7,702
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	129,000	431,462	1	431,461	9,999	-22,908	-10,227	N/A
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1,757,625	2,358,119	1,949,789	408,330	324,111	-197,396	-253,827	N/A
ScinoPharm Shanghai Biochemical Technology, Ltd.	38,700	20,806	795	20,011	13,490	65	84	N/A

Note: Affiliates for foreign companies, information comes from reports and statements compiled by affiliates themselves, related figures are based on the following conversion rates:

(1) Figures in balance sheet are based on the spot exchange rates on Dec. 31, 2016:

RMB:NTD = 1 : 4.643629 USD:NTD = 1: 32.25

(2) Figures in income statement are based on average exchange rates in 2016

RMB:NTD = 1: 4.850003 USD:NTD = 1: 32.238543

ScinoPharm Taiwan, Ltd.
Statement on Affiliates Report

March 28, 2017

The company's 2016 affiliates report (Jan. 1 through Dec. 31, 2016) was compiled according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

Company name: ScinoPharm Taiwan, Ltd.

Chairman: Cheng Kao-huei

March 28, 2017



ScinoPharm Taiwan, Ltd.

Re-auditing report by Certified Public Accountant on Affiliates Report

No. 16006503

To ScinoPharm Taiwan, Ltd. :

ScinoPharm's 2016 affiliates report was compiled on March 28, 2017 according to "guidelines for compilation of consolidated business report, consolidated financial report, and affiliates report," and its disclosed information has no discrepancy with information contained in the notes of financial statements for the same period.

The certified public account didn't find any major deviation from the aforementioned statement after comparing the affiliates report and notes in ScinoPharm Taiwan's 2016 financial statement.

PricewaterhouseCoopers, Taiwan

Yung-Chih Lin

Independent Accountants

Ming-Hsien Lee

Financial Supervisory Commission R.O.C.(Taiwan)

Approval of certifications:

Financial –Supervisory –Securities#1050029592

Former Securities Management Committee, the Ministry of Finance

Approval of certifications:

No. (78) Taiwan-Finance-Securities-(I)-30934

March 28, 2017

ScinoPharm Taiwan, Ltd.

1. Status of relationship between affiliated companies and controlling company

The company is subordinated to Uni-President Enterprises Corp., with information on the relationship listed below:

Unit: Share ; %

Controlling company	Controlling reason	Shareholding of controlling company and status of mortgage			Directors, Supervisors, or Managers representing the controlling company	
		Number of shares owned	Share of stake	Amount of mortgaged shares	Title	Name
Uni-President Enterprises Corp.	That company owns, directly and indirectly, seven seats on the board of directors of the company, directly controlling the company's personnel, finance, and business management.	Uni-President Enterprises Corp. 288,431,384 shares	37.94%	—	Director Director Director Director Director	Kao-Huei Cheng Chih-Hsien Lo Tsung-Ming Su Kun-Shun Tsai Tsung-Pin Wu Yung-Fa Chen
		President International Development Corp. (Note 1) 27,570,598 shares	3.63%	9,000,000 shares	Director	Chiou-Ru Shih
		Tong Yu Investment Corp. (Note 2) 16,279,968 shares	2.14%	—	—	—
		Kai Yu Investment Co. , Ltd.(Note 3) 14,195,351 shares	1.87%	—	—	—
		Kai Nan Investment Co. , Ltd.(Note 3) 13,413,521 shares	1.76%	—	—	—

(Note 1) Uni-President Enterprises Corp. owns 76.70% stake. °

(Note 2) President International Development Corp. owns 100% stake °

(Note 3) Uni-President Enterprises Corp. owns 100% stake.

Chairman : Kao-Huei Cheng

CEO : Yung-Fa Chen

Director of Accounting : Chih-Hui Lin

ScinoPharm Taiwan, Ltd.

2. Dealings between subordinated companies and controlling company:

(1) Procurement and sale: None

(2) Property transaction: None

(3) Financing: None

(4) Lease of assets: None

(5) Other major dealings: None

3. Provision of endorsement and guarantee between subordinated companies and controlling company: None

Chairman : Kao-Huei Cheng CEO : Yung-Fa Chen Director of Accounting : Chih-Hui Lin

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Other Necessary Supplement

8.4.1 Obtaining of related licenses by staffers associated with financial transparency

Dec 31, 2016

Name of licenses	Number of staffers		Total
	Financial and accounting staffers	Other	
ROC certified public accountant	1		1
staffer of trust business	2		2
wealth management planning staffer	1		1
banking internal-control staffer	2		2
securities business staffer	2		2
senior securities salesperson	2	1	3
Investment trust and consulting salesperson	2		2
life insurance salesperson	2		2
non-life insurance salesperson	1		1
investment-type insurance products salesperson	1		1
bond staffer	1		1
stock affairs staffer	3		3
futures business salesperson	1		1
primary credit-extension staffer	1		1
primary forex trader	1		1

8.4.2 The company's key performance index (KPI)

In line with features of the pharmaceutical industry, the company uses the number of registration for DMF (drug master file) as the KPI.

As the number of product registration parallels the number of products developed by a pharmaceutical company, the number of DMF has been used to embody a company's R&D strength. The company aims to apply for four to five DMF registrations in major countries each a year. In 2016, the company applied for 31 DMF registrations worldwide, including five in the U.S. As of April 2017, the company had 759 DMF registrations worldwide.

8.4.3 Criteria and basis for the evaluation of provisions for assets/liabilities evaluation items

(1) Policy for provisions for bad debts of accounts receivable

Evaluation criteria: Measures for analyzing debt amount and debt length

Evaluation basis: Percentages of provisions according to debt length

Customer debts are classified into two kinds:

- For customers which are leading enterprises of a specific industry with good record of dealings with the company over the past three years and over 5% share in the company's sales, there are no provisions for bad debts.
- For other customers, bad-debt provisions are appropriated according to the length of overdue debt, as shown in the following:

Overdue length of debts	Percentage of provisions
1~30 days	0.1%
31~60 days	0.2%
61~90 days	0.5%
91~180 days	10%
over 180 days	100%

The accounting unit calculates the amount of bad-debt provisions according to the aforementioned basis and adjusts the value under the item "bad-debt provisions" accordingly.

(2) Provisions for loss in inventories from price drop

The company embraces a perpetual inventory system, whose cost is calculated with a weighted average method. The value of inventory at the end of the current term is set according to cost or net realizable value, whichever is lower. The comparison between cost and net realizable value is made item by item. Net realizable value refers to the balance of estimated sales value deducting the cost of input needed for completion of work and marketing expense. Provisions for price drop must be made and listed as current business cost, should cost exceed net realizable value. Should net realizable value rise again, the increase can be used for offsetting the loss, within the scope of evaluated balance of loans and listed as a reduction item for current business cost.

In evaluating the price-drop loss in inventory, products in the same category are evaluated together

8.4.4. Evaluation of financial products

The company uses the following method and assumption in evaluating the fair value of financial products:

- (1) In the short term, due to little different in discounting value, paper value is used in gauging fair value. The method applies to cash, cash equivalent, accounts receivable, other accounts receivable, other financial assets-liquidity, notes payable and debt, expense payable, other expenses payable, and rentals payable-liquidity.
- (2) Other financial assets--Discounting value based on expected cash flow is used in evaluating the fair value of noncurrent and refundable deposits. The discount rate is equivalent to the fixed interest rate for one-year time deposits at the end of the current term at Chunghwa Post.
- (3) Discounting value based on expected cash flow is used in gauging the fair value of refundable deposits. The discount rate is based on the interest rates available for the company for securing loans with similar conditions.
- (4) The evaluation of the fair value of derivatives is based on expected amount which the company can obtain or must pay, should it terminate the contract on the date of the financial statement, ahead of due date. It generally contains unrealized benefit for the settlement of contract at the end of the current term.
- (5) The company's forward-forex contracts are based on quotes for spot or forward-forex rates shown on the webpage of Bank of Taiwan. Therefore, the unrealized benefit/loss of a specific forward-forex contract is calculated according to forward-forex rate on the due date of the contract.

8.5 Other Supplementary Disclosure

If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, such situations shall be listed : None.

Appendix A

SCINOPHARM TAIWAN, LTD.

Declaration of Consolidated Financial Statement of Affiliated Enterprises

For the year ended December 31, 2016, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

SCINOPHARM TAIWAN, LTD.

March 28, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of ScinoPharm Taiwan, Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the “Group”) as at 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 Standard, 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 Group’s consolidated financial statements of 2016. 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.

Cutoff of export revenue

Description

Please refer to Note 4(28) to the consolidated financial statements for accounting policy on revenue recognition.

The Group's sales revenue mainly arose from manufacture and sale of generic drugs and primarily are export sales. The Group recognizes export sales revenue based on the terms and conditions of transactions which vary with different customers. For sales transactions in a certain period around balance sheet date, it is essential to ensure whether the significant risks and rewards of ownership have been transferred to the customers. As revenue recognition of export sales is subject to management's judgement on whether risks and rewards has been properly transferred, and contains the risk of inappropriate recognition timing, we consider the cutoff of export revenue a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. We obtained understanding and assessed the effectiveness of internal controls over cutoff of sales revenue, and tested the effectiveness of internal controls on shipment and billing.
2. We checked the completeness and performed cutoff tests on a random basis on the export sales details in a certain period around balance sheet date, which includes checking the terms and conditions of transaction, verifying against supporting documents, and checking whether inventory changes records and sales cost had been recognized in the proper period.

Inventory valuation

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(3) for detailed items of inventories. As of December 31, 2016, the balances of inventory and allowance for inventory valuation losses were \$ 2,330,847 thousand and \$ 501,137 thousand, respectively.

The Group is primarily engaged in antineoplastic drug and advanced generic drugs. As the manufacturing process is long and complex, causing longer materials lead time, in addition, the waiting period for product registration is long, and customers' product launch time might be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold in regular way, the Group measures inventories at the lower of cost and net realisable value. For inventories age over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turn-over. Since the calculation of net realisable value involves subjective judgement and uncertainty and the ending balance of inventory was material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the historical data of inventory turn-over and judgement of obsolete inventory.
2. We checked the accuracy of inventory aging report, and recalculated the reasonableness of allowance for inventory valuation losses to ensure the report is consistent with the Group's policies.
3. We selected inventory part numbers on a random basis and verified its net realizable value to evaluate the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ScinoPharm Taiwan, Ltd. as at 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 Standard, 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 audit committee, 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, Yung-Chih

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 28, 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.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,707,151	29	\$ 2,335,697	19
1170	Accounts receivable, net	6(2)	638,405	5	867,231	7
1200	Other receivables		197,897	2	207,955	2
130X	Inventory	5(2) and 6(3)	1,829,710	14	2,169,208	18
1410	Prepayments		212,212	2	168,603	1
1476	Other financial assets - current		-	-	284,216	2
11XX	Total current assets		6,585,375	52	6,032,910	49
Non-current assets						
1543	Financial assets measured at cost-	6(4)(17)(26)				
	non-current		364,089	3	338,907	3
1600	Property, plant and equipment	6(5)(7)(26) and 7	5,208,898	41	5,170,714	43
1780	Intangible assets		24,078	-	22,918	-
1840	Deferred income tax assets	5(2) and 6(24)	414,414	3	372,644	3
1915	Prepayments for equipment	6(5)(26)	65,466	-	157,961	1
1920	Guarantee deposits paid		9,739	-	10,448	-
1980	Other financial assets - non-	8				
	current		28,831	-	24,734	-
1985	Long-term prepaid rent	6(6)	82,110	1	90,359	1
15XX	Total non-current assets		6,197,625	48	6,188,685	51
1XXX	Total assets		\$ 12,783,000	100	\$ 12,221,595	100

(Continued)

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 982,705	8	\$ 1,702,306	14
2120	Financial liabilities at fair value through profit or loss - current	6(9)	2,822	-	145	-
2150	Notes payable		1,001	-	995	-
2170	Accounts payable		69,730	1	91,060	-
2200	Other payables	6(10)(26) and 7	430,020	3	336,932	3
2230	Current income tax liabilities	6(24)	110,911	1	100,009	1
2310	Advance receipts		62,384	-	43,536	-
2320	Long-term liabilities, current portion	6(11) and 9	32,120	-	-	-
21XX	Total current liabilities		1,691,693	13	2,274,983	18
Non-current liabilities						
2540	Long-term borrowings	6(11) and 9	770,873	6	-	-
2570	Deferred income tax liabilities	6(24)	877	-	3,368	-
2640	Net defined benefit liabilities - non-current	6(12)	70,053	1	62,854	1
2645	Guarantee deposits received		21,711	-	23,397	-
25XX	Total non-current liabilities		863,514	7	89,619	1
2XXX	Total liabilities		2,555,207	20	2,364,602	19
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(13)(16)	7,603,262	59	7,310,829	60
3200	Capital surplus	6(14)(15)	1,275,660	10	1,265,544	10
Retained earnings						
3310	Legal reserve	6(13)(16)(24)	460,196	4	396,699	3
3320	Special reserve		22,829	-	22,829	-
3350	Undistributed earnings		869,300	7	791,997	7
3400	Other equity interest	6(17)	(3,454)	-	69,095	1
3XXX	Total equity		10,227,793	80	9,856,993	81
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity		\$ 12,783,000	100	\$ 12,221,595	100

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2016		2015	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18)		\$ 4,030,921	100	\$ 3,955,207	100
5000 Operating costs	6(3)(12)(22)(23) and 9		(2,224,960)	(55)	(2,278,553)	(58)
5900 Net operating margin			<u>1,805,961</u>	<u>45</u>	<u>1,676,654</u>	<u>42</u>
Operating expenses	6(2)(6)(12)(22)(23), 7 and 9					
6100 Selling expenses		(	169,971)	(4)	(157,036)	(4)
6200 General and administrative expenses		(	488,139)	(12)	(445,701)	(11)
6300 Research and development expenses		(	279,575)	(7)	(324,214)	(8)
6000 Total operating expenses		(	<u>937,685</u>	<u>(23)</u>	<u>(926,951)</u>	<u>(23)</u>
6900 Operating profit			<u>868,276</u>	<u>22</u>	<u>749,703</u>	<u>19</u>
Non-operating income and expenses						
7010 Other income	6(2)(19)		40,705	1	47,751	1
7020 Other gains and losses	6(4)(5)(7)(9)(20) and 12	(	62,265)	(1)	13,694	-
7050 Finance costs	6(5)(21)(26)	(	36,116)	(1)	(9,018)	-
7060 Share of profit of associates and joint ventures accounted for under equity method			-	-	754	-
7000 Total non-operating income and expenses		(	<u>57,676</u>	<u>(1)</u>	<u>53,181</u>	<u>1</u>
7900 Profit before income tax			<u>810,600</u>	<u>21</u>	<u>802,884</u>	<u>20</u>
7950 Income tax expense	6(24)	(	<u>151,907</u>	<u>(4)</u>	<u>(167,919)</u>	<u>(4)</u>
8200 Profit for the year			<u>\$ 658,693</u>	<u>17</u>	<u>\$ 634,965</u>	<u>16</u>
Other comprehensive income (loss)						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311 Other comprehensive income, before tax, actuarial gains	6(12)	(\$	7,393)	-	\$ 6,821	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)		1,258	-	(1,160)	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Other comprehensive income, before tax, exchange differences on translation	6(17)	(	72,549)	(2)	(31,579)	(1)
8300 Other comprehensive loss for the year		(\$	<u>78,684</u>	<u>(2)</u>	<u>(25,918)</u>	<u>(1)</u>
8500 Total comprehensive income for the year			<u>\$ 580,009</u>	<u>15</u>	<u>\$ 609,047</u>	<u>15</u>
Profit attributable to:						
8610 Owners of the parent			<u>\$ 658,693</u>	<u>17</u>	<u>\$ 634,965</u>	<u>16</u>
Comprehensive income attributable to:						
8710 Owners of the parent			<u>\$ 580,009</u>	<u>15</u>	<u>\$ 609,047</u>	<u>15</u>
Earnings per share (in dollars)						
9750 Basic	6(25)		<u>\$ 0.87</u>		<u>\$ 0.84</u>	
9850 Diluted	6(25)		<u>\$ 0.86</u>		<u>\$ 0.83</u>	

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Other Equity Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings		
<u>For the year ended December 31, 2015</u>								
Balance at January 1, 2015		\$ 7,029,643	\$ 1,257,277	\$ 348,285	\$ 22,829	\$ 621,563	\$ 100,674	\$ 9,380,271
Distribution of 2014 net income:								
Legal reserve		-	-	48,414	-	(48,414)	-	-
Cash dividends	6(16)	-	-	-	-	(140,592)	-	(140,592)
Stock dividends	6(13)(16)	281,186	-	-	-	(281,186)	-	-
Employee stock option compensation cost	6(14)(15)	-	8,267	-	-	-	-	8,267
Net income for the year ended December 31, 2015		-	-	-	-	634,965	-	634,965
Other comprehensive loss for the year ended December 31, 2015		-	-	-	-	5,661	(31,579)	(25,918)
Balance at December 31, 2015		<u>\$ 7,310,829</u>	<u>\$ 1,265,544</u>	<u>\$ 396,699</u>	<u>\$ 22,829</u>	<u>\$ 791,997</u>	<u>\$ 69,095</u>	<u>\$ 9,856,993</u>
<u>For the year ended December 31, 2016</u>								
Balance at January 1, 2016		\$ 7,310,829	\$ 1,265,544	\$ 396,699	\$ 22,829	\$ 791,997	\$ 69,095	\$ 9,856,993
Distribution of 2015 net income:								
Legal reserve		-	-	63,497	-	(63,497)	-	-
Cash dividends	6(16)	-	-	-	-	(219,325)	-	(219,325)
Stock dividends	6(13)(16)	292,433	-	-	-	(292,433)	-	-
Employee stock option compensation cost	6(14)(15)	-	10,116	-	-	-	-	10,116
Net income for the year ended December 31, 2016		-	-	-	-	658,693	-	658,693
Other comprehensive loss for the year ended December 31, 2016		-	-	-	-	(6,135)	(72,549)	(78,684)
Balance at December 31, 2016		<u>\$ 7,603,262</u>	<u>\$ 1,275,660</u>	<u>\$ 460,196</u>	<u>\$ 22,829</u>	<u>\$ 869,300</u>	<u>(\$ 3,454)</u>	<u>\$10,227,793</u>

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 810,600	\$ 802,884
Adjustments			
Adjustments to reconcile profit (loss)			
Provision/(reversal) for doubtful accounts	6(2)	596	(43)
Loss on inventory market price decline	6(3)	110,571	68,569
Provision for obsolescence of supplies		11,167	7,531
Share of profit of associates and joint ventures accounted for under the equity method		-	(754)
Gain on disposal of investments accounted for under the equity method	6(4)(20)	-	(95,381)
Depreciation	6(5)(22)	435,391	471,133
Loss on disposal of property, plant and equipment	6(20)	626	843
Impairment loss (gain on reversal)	6(5)(7)(20)	889	(4,193)
Amortization	6(22)	9,450	11,386
Amortization of long-term prepaid rent	6(6)	1,977	2,051
Loss (gain) on valuation of financial liabilities		2,677	(3,524)
Employee stock option compensation cost	6(14)(15)	10,116	8,267
Interest income	6(19)	(27,844)	(30,689)
Interest expense	6(21)	36,116	9,018
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	27
Accounts receivable		228,232	(344,198)
Other receivables		10,058	(8,631)
Inventories		234,501	211,519
Prepayments		(54,776)	(26,074)
Changes in operating liabilities			
Notes payable		6	(158)
Accounts payable		(21,330)	37,247
Other payables		34,117	2,750
Advance receipts		18,848	5,580
Net defined benefit liabilities - non-current		(194)	971
Cash inflow generated from operations		1,851,794	1,126,131
Interest received		27,844	30,539
Interest paid		(21,337)	(9,018)
Income tax paid		(193,277)	(103,122)
Net cash flows from operating activities		<u>1,665,024</u>	<u>1,044,530</u>

(Continued)

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>For the years ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other financial assets - current		\$ 284,216	(\$ 284,216)
Increase in financial assets measured at cost - non-current		(25,182)	-
Cash paid for acquisition of property, plant and equipment	6(26)	(395,633)	(631,840)
Interest paid for acquisition of property, plant and equipment	6(5)(21)(26)	(22,847)	(14,989)
Proceeds from disposal of property, plant and equipment		555	451
Acquisition of intangible assets		(11,416)	(11,020)
Increase in prepayments for equipment		(28,623)	(9,729)
Decrease in pledged deposits		709	7,171
Increase in other financial assets - non-current		(4,097)	-
Net cash flows used in investing activities		(202,318)	(944,172)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(719,601)	424,830
Increase in long-term borrowings		802,993	-
(Decrease) increase in guarantee deposits received		(1,686)	21,741
Payment of cash dividends	6(16)	(219,325)	(140,592)
Net cash flows (used in) from financing activities		(137,619)	305,979
Effect of foreign exchange rate changes on cash and cash equivalents		46,367	1,757
Net increase in cash and cash equivalents		1,371,454	408,094
Cash and cash equivalents at beginning of year	6(1)	2,335,697	1,927,603
Cash and cash equivalents at end of year	6(1)	\$ 3,707,151	\$ 2,335,697

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

SCINOPHARM TAIWAN, 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) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (“API”), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services. The Company’s investment plan for the manufacturing of API was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.
- (3) Uni-President Enterprises Corp., the Company’s ultimate parent company, holds 37.94% equity interest in the Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 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 (“IFRSs”) 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
 - (1) New standards, interpretations and amendments as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016

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

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

C. 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 IFRSs as endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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'	January 1, 2018
Transfers of investment property (amendments to IAS 40)	January 1, 2018
FRIC 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 International Accounting Standards Board

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

A. Amendments to IAS 7, 'Disclosure initiative'

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'

Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. 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.

C 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", 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, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured 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 unrealized 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 recognized 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. That 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 recognized in profit or loss. All amounts previously recognized 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 recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company		Note
			December 31, 2016	December 31, 2015	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new drug, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drug, sale produced products, etc.	100.00	100.00	—
SPT International, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	—

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, 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 recognized in profit or loss in the period in which they arise.

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When a foreign operation as an associate or joint arrangement is partially disposed of or sold, 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 or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, 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 realized, 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 realized 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 amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(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 recognized and derecognized using trade date accounting.

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

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

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

(a) Financial assets measured at cost

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

(b) Financial assets measured at amortized cost

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

(10) Derecognition of financial assets

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

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. The standard cost method is applied, and cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) 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 using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, 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. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings and structures	2 ~ 35 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	2 ~ 6 years
Office equipment	2 ~ 9 years
Other equipment	2 ~ 19 years

(14) Intangible assets

Professional skills and computer software, etc. are stated at cost and amortized on a straight-line basis over their estimated useful lives of 3 ~ 5 years.

(15) Leased assets/ lessee

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

(16) Impairment of non-financial assets

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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

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

(18) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the 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 of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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 resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing market price at the previous day of the board meeting resolution.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements. However, the deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- F. Deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

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

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(27) Revenue recognition

A. Sales of goods

The Group manufactures and sells Active Pharmaceutical Ingredients (API), intermediates, 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 recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods

based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Group provides biochemical technology development consultation and processing services. Revenue from rendering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The 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 judgments 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 judgments 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 judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

- (a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid process technology innovation, 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 realizable 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 \$1,829,710.

B. Realizability of deferred income tax assets

(a) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(b) As of December 31, 2016, the Group recognized deferred income tax assets amounting to \$414,414.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash:		
Cash on hand	\$ 75	\$ 237
Checking accounts and demand deposits	<u>516,801</u>	<u>471,545</u>
	<u>516,876</u>	<u>471,782</u>
Cash equivalents:		
Time deposits	2,904,500	1,564,003
Bill under repurchase agreements	<u>285,775</u>	<u>299,912</u>
	<u>3,190,275</u>	<u>1,863,915</u>
	<u>\$ 3,707,151</u>	<u>\$ 2,335,697</u>

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

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets-non-current") as of December 31, 2016 and 2015 are provided in Note 8.

(2) ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	\$ 639,052	\$ 867,284
Less: Allowance for doubtful accounts	(<u>647</u>)	(<u>53</u>)
	<u>\$ 638,405</u>	<u>\$ 867,231</u>

A. As of December 31, 2016 and 2015, the Group had no accounts receivable classified as "past due

but not impaired”.

B. Movements on the provision for impairment of accounts receivable are as follows:

	For the years ended December 31,	
	2016	2015
	Group provision	Group provision
At January 1	\$ 53	\$ 96
Provision (reversal) for impairment	596	(43)
Effect of exchange rate	(2)	–
At December 31	<u>\$ 647</u>	<u>\$ 53</u>

C. The Group’s accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on the counterparties’ industry characteristics, business scale and profitability.

D. As of December 31, 2016 and 2015, the Group does not hold any collateral as security.

(3) INVENTORIES

	December 31, 2016		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 377, 494	(\$ 81, 670)	\$ 295, 824
Supplies	14, 946	(1, 097)	13, 849
Work in process	896, 557	(125, 933)	770, 624
Finished goods	1, 041, 850	(292, 437)	749, 413
	<u>\$ 2, 330, 847</u>	<u>(\$ 501, 137)</u>	<u>\$ 1, 829, 710</u>

	December 31, 2015		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 254, 846	(\$ 64, 664)	\$ 190, 182
Supplies	16, 340	(836)	15, 504
Work in process	1, 116, 241	(58, 672)	1, 057, 569
Finished goods	1, 177, 921	(271, 968)	905, 953
	<u>\$ 2, 565, 348</u>	<u>(\$ 396, 140)</u>	<u>\$ 2, 169, 208</u>

The Group recognized expense and loss of inventories for the year:

	For the years ended December 31,	
	2016	2015
Cost of goods sold	\$ 1,707,118	\$ 1,897,611
Loss on inventory scrap	53,811	15,956
Loss on physical inventory	8,910	6,724
Under applied manufacturing overhead	311,983	267,013
Provision for inventory market price decline	110,571	68,569
	<u>\$ 2,192,393</u>	<u>\$ 2,255,873</u>

(4) FINANCIAL ASSETS MEASURED AT COST—NON — CURRENT

	December 31, 2016	December 31, 2015
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167,673	\$ 167,673
SYNGEN, INC.	4,620	4,620
Foresee Pharmaceuticals, Co., Ltd.	<u>196,416</u>	<u>171,234</u>
	368,709	343,527
Less: Accumulated impairment	(4,620)	(4,620)
	<u>\$ 364,089</u>	<u>\$ 338,907</u>

A. Based on the Group's intention, its investment in Tanvex Biologics, Inc. and SYNGEN, INC. should be classified as available-for-sale financial assets. However, as Tanvex Biologics, Inc. and SYNGEN, INC. are not traded in an active market and no sufficient industry information and financial information of similar companies can be obtained, the fair value of the investments in Tanvex Biologics, Inc. and SYNGEN, INC. cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.

B. Foreseeacer Pharmaceuticals, Inc. (hereafter, "Foreseeacer"), an associate of the Group accounted for under the equity method, entered into a share swap transaction with its controlling shareholder, Foresee Pharmaceuticals, Inc. (hereafter, "Foresee Cayman") during the fourth quarter of 2014, whereby Foresee Cayman issued new shares to swap and recall the outstanding shares of Foreseeacer. The Group obtained approval of such transaction during the board of directors' meeting on November 7, 2014, and the related share swap was completed on January 15, 2015. After the swap, the Group obtained 5,400 thousand preferred shares of Foresee Cayman, consisting of 6.12% of its outstanding preferred shares. However, Foresee Cayman announced its second phase of re-organization plan (the Phase II Plan) during February 2015, in which, one of its fully owned subsidiaries, Foresee Pharmaceuticals Co., Ltd. (hereafter, "Foresee") will issue new shares to swap and recall all outstanding shares of Foresee Cayman. After engaging in the swap, the Company obtained 4,072 thousand common shares, consisting of 6.12% of its outstanding common shares. Based on the guidance and accounting policies of the Group, such

share swap transaction should be deemed as disposal of associates accounted for under the equity method, and the new investment will be measured at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. Any amounts previously recognized as capital surplus or as other comprehensive income in relation to the associate are transferred to profit or loss. However, as the Phase II Plan was completed as of June 30, 2015, the uncertainties regarding the fair value of the final share interests received in the swap has been eliminated. The related gain of \$95,381 from the share swap transaction has been recognized upon completion of the Phase II Plan. After a comprehensive assessment, the Group does not have the right to exercise significant influence over the investee company, Foresee Cayman, and accordingly, the related share of interest is classified as “available-for-sale financial assets”. In addition, as the shares of Foresee Cayman are not publicly traded in an active market, its fair value cannot be measured reliably. As a result, the Group classified those shares as “financial assets measured at cost”.

C. As of December 31, 2016 and 2015, no financial assets measured at cost held by the Group were pledged to others.

(5) PROPERTY, PLANT AND EQUIPMENT

<u>January 1, 2016</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost	\$ 2,499,181	\$ 4,689,690	\$ 29,690	\$ 202,695	\$ 141,302	\$ 1,803,046	\$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	–	(4,181,139)
Accumulated impairment	–	(13,751)	–	–	–	–	(13,751)
	<u>\$ 1,775,913</u>	<u>\$ 1,449,296</u>	<u>\$ 9,013</u>	<u>\$ 74,125</u>	<u>\$ 59,321</u>	<u>\$ 1,803,046</u>	<u>\$ 5,170,714</u>
<u>For the year ended December 31, 2016</u>							
At January 1	\$ 1,775,913	\$ 1,449,296	\$ 9,013	\$ 74,125	\$ 59,321	\$ 1,803,046	\$ 5,170,714
Additions	–	–	–	–	–	462,672	462,672
Reclassified from prepayments for equipment	–	–	–	–	–	121,118	121,118
Reclassified upon completion	485,874	203,159	–	15,558	25,589	(730,180)	–
Depreciation charge	(101,112)	(278,715)	(3,113)	(27,896)	(24,555)	–	(435,391)
Disposals – Cost	–	(8,619)	(405)	(895)	(1,233)	–	(11,152)
– Accumulated depreciation	–	7,543	405	847	1,176	–	9,971
Impairment loss	–	(889)	–	–	–	–	(889)
Net currency exchange differences	(32,270)	(24,507)	(147)	(1,071)	(4,042)	(46,108)	(108,145)
At December 31	<u>\$ 2,128,405</u>	<u>\$ 1,347,268</u>	<u>\$ 5,753</u>	<u>\$ 60,668</u>	<u>\$ 56,256</u>	<u>\$ 1,610,548</u>	<u>\$ 5,208,898</u>
<u>December 31, 2016</u>							
Cost	\$ 2,948,766	\$ 4,853,501	\$ 28,601	\$ 213,075	\$ 154,986	\$ 1,610,548	\$ 9,809,477
Accumulated depreciation	(820,361)	(3,491,593)	(22,848)	(152,407)	(98,730)	–	(4,585,939)
Accumulated impairment	–	(14,640)	–	–	–	–	(14,640)
	<u>\$ 2,128,405</u>	<u>\$ 1,347,268</u>	<u>\$ 5,753</u>	<u>\$ 60,668</u>	<u>\$ 56,256</u>	<u>\$ 1,610,548</u>	<u>\$ 5,208,898</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
<u>January 1, 2015</u>							
Cost	\$ 2,230,902	\$ 4,575,686	\$ 30,389	\$ 192,813	\$ 141,186	\$ 1,685,329	\$ 8,856,305
Accumulated depreciation	(633,158)	(2,958,764)	(16,896)	(102,501)	(62,017)	–	(3,773,336)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,597,744</u>	<u>\$ 1,598,978</u>	<u>\$ 13,493</u>	<u>\$ 90,312</u>	<u>\$ 79,169</u>	<u>\$ 1,685,329</u>	<u>\$ 5,065,025</u>
<u>For the year ended December 31, 2015</u>							
At January 1	\$ 1,597,744	\$ 1,598,978	\$ 13,493	\$ 90,312	\$ 79,169	\$ 1,685,329	\$ 5,065,025
Additions	–	–	–	150	–	464,633	464,783
Reclassified from prepayments for equipment	–	–	–	–	–	136,935	136,935
Reclassified upon completion	275,351	172,118	–	15,585	5,932	(468,986)	–
Depreciation charge	(90,766)	(320,156)	(4,309)	(31,509)	(24,393)	–	(471,133)
Disposals—Cost	–	(52,992)	(503)	(4,767)	(3,531)	–	(61,793)
— Accumulated depreciation	–	51,882	412	4,744	3,161	–	60,199
Reversal of impairment loss	–	4,193	–	–	–	–	4,193
Net currency exchange differences	(6,416)	(4,727)	(80)	(390)	(1,317)	(14,865)	(27,795)
At December 31	<u>\$ 1,775,913</u>	<u>\$ 1,449,296</u>	<u>\$ 9,013</u>	<u>\$ 74,125</u>	<u>\$ 59,021</u>	<u>\$ 1,803,046</u>	<u>\$ 5,170,414</u>
<u>December 31, 2015</u>							
Cost	\$ 2,499,181	\$ 4,689,690	\$ 29,690	\$ 202,695	\$ 141,302	\$ 1,803,046	\$ 9,365,604
Accumulated depreciation	(723,268)	(3,226,643)	(20,677)	(128,570)	(81,981)	–	(4,181,139)
Accumulated impairment	–	(13,751)	–	–	–	–	(13,751)
	<u>\$ 1,775,913</u>	<u>\$ 1,449,296</u>	<u>\$ 9,013</u>	<u>\$ 74,125</u>	<u>\$ 59,321</u>	<u>\$ 1,803,046</u>	<u>\$ 5,170,714</u>

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

	For the years ended December 31,	
	2016	2015
Amount capitalized	\$ 22,847	\$ 14,989
Interest rate	1.72%~4.74%	1.16%~4.35%

- B. Impairment and reclassification information about the property, plant and equipment is provided in Note 6(7), Impairment of non-financial assets.

- C. As of December 31, 2016 and 2015, the Group has not pledged any property, plant and equipment as collateral.

(6) LONG-TERM PREPAID RENT

	December 31, 2016	December 31, 2015
Long-term prepaid rent	\$ 82,110	\$ 90,359

In 2008, the Group's Mainland China subsidiary entered into a land use right contract with the local government relating to the acquisition of the right to use the land located in Changshu, Jiangsu province, with a lease term of 50 years. The subsidiary had prepaid all rental expenses on the contract date, and recognized rental expenses of \$1,977 and \$2,051 for the years ended December 31, 2016 and 2015, respectively (listed as "General and administrative expenses").

(7) IMPAIRMENT OF NON-FINANCIAL ASSETS

- A. For the years ended December 31, 2016 and 2015, the Group recognised impairment loss on idle machineries at \$889 and \$—, respectively, and 'reversal of impairment loss recognised in profit or loss' amounting to \$— and \$4,193, respectively, as some of the idle machineries were again utilized in production. Please refer to Note 6(5) property, plant and equipment for details of accumulated impairment amount.

- B. The impairment loss (gain on reversal) reported by operating segments is as follows:

	For the years ended December 31,			
	2016		2015	
	Recognized in other	Recognized in other	Recognized in other	Recognized in other
Segments	profit or loss	comprehensive income	profit or loss	comprehensive income
ScinoPharm Taiwan	\$ 889	\$ —	(\$ 4,193)	\$ —

(8) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 982,705</u>	4.35%~4.44%	None

<u>Type of borrowings</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	<u>\$ 1,702,306</u>	1.18%~4.35%	None

(9) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 2,822</u>	<u>\$ 145</u>

A. The Group recognized net gain (loss) of \$3,981 and (\$14,941) on financial liabilities held for trading (listed as 'other gains and losses') for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

<u>Items</u>	<u>December 31, 2016</u>	
	<u>Contract Amount</u>	<u>Contract Period</u>
Forward foreign exchange contracts	USD 6,940,000	11.2016~2.2017

<u>Items</u>	<u>December 31, 2015</u>	
	<u>Contract Amount</u>	<u>Contract Period</u>
Forward foreign exchange contracts	USD 5,400,000	11.2015~2.2016

The Group entered into forward foreign contracts to hedge exchange rate risk of operating activities.

However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(10) OTHER PAYABLES

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accrued salaries and bonuses	\$ 151,650	\$ 130,958
Payables on equipment	89,009	44,817
Others	<u>189,361</u>	<u>161,157</u>
	<u>\$ 430,020</u>	<u>\$ 336,932</u>

(11) LONG-TERM BORROWINGS

Type of borrowings	Borrowing period	December 31, 2016	Interest rate	Collateral
Long-term bank loans				
Secured bank loans	June 14, 2016 ~ June 14, 2019			Guaranteed by the Company
		\$ 802, 993	4. 85%	
Less current portion		(32, 120)		
		<u>\$ 770, 873</u>		

As of December 31, 2015, there were no long-term borrowings.

(12) PENSIONS

A. (a) The Company and its domestic subsidiaries has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement). The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than nine months shall be counted as one year of service, and any fraction of a year less than nine months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is 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 will make contribution for the deficit by end of March next year.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	\$ 118, 242	\$ 111, 292
Fair value of plan assets	(48, 189)	(48, 438)
Net defined benefit liability	<u>\$ 70, 053</u>	<u>\$ 62, 854</u>

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

<u>Year ended December 31, 2016</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 111,292	(\$ 48,438)	\$ 62,854
Current service cost	1,926	–	1,926
Interest expense (income)	<u>1,892</u>	<u>(823)</u>	<u>1,069</u>
	<u>115,110</u>	<u>(49,261)</u>	<u>65,849</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	379	379
Change in financial assumptions	3,950	–	3,950
Experience adjustments	<u>3,064</u>	<u>–</u>	<u>3,064</u>
	<u>7,014</u>	<u>379</u>	<u>7,393</u>
Pension fund contribution	–	(3,189)	(3,189)
Paid pension	<u>(3,882)</u>	<u>3,882</u>	<u>–</u>
At December 31	<u>\$ 118,242</u>	<u>(\$ 48,189)</u>	<u>\$ 70,053</u>

<u>Year ended December 31, 2015</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 113,369	(\$ 44,665)	\$ 68,704
Current service cost	2,634	–	2,634
Interest expense (income)	<u>2,267</u>	<u>(893)</u>	<u>1,374</u>
	<u>118,270</u>	<u>(45,558)</u>	<u>72,712</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(283)	(283)
Change in financial assumptions	3,764	–	3,764
Experience adjustments	<u>(10,302)</u>	<u>–</u>	<u>(10,302)</u>
	<u>(6,538)</u>	<u>(283)</u>	<u>(6,821)</u>
Pension fund contribution	–	(3,037)	(3,037)
Paid pension	<u>(440)</u>	<u>440</u>	<u>–</u>
At December 31	<u>\$ 111,292</u>	<u>(\$ 48,438)</u>	<u>\$ 62,854</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor 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 securitization 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 authorized by the Regulator. The Company and its domestic subsidiaries has no right to participate in managing and operating that fund and hence the Company is 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 Labor 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	1.40%	1.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2016 and 2015.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 3,304)	\$ 3,438	\$ 3,081	(\$ 2,982)
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 2,970)	\$ 3,493	\$ 3,109	(\$ 2,719)

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

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

(f) Expected contributions to the defined benefit pension plan of the Company within 2017 is \$3,120.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 9,749
2~5 years	17,903
Over 6 years	130,480
	<u>\$ 158,132</u>

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (ScinoPharm (Kunshan) Biochemical Technology Co., Ltd., ScinoPharm (Changshu) Pharmaceuticals, Ltd., and ScinoPharm (Shanghai) Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the years ended December 31, 2016 and 2015, the pension costs recognized under the aforementioned defined contribution pension plans were \$31,464 and \$30,453, respectively.

(13) SHARE CAPITAL

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

	For the years ended December 31,	
	2016	2015
At January 1	731, 083	702, 964
Capitalization of retained earnings	29, 243	28, 119
At December 31	<u>760, 326</u>	<u>731, 083</u>

- B. On June 23, 2015, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$281,186 and obtained approval from the SFC. The effective date of capitalization was set on August 14, 2015. After the capitalization mentioned above, the Company's total authorized capital was \$10,000,000 and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share.
- C. On June 27, 2016, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$292,433 and obtained approval from the SFC. The effective date of capitalization was set on August 16, 2016. After the capitalization mentioned above, the Company's total authorized capital was \$10,000,000 and the paid-in capital was \$7,603,262 (760,326 thousand shares) with a par value of \$10 (in dollars) per share.
- D. As of December 31, 2016, the Company's authorized capital was \$10,000,000 and the paid-in capital was \$7,603,262 (760,326 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) CAPITAL RESERVES

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

B. Movements on the Company's capital reserve are as follows:

	For the year ended December 31, 2016		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1, 233, 286	\$ 32, 258	\$ 1, 265, 544
Employee stock options compensation cost			
- Company	-	10, 025	10, 025
- Subsidiaries	-	91	91
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 42, 374</u>	<u>\$ 1, 275, 660</u>

	For the year ended December 31, 2015		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1, 233, 286	\$ 23, 991	\$ 1, 257, 277
Employee stock options compensation cost			
- Company	-	7, 844	7, 844
- Subsidiaries	-	423	423
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 32, 258</u>	<u>\$ 1, 265, 544</u>

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the 'Grant Date'). The exercise price of the options was set at \$91.70 (in dollars), \$41.65 (in dollars) and \$40.55 (in dollars), respectively, which was based on the closing market price of the Company's common shares on the Grant Dates. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in the number of shares of the Company's common stocks after the Grant Date. (As of December 31, 2016, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to \$80.20 (in dollars) per share, \$40.00 (in dollars) per share and \$40.55 (in dollars) per share, respectively.) Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Group recognized compensation costs relating to the employee stock options plan of \$10,116 and \$8,267 for the years ended December 31, 2016 and 2015,

respectively.

B. Details of the share-based payment arrangements are as follows:

	For the year ended December 31, 2016	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,348	\$ 56.92
Options granted	1,500	40.55
Options forfeited	(391)	62.47
Options outstanding at end of the year	<u>3,457</u>	48.03
Options exercisable at end of the year	<u>503</u>	80.20

	For the year ended December 31, 2015	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1,000	\$ 91.70
Options granted	1,500	41.65
Options forfeited	(152)	80.40
Options outstanding at end of the year	<u>2,348</u>	56.92
Options exercisable at end of the year	<u>430</u>	83.40

C. The exercise prices of the employee stock options outstanding on the balance sheet date is as follows:

		December 31, 2016		December 31, 2015	
		No. of stocks	Exercise price	No. of stocks	Exercise price
<u>Grant date</u>	<u>Expiry date</u>	<u>(unit in thousands)</u>	<u>(in dollars)</u>	<u>(unit in thousands)</u>	<u>(in dollars)</u>
12. 3. 2013	12. 2. 2023	670	\$ 80.20	859	\$ 83.40
11. 6. 2015	11. 5. 2025	1,299	40.00	1,489	41.65
10. 14. 2016	10. 13. 2026	1,488	40.55	-	-

D. The fair value of the Group's employee stock options on Grant Date was evaluated using the combination of Hull & White and the Ritchken trinomial option valuation model. Related information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Expected dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12. 3. 2013	\$ 91. 70	\$ 91. 70	28. 50% (Note)	10 years	1. 5%	1. 7145%	\$ 26. 045
Employee stock options	11. 6. 2015	41. 65	41. 65	37. 63% (Note)	10 years	1. 5%	1. 2936%	13. 799
Employee stock options	10. 14. 2016	40. 55	40. 55	37. 20% (Note)	10 years	1. 5%	0. 9223%	13. 171

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.50%, 37.63% and 37.20%, respectively.

(16) RETAINED EARNINGS

- A. Pursuant to the R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve for 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. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company recognized cash dividends and stock dividends distributed to owners amounting

to \$219,325 (\$0.30 (in dollars) per share) and \$292,433 (\$0.40 (in dollars) per share) for the year ended December 31, 2016, respectively, and \$140,592 (\$0.20 (in dollars) per share) and \$281,186 (\$0.40 (in dollars) per share) for year ended December 31, 2015, respectively. On March 28, 2017, the Board of Directors proposed for the distribution of cash dividends of \$228,098 (\$0.30 (in dollars) per share) and stock dividends of \$304,130 (\$0.40 (in dollars) per share) for the year 2016.

(17) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2016	2015
At January 1	\$ 69, 095	\$ 100, 674
Currency translation differences — group	(72, 549)	(26, 755)
Disposal (Note)	—	(4, 824)
At December 31	<u>(\$ 3, 454)</u>	<u>\$ 69, 095</u>

Note: The Group lost significant influence in the associate investment after a share swap transaction with the controlling shareholder of the associate. Such share swap transaction was deemed as disposal of associates accounted for under the equity method and amounts previously recognized as other equity items were derecognized accordingly. Please refer to Note 6 (4) for details.

(18) OPERATING REVENUE

	For the years ended December 31,	
	2016	2015
Sales revenue	\$ 3, 912, 641	\$ 3, 871, 442
Less: Sales returns	(64, 812)	(18, 348)
Sales discounts	(6, 984)	(31, 549)
Technical service revenue	190, 076	133, 662
	<u>\$ 4, 030, 921</u>	<u>\$ 3, 955, 207</u>

(19) OTHER INCOME

	For the years ended December,	
	2016	2015
Interest income from bank deposits	\$ 27, 844	\$ 30, 689
Compensation revenue	7, 404	9, 741
Others	5, 457	7, 321
	<u>\$ 40, 705</u>	<u>\$ 47, 751</u>

(20) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2016	2015
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	\$ 3,981	(\$ 14,941)
Gain on disposal of investments	–	95,381
Loss on disposal of property, plant, and equipment	(626)	(843)
(Impairment loss) gain on reversal of impairment loss	(889)	4,193
Net currency exchange loss	(42,982)	(50,793)
Miscellaneous	(21,749)	(19,303)
	<u>(\$ 62,265)</u>	<u>\$ 13,694</u>

(21) FINANCE COSTS

	For the years ended December 31,	
	2016	2015
Interest expense:		
Bank loans	\$ 58,963	\$ 24,007
Less: capitalization of qualifying assets	(22,847)	(14,989)
	<u>\$ 36,116</u>	<u>\$ 9,018</u>

(22) EXPENSES BY NATURE

	For the year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 448,862	\$ 389,091	\$ 837,953
Depreciation	328,259	107,132	435,391
Amortization	3,208	6,242	9,450
	<u>\$ 780,329</u>	<u>\$ 502,465</u>	<u>\$ 1,282,794</u>

	For the year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 443,529	\$ 338,169	\$ 781,698
Depreciation	365,205	105,928	471,133
Amortization	2,571	8,815	11,386
	<u>\$ 811,305</u>	<u>\$ 452,912</u>	<u>\$ 1,264,217</u>

(23) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2016		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 380,263	\$ 337,437	\$ 717,700
Labor and health insurance expenses	32,626	21,065	53,691
Pension costs	21,562	12,897	34,459
Other personnel expenses	14,411	17,692	32,103
	<u>\$ 448,862</u>	<u>\$ 389,091</u>	<u>\$ 837,953</u>

	For the year ended December 31, 2015		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 376,723	\$ 288,469	\$ 665,192
Labor and health insurance expenses	32,832	18,572	51,404
Pension costs	21,273	13,188	34,461
Other personnel expenses	12,701	17,940	30,641
	<u>\$ 443,529</u>	<u>\$ 338,169</u>	<u>\$ 781,698</u>

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2016 and 2015, the employees' compensation was accrued at \$82,181 and \$67,511, respectively, while the directors' remuneration was accrued at \$11,734 and \$11,429, respectively. The aforementioned amounts were recognized in salary expenses. The aforementioned amounts were recognized in salary expenses. The expenses recognized for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 28, 2017, the Board of Directors resolved the employees' compensation and directors' remuneration of \$82,181 and \$11,734, and the employees' compensation will be distributed in the form of cash. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2015 was \$88,554, which was different from the estimated amount of \$78,940 recognized in the 2015 financial statements by \$9,614. Such difference mainly resulted from estimation, and was recognized in profit or loss for 2016.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2016	2015
Current income tax:		
Income tax in current year	\$ 185,902	\$ 178,599
10% tax on unappropriated retained earnings	6,537	1,214
Under (over) provision of prior year's income tax	2,471	(2,683)
Total current tax	194,910	177,130
Deferred income tax:		
Origination and reversal of temporary differences	(43,003)	(9,211)
Income tax expense	<u>\$ 151,907</u>	<u>\$ 167,919</u>

(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	(\$ 1,258)	\$ 1,160

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2016	2015
Income tax at statutory tax rate	\$ 137,802	\$ 135,598
Effect of items disallowed by tax regulation	7,386	3,116
Effect of net operating loss carryforward	(2,519)	29,553
Effect of investment tax credits	230	1,121
10% tax on unappropriated retained earnings	6,537	1,214
Under (over) provision of prior year's income tax	2,471	(2,683)
Income tax expense	<u>151,907</u>	<u>167,919</u>

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

For the year ended December 31, 2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Investment loss	\$200,515	\$ 41,900	\$ –	\$ 242,415
Technology know — how	21,570	(3,698)	–	17,872
Pensions	10,685	(33)	1,258	11,910
Employee benefits — unused compensated absences	2,888	(202)	–	2,686
Impairment of assets	2,337	152	–	2,489
Unrealized loss on financial liabilities	25	455	–	480
Loss carryforward	126,366	2,519	–	128,885
Investment tax credits	8,258	(581)	–	7,677
	<u>372,644</u>	<u>40,512</u>	<u>1,258</u>	<u>414,414</u>
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	(3,368)	2,491	–	(877)
	<u>\$369,276</u>	<u>\$ 43,003</u>	<u>\$ 1,258</u>	<u>\$ 413,537</u>

For the year ended December 31, 2015				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Investment loss	\$155,012	\$ 45,503	\$ –	\$ 200,515
Technology know — how	25,268	(3,698)	–	21,570
Pensions	11,680	165	(1,160)	10,685
Employee benefits — unused compensated absences	3,085	(197)	–	2,888
Impairment of assets	3,050	(713)	–	2,337
Unrealized loss on financial liabilities	624	(599)	–	25
Loss carryforward	155,919	(29,553)	–	126,366
Investment tax credits	9,743	(1,485)	–	8,258
	<u>364,381</u>	<u>9,423</u>	<u>(1,160)</u>	<u>372,644</u>
Deferred tax liabilities:				
Temporary differences				
Unrealized gain on currency exchange	(3,156)	(212)	–	(3,368)
	<u>\$361,225</u>	<u>\$ 9,211</u>	<u>(\$ 1,160)</u>	<u>\$ 369,276</u>

D. According to “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China”, details of investment tax credits and unrecognized deferred tax assets are as follows:

December 31, 2016			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	<u>\$ 7,677</u>	<u>\$ –</u>	2018
December 31, 2015			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development expenditures	<u>\$ 8,258</u>	<u>\$ –</u>	2018

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

December 31, 2016				
<u>Year incurred</u>	<u>Amount filed /assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
2012~2016	\$ 1, 247, 509	<u>\$ 1, 247, 509</u>	<u>\$ 731, 971</u>	2017~2021
December 31, 2015				
<u>Year incurred</u>	<u>Amount filed /assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
2011~2016	\$ 862, 662	<u>\$ 862, 662</u>	<u>\$ 358, 530</u>	2016~2020

- F. The Group has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary differences unrecognised as deferred tax liabilities were \$277,644 and \$287,871, respectively.
- G. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 28, 2017.
- H. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2016 and 2015 were all generated after the year 1998.
- I. As of December 31, 2016 and 2015, the balance of the Company's imputation tax credit account was \$240,791 and \$180,052, respectively. The earnings distribution for 2015 and 2014 were approved at the stockholders' meeting on June 27, 2016 and June 23, 2015, respectively, and the date of dividend distribution were set on August 16, 2016 and August 14, 2015, respectively, by the Board of Directors. The creditable tax rate were 23.04% and 23.48%, respectively. The creditable tax rate for 2016 is expected to be 23.81%. 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.

(25) EARNINGS PER SHARE (“EPS”)

For the year ended December 31, 2016			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 658,693	760,326	\$ 0.87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 658,693	760,326	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	–	253	
Employees' compensation	–	2,702	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 658,693	763,281	\$ 0.86
For the year ended December 31, 2015			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 634,965	760,326	\$ 0.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 634,965	760,326	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	–	1,375	
Employees' compensation	–	21	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 634,965	761,722	\$ 0.83

- A. The abovementioned stock options issued in 2013 are anti-dilutive; therefore were not included in the EPS calculation.
- B. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2015.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2016	2015
Purchase of property, plant and equipment	\$ 462,672	\$ 464,783
Add: Beginning balance of payable on equipment	44,817	226,863
Less: Ending balance of payable on equipment	(89,009)	(44,817)
Capitalization of interest	(22,847)	(14,989)
Cash paid for acquisition of property, plant and equipment	<u>\$ 395,633</u>	<u>\$ 631,840</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2016	2015
a. Investment accounted for under the equity method reclassified to financial assets measured at cost	<u>\$ -</u>	<u>\$ 171,234</u>
	For the years ended December 31,	
	2016	2015
b. Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 121,118</u>	<u>\$ 136,935</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent and ultimate controlling party of the Company is Uni-President Enterprises Corp. For names and relationship of other related parties with substantive control, please refer to Note 13(2).

(2) Significant transactions and balances with related parties

A. Other expenses

	For the years ended December 31,	
	2016	2015
Rent expense:		
— An entity controlled by key management individuals	\$ 1,583	\$ 1,663
Repairs and maintenance expense:		
— An entity controlled by key management individuals	\$ 462	\$ 3,697
Management consultancy fees:		
— Ultimate parent company	\$ 5,397	\$ 4,755
— Associate of ultimate parent company	2,186	2,040
	<u>\$ 7,583</u>	<u>\$ 6,795</u>

B. Other payables

	December 31, 2016	December 31, 2015
An entity controlled by key management individuals	<u>\$ 110</u>	<u>\$ 2,231</u>

C. Property transactions

	For the years ended December 31,	
	2016	2015
Purchase of property, plant and equipment:		
— An entity controlled by key management individuals	\$ —	\$ 1,656

(3) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	<u>\$ 60,906</u>	<u>\$ 65,227</u>

8. PLEDGED ASSETS

Details of the Group's assets pledged as collateral are as follows:

Assets	December 31, 2016	December 31, 2015	Purpose of collateral
Time deposits (Note)	<u>\$ 28,831</u>	<u>\$ 24,734</u>	Customs duty and performance guarantee

Note: Listed as "other financial assets-non-current".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2016 and 2015, the Group's unused letters of credit amounted to \$— and \$7,508, respectively.
- (2) As of December 31, 2016, and 2015, the Group's remaining balance due for construction in progress and prepayments for equipment was \$312,008 and \$547,190, respectively.
- (3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of \$22,276 and \$21,291 (listed as "operating costs" and "operating expenses") was recognized in profit or loss for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Within one year	\$ 22, 276	\$ 21, 291
Later than one year but not exceeding five years	<u>3, 713</u>	<u>24, 840</u>
	<u>\$ 25, 989</u>	<u>\$ 46, 131</u>

- (4) The amounts of endorsements and guarantees for subsidiaries were as follows:

	<u>Nature</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	<u>\$ 1, 625, 270</u>	<u>\$ —</u>

As of December 31, 2016 and 2015, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$820,993 and \$—, respectively.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

Except those in the table below, the Group's financial instruments which are not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, other financial assets-current, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) is approximate to their fair value. Please refer to Note 12 (3) for details of fair value information of financial instruments measured at fair value.

B. Financial risk management policies

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

(b) The Group's treasury identifies, evaluates and hedges financial risks closely 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, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

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

- (ii) To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, hedge accounting is not applied as transactions did not meet all criteria of hedge accounting. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- (iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: CNY). 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			Book value
	amount (in thousands)	Exchange rate		(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 21, 996	32. 25	\$	709, 371
EUR:NTD	413	33. 90		14, 001
CNY:NTD	510	4. 644		2, 368
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1, 582	32. 25		51, 020
EUR:NTD	49	33. 90		1, 661
CNY:NTD	435	4. 644		2, 020
December 31, 2015				
	Foreign currency			Book value
	amount (in thousands)	Exchange rate		(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 34, 821	32. 83	\$	1, 143, 173
EUR:NTD	1, 664	35. 88		59, 704
CNY:NTD	2, 723	4. 995		13, 601
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	644	32. 83		21, 143
EUR:NTD	16	35. 88		574

- (iv) As of December 31, 2016 and 2015, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2016 and 2015 would increase/decrease by \$32,918 and \$56,101, respectively. If the NTD:EUR exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2016 and 2015 would increase/decrease by \$617 and \$2,957, respectively. If the NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2016 and 2015 would increase/decrease by \$17 and \$680, respectively.
- (v) Total exchange loss including realized and unrealized 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 \$42,982 and \$50,793, respectively.

II. Price risk

The Group has investments classified as financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets (shown in 'financial assets measured at cost-non-current'). Therefore, the Group is exposed to price risk on equity instruments investments. To manage this risk, the Group has set stop-loss amounts for these instruments. The Group expects no significant market risk.

III. Interest rate risk

- (i) The Group's interest rate risk arises from short-term borrowings and long-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.
- (ii) At December 31, 2016 and 2015, if interest rates had been 10% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been \$1,227 and \$792 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 analyzing 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 with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, and outstanding receivables. The Group also transacts with many different banks and financial institutions to diversify risk.

II. No credit limits were exceeded during the years ended December 31, 2016 and 2015.

III. For more information regarding the Group's credit ratings on its financial assets, please refer to detailed explanation of financial assets in Note 6.

(c) Liquidity risk

I. Cash flow forecasting is performed by the Group's treasury department which 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 (where applicable) on any of its borrowing facilities.

II. The following table comprises the Group's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analyzed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analyzed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 1,001,072	\$ -	\$ -	\$ -
Notes payable	1,001	-	-	-
Accounts payable	69,730	-	-	-
Other payables	430,202	-	-	-
Long-term borrowings	71,096	164,866	656,660	-
Guarantee deposits received	21,711	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	2,822	-	-	-
December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 1,711,850	\$ -	\$ -	\$ -
Notes payable	995	-	-	-
Accounts payable	91,060	-	-	-
Other payables	336,932	-	-	-
Guarantee deposits received	23,397	-	-	-
Derivative financial liabilities:				
Forward exchange contracts	145	-	-	-

(3) Fair value estimation

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

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in foreign exchange contracts is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign contracts	<u>\$ –</u>	<u>\$ 2,822</u>	<u>\$ –</u>	<u>\$ 2,822</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign contracts	<u>\$ –</u>	<u>\$ 145</u>	<u>\$ –</u>	<u>\$ 145</u>

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

(a) 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.

(b) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(c) Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

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

F. The Group did not have financial instruments that meet the definition of Level 3 instruments as of December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

According to the policies, only the financial information of the investee for 2016 is supposed to be disclosed based on the financial statements prepared by the same-period auditors. Instead of the adjustments taking into account the consolidation, the financial information is presented in every consolidated entity.

(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 period (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: Please refer to table 4.

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: Please refer to Note 6(9).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Company's chief operating decision maker regularly reviews information in order to make decisions. The chief operating decision maker manages the Group's business from geographical and functional perspectives. Geographically, the Group focuses on its sales business in the U.S., Europe and Asia. In addition, the Group categorized its business units into manufacture, sales, research and development and investment management functions, and combines its segments that meet the disclosure threshold as "Others".

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income. For details of operating segments' accounting policies, please refer to Note 4.

(3) Segment information

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

	For the year ended December 31, 2016		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	\$ 3, 888, 611	\$ 333, 364	\$ 4, 221, 975
Revenue from internal customers	–	191, 054	191, 054
Revenue from external customers	3, 888, 611	142, 310	4, 030, 921
Interest income	13, 371	14, 473	27, 844
Depreciation and amortization	356, 628	88, 213	444, 841
Interest expense	11	36, 105	36, 116
Income (loss) from segment before income tax	821, 806	(275, 319)	546, 487
Segment assets	10, 962, 274	2, 727, 353	13, 689, 627
Other acquisition of non-current assets	365, 803	136, 908	502, 711
Segment liabilities	734, 481	1, 863, 055	2, 597, 536

	For the year ended December 31, 2015		
	ScinoPharm Taiwan, Ltd.	Others	Total
Segment revenue	\$ 3, 897, 137	\$ 294, 942	\$ 4, 192, 079
Revenue from internal customers	–	236, 872	236, 872
Revenue from external customers	3, 897, 137	58, 070	3, 955, 207
Interest income	11, 067	19, 622	30, 689
Depreciation and amortization	400, 485	82, 034	482, 519
Interest expense	28	8, 990	9, 018
Income (loss) from segment before income tax	770, 109	(236, 751)	533, 358
Segment assets	10, 425, 631	3, 008, 492	13, 434, 123
Other acquisition of non-current assets	392, 835	92, 697	485, 532
Segment liabilities	568, 638	1, 807, 622	2, 376, 260

(4) Reconciliation for segment

- A. The sales between segments were at arms' length. The external revenues reported to the chief operating decision maker adopt the same measurement basis for revenues in statement of comprehensive income. The reconciliations of pre-tax income between reportable segments and continuing operations were as follows:

	For the years ended December 31,	
	2016	2015
Reportable segments profit before income tax	\$ 821, 806	\$ 770, 109
Other segments loss before income tax	(275, 319)	(236, 751)
Internal segments profit	264, 113	269, 526
Profit before income tax	<u>\$ 810, 600</u>	<u>\$ 802, 884</u>

- B. The amount of total assets provided to the chief operating decision-maker adopts the same measurement for assets in the Group's financial statements. A reconciliation of assets of reportable segments and total assets is as follows:

	December 31, 2016	December 31, 2015
Assets of reportable segments	\$ 10, 962, 274	\$ 10, 425, 631
Assets of other operating segments	2, 727, 353	3, 008, 492
Internal segment transaction elimination	(906, 627)	(1, 212, 528)
Total assets	<u>\$ 12, 783, 000</u>	<u>\$ 12, 221, 595</u>

C. The amount of total liabilities provided to the chief operating decision-maker adopts the same measurement for liabilities in the Group's financial statements. A reconciliation of liabilities of reportable segments and total liabilities is as follows:

	December 31, 2016	December 31, 2015
Liabilities of reportable segments	\$ 734,481	\$ 568,638
Liabilities of other operating segments	1,863,055	1,807,622
Internal segment transaction elimination	(42,329)	(11,658)
Total liabilities	<u>\$ 2,555,207</u>	<u>\$ 2,364,602</u>

(5) Information on product and service

The Group is engaged in the research and development and manufacture of API, as well as the provision of related consulting and technical services. The reconciliations of total segment and operating revenue were as follows:

	For the years ended December 31,	
	2016	2015
Revenue from sales of products	\$ 3,840,755	\$ 3,871,561
Revenue from technical services	190,076	82,272
Others	90	1,374
	<u>\$ 4,030,921</u>	<u>\$ 3,955,207</u>

(6) Geographical information

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

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 166,644	\$ 3,755,409	\$ 154,991	\$ 3,748,351
USA	1,985,533	–	1,639,640	–
India	400,738	–	700,044	
Asia	529,415	1,625,143	360,155	1,693,601
Europe	839,776	–	882,878	–
Others	108,815	–	217,499	–
	<u>\$ 4,030,921</u>	<u>\$ 5,380,552</u>	<u>\$ 3,955,207</u>	<u>\$ 5,441,952</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	<u>For the year ended December 31, 2016</u>		<u>For the year ended December 31, 2015</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 1, 716, 484	The Company	\$ 1, 447, 914	The Company
B	112, 777	"	512, 150	"

ScinoPharm Taiwan, Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD

										Nature of financial activity	Total transaction amount	Reason for financing	Allowance for doubtful accounts		Loan limit per entity	Maximum amount available for loan	Footnote
Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	(Note 1)				Assets pledged				
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 88,236	\$ 85,907	\$ 85,907	2.00	2	\$ -	Additional operating capital	\$ -	—	\$ -	\$ 431,461	\$ 431,461	(Note 2)

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

- 1.Trading partner.
- 2.Short-term financing.

Note 2: (1) For trading partner: the maximum amount for individual trading partner shall not exceed the higher of purchase or sales amount of the most recent year or the current year, the maximum amount for total loan is 20% of its net worth.(2) For short-term financing: the maximum amount for individual is 20% of its net worth, the maximum amount for total loan is 40% of its net worth. If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net worth.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, 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 Company name	Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	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 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	\$ 10, 227, 793	\$ 1, 740, 200	\$ 1, 625, 270	\$ 802, 993	\$ -	15. 89%	\$ 10, 227, 793	Y	N	Y	—

Note 1: The following code represents the relationship with the Company:

1.The endorsed/ guaranteed parent company and its subsidiaries jointly own more than 50% voting shares of the endorser/ guarantor subsidiary.

Note 2: 1.The limit of total amount of endorsement is 50% of the Company's net worth, for 100% directly or indirectly owned subsidiaries, the maximum amount is 100% of its net worth.

The limit of total amount of the Group's endorsement and guarantee is 100% of the Group's net worth.

2. For any endorsement or guarantee provided by the Company due to business dealings, the amount of endorsement or guarantees shall be limited to the business dealing amount of the most recent year or the current year.

The business dealing amount is product purchase or sale amount between the entities, whichever is higher.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, 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				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
ScinoPharm Taiwan, Ltd.	Stocks:							
	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost-non-current	28,800,000	\$ 167,673	17.00%	\$ -	—
	SYNGEN, INC.	—	Financial assets measured at cost-non-current	245,000	-	7.40%	-	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets measured at cost-non-current	4,358,226	196,416	6.05%	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Subsidiary (SPT International, Ltd.)	Purchases	\$ 171, 470	19%	Closes its accounts 90 days from the end of each month after acceptance	\$ -	—	(\$ 33, 100)	(36%)	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(171, 470)	(55%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	33, 100	39%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 171, 470	Closes its accounts 90 days from the end of each month after acceptance	4%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Management service revenue	(15, 226)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	(33, 100)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	1, 625, 270	—	13%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Management consultancy fees	12, 398	—	—
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	87, 527	—	1%

Note 1: Significant inter-company transactions during the reporting periods are not disclosed since these were corresponding transactions. Only transactions over NT\$10 million are material.

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: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investees

For the year ended December 31, 2016

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016		Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value				
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 1,833,304	\$ 1,833,304	60,524,644	100.00	\$ 816,788	(\$ 264,129)	(\$ 256,720)		Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	–	–	2	100.00	66	16	16		Subsidiary

ScinoPharm Taiwan, Ltd. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016 (Note 2)	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	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new drug, etc.	\$ 129, 000	(Note 1)	\$ 120, 113	\$ -	\$ -	\$ 120, 113	(\$ 10, 227)	100	(\$ 10, 227)	\$ 431, 461	\$ -	Subsidiary
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drug, sale produced products, etc.	1, 757, 625	(Note 1)	1, 757, 625	-	-	1, 757, 625	(253, 827)	100	(253, 827)	408, 330	-	Subsidiary
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	38, 700	(Note 1)	38, 700	-	-	38, 700	84	100	84	20, 011	-	Subsidiary
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 3)										
ScinoPharm Taiwan, Ltd.	\$ 1, 955, 914	\$ 1, 955, 914	\$ 6, 136, 676										

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.

Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2016 was based on audited financial statements of investee companies as of and for the year ended December 31, 2016.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:32.25).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	(\$ 171,470)	(19%)	-	-	(\$ 33,100)	(37%)	\$ 1,625,270	Secured financing amount	-	-	-	-	- Management service revenue \$ 15,226 Research and development of expenses \$2,791 Other receivables of \$ 6,780
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	- Management consultancy fee \$ 12,398 Other payables of \$ 2,019
ScinoPharm (Kunshan) Biochemical Technology, Ltd.	(9,861)	(1%)	-	-	-	-	-	-	-	-	-	-	-

Appendix B

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ScinoPharm Taiwan, Ltd.

Opinion

We have audited the accompanying balance sheets of ScinoPharm Taiwan, Ltd. as at December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the ScinoPharm Taiwan, Ltd. as at December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 Company’s parent company only financial statements of 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Cutoff of export revenue

Description

Please refer to Note 4(26) to the parent company only financial statements for accounting policy on revenue recognition.

The Company's sales revenue mainly arose from manufacture and sale of generic drugs and primarily are export sales. The Company recognizes export sales revenue based on the terms and conditions of transactions which vary with different customers. For sales transactions in a certain period around balance sheet date, it is essential to ensure whether the significant risks and rewards of ownership have been transferred to the customers. As revenue recognition of export sales is subject to management's judgement on whether risks and rewards has been properly transferred, and contains the risk of inappropriate recognition timing, we consider the cutoff of export revenue a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. We obtained understanding and assessed the effectiveness of internal controls over cutoff of sales revenue, and tested the effectiveness of internal controls on shipment and billing.
2. We checked the completeness and performed cutoff tests on a random basis on the export sales details in a certain period around balance sheet date, which includes checking the terms and conditions of transaction, verifying against supporting documents, and checking whether inventory changes records and sales cost had been recognized in the proper period.

Inventory valuation

Description

Please refer to Note 4(10) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(3) for detailed items of inventories. As of December 31, 2016, the balances of inventory and allowance for inventory valuation losses were \$ 2,059,326 thousand and \$ 406,894 thousand, respectively.

The Company is primarily engaged in antineoplastic drug and advanced generic drugs. As the manufacturing process is long and complex, causing longer materials lead time, in addition, the waiting period for product registration is long, and customers' product launch time might be deferred, there is higher risk of incurring loss an inventory valuation. For inventories sold in regular way, the Company measures inventories at the lower of cost and net realisable value. For inventories age over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turn-over. Since the calculation of net realisable value involves subjective judgement and uncertainty and the ending balance of inventory was material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the historical data of inventory turn-over and judgement of obsolete inventory.
2. We checked the accuracy of inventory aging report, and recalculated the reasonableness of allowance for inventory valuation losses to ensure the report is consistent with the Company's policy.
3. We selected inventory part numbers on a random basis and verified its net realizable value to evaluate the reasonableness of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 non-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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only 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, Yung-Chih

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 28, 2017

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

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.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,261,712	30	\$ 1,981,296	19
1170	Accounts receivable, net	6(2)	587,329	5	840,479	8
1200	Other receivables		12,018	-	16,235	-
1210	Other receivables - related parties	7	6,780	-	5,268	-
130X	Inventory	5(2) and 6(3)	1,652,432	15	1,942,181	19
1410	Prepayments		198,023	2	143,031	1
11XX	Total current assets		5,718,294	52	4,928,490	47
Non-current assets						
1543	Financial assets measured at cost	6(4)(15)(24)				
	- non-current		364,089	3	338,907	3
1550	Investments accounted for under	6(4)(5)(24)				
	equity method		816,854	8	1,146,016	11
1600	Property, plant and equipment	6(6)(7)(24) and 7	3,722,375	34	3,718,257	36
1780	Intangible assets		12,633	-	12,656	-
1840	Deferred income tax assets	5(2) and 6(22)	277,852	3	238,020	3
1915	Prepayments for equipment	6(6)(24)	20,401	-	17,438	-
1920	Guarantee deposits paid		945	-	1,113	-
1980	Other financial assets - non-	8				
	current		28,831	-	24,734	-
15XX	Total non-current assets		5,243,980	48	5,497,141	53
1XXX	Total assets		\$ 10,962,274	100	\$ 10,425,631	100

(Continued)

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2120	Financial liabilities at fair value	6(8)						
	through profit or loss - current		\$	2,822	-	\$ 145	-	
2150	Notes payable			1,001	-	995	-	
2170	Accounts payable			56,926	1	32,639	-	
2180	Accounts payable - related parties	7		33,100	-	-	-	
2200	Other payables	6(9)(24) and 7		374,790	3	314,035	3	
2230	Current income tax liabilities	6(22)		110,910	1	100,009	1	
2310	Advance receipts			62,384	1	31,196	-	
21XX	Total current liabilities			641,933	6	479,019	4	
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)		877	-	3,368	-	
2640	Net defined benefit liabilities -	6(10)						
	non-current			70,053	1	62,854	1	
2645	Guarantee deposits received			21,618	-	23,397	-	
25XX	Total non-current liabilities			92,548	1	89,619	1	
2XXX	Total liabilities			734,481	7	568,638	5	
Equity								
Share capital								
3110	Share capital - common stock	6(11)(14)		7,603,262	69	7,310,829	70	
3200	Capital surplus	6(12)(13)		1,275,660	12	1,265,544	12	
Retained earnings		6(11)(14)(22)						
3310	Legal reserve			460,196	4	396,699	4	
3320	Special reserve			22,829	-	22,829	-	
3350	Unappropriated earnings			869,300	8	791,997	8	
3400	Other equity interest	6(15)	(	3,454)	-	69,095	1	
3XXX	Total equity			10,227,793	93	9,856,993	95	
Significant contingent liabilities		7 and 9						
and unrecognized contract								
commitments								
3X2X	Total liabilities and equity		\$	10,962,274	100	\$	10,425,631	100

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

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Years ended December 31				
			2016		2015	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16)	\$ 3,888,611	100	\$ 3,897,137	100
5000	Operating costs	6(3)(10)(20)(21), 7 and 9	(2,040,535)	(53)	(2,231,449)	(57)
5900	Net operating margin		<u>1,848,076</u>	<u>47</u>	<u>1,665,688</u>	<u>43</u>
	Operating expenses	6(2)(10)(20)(21), 7 and 9				
6100	Selling expenses		(177,964)	(5)	(164,464)	(4)
6200	General and administrative expenses		(400,236)	(10)	(346,991)	(9)
6300	Research and development expenses		(203,680)	(5)	(233,502)	(6)
6000	Total operating expenses		<u>(781,880)</u>	<u>(20)</u>	<u>(744,957)</u>	<u>(19)</u>
6900	Operating profit		<u>1,066,196</u>	<u>27</u>	<u>920,731</u>	<u>24</u>
	Non-operating income and expenses					
7010	Other income	6(2)(17) and 7	40,029	1	38,972	1
7020	Other gains and losses	6(4)(6)(7)(8)(18) and 12	(27,704)	(1)	96,240	2
7050	Finance costs	6(19)	(11)	-	(28)	-
7070	Share of loss of associates and joint ventures accounted for using equity method	6(5)	(256,704)	(6)	(285,806)	(7)
7000	Total non-operating income and expenses		<u>(244,390)</u>	<u>(6)</u>	<u>(150,622)</u>	<u>(4)</u>
7900	Profit before income tax		<u>821,806</u>	<u>21</u>	<u>770,109</u>	<u>20</u>
7950	Income tax expense	6(22)	(163,113)	(4)	(135,144)	(4)
8200	Profit for the year		<u>\$ 658,693</u>	<u>17</u>	<u>\$ 634,965</u>	<u>16</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)	(\$ 7,393)	-	\$ 6,821	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	1,258	-	(1,160)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(15)	(72,549)	(2)	(31,579)	-
8300	Other comprehensive loss for the year		<u>(\$ 78,684)</u>	<u>(2)</u>	<u>(\$ 25,918)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 580,009</u>	<u>15</u>	<u>\$ 609,047</u>	<u>16</u>
	Earnings per share (in dollars)	6(23)				
9750	Basic		\$ 0.87		\$ 0.84	
9850	Diluted		\$ 0.86		\$ 0.83	

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

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings				Other Equity		
	Notes	Share capital - common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Total equity
<u>For the year ended December 31, 2015</u>								
Balance at January 1, 2015		\$ 7,029,643	\$ 1,257,277	\$ 348,285	\$ 22,829	\$ 621,563	\$ 100,674	\$ 9,380,271
Distribution of 2014 net income (Note):								
Legal reserve		-	-	48,414	-	(48,414)	-	-
Cash dividends	6(14)	-	-	-	-	(140,592)	-	(140,592)
Stock dividends	6(11)(14)	281,186	-	-	-	(281,186)	-	-
Employee stock option compensation cost	6(12)(13)	-	8,267	-	-	-	-	8,267
Net income for the year ended December 31, 2015		-	-	-	-	634,965	-	634,965
Other comprehensive loss for the year ended December 31, 2015		-	-	-	-	5,661	(31,579)	(25,918)
Balance at December 31, 2015		<u>\$ 7,310,829</u>	<u>\$ 1,265,544</u>	<u>\$ 396,699</u>	<u>\$ 22,829</u>	<u>\$ 791,997</u>	<u>\$ 69,095</u>	<u>\$ 9,856,993</u>
<u>For the year ended December 31, 2016</u>								
Balance at January 1, 2016		\$ 7,310,829	\$ 1,265,544	\$ 396,699	\$ 22,829	\$ 791,997	\$ 69,095	\$ 9,856,993
Distribution of 2015 net income (Note):								
Legal reserve		-	-	63,497	-	(63,497)	-	-
Cash dividends	6(14)	-	-	-	-	(219,325)	-	(219,325)
Stock dividends	6(11)(14)	292,433	-	-	-	(292,433)	-	-
Employee stock option compensation cost	6(12)(13)	-	10,116	-	-	-	-	10,116
Net income for the year ended December 31, 2016		-	-	-	-	658,693	-	658,693
Other comprehensive loss for the year ended December 31, 2016		-	-	-	-	(6,135)	(72,549)	(78,684)
Balance at December 31, 2016		<u>\$ 7,603,262</u>	<u>\$ 1,275,660</u>	<u>\$ 460,196</u>	<u>\$ 22,829</u>	<u>\$ 869,300</u>	<u>(\$ 3,454)</u>	<u>\$10,227,793</u>

(Note) The employees' compensation were \$868 and \$77,011, and directors' and supervisors' remuneration were \$8,678 and \$11,543 in 2014 and 2015, respectively, which has been deducted from net income for the years.

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

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 821,806	\$ 770,109
Adjustments			
Adjustments to reconcile profit (loss)			
Provision/(reversal of allowance) for doubtful accounts	6(2)	564	(43)
Loss on inventory market price decline	6(3)	58,489	48,270
Provision for obsolescence of supplies		9,648	9,119
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	256,704	285,806
Gain on disposal of investments accounted for under the equity method	6(4)(18)	-	(95,381)
Depreciation	6(6)(20)	351,428	395,861
Loss on disposal of property, plant and equipment	6(18)	744	503
Impairment loss (gain on reversal)	6(6)(7)(18)	889	(4,193)
Amortization	6(20)	5,200	4,624
Loss (gain) on valuation of financial liabilities		2,677	(3,524)
Employee stock option compensation cost	6(12)(13)	10,025	7,844
Interest income	6(17)	(13,371)	(11,067)
Interest expense	6(19)	11	28
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	27
Accounts receivable		252,586	(317,472)
Other receivables		4,217	(904)
Other receivables - related parties		(1,512)	5,803
Inventories		231,260	257,104
Prepayments		(64,640)	(19,465)
Changes in operating liabilities			
Notes payable		6	(158)
Accounts payable		24,287	(11,629)
Accounts payable - related parties		33,100	-
Other payables		35,067	9,343
Advance receipts		31,188	(6,760)
Net defined benefit liabilities - non-current		(194)	971
Cash inflow generated from operations		2,050,179	1,324,816
Interest received		13,371	10,917
Interest paid		(11)	(28)
Income tax paid		(193,277)	(103,122)
Net cash flows from operating activities		1,870,262	1,232,583

(Continued)

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>For the years ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets measured at cost - non-current		(\$ 25,182)	\$ -
Cash paid for acquisition of property, plant and equipment	6(24)	(315,517)	(479,227)
Proceeds from disposal of property, plant and equipment		484	300
Acquisition of intangible assets		(5,177)	(10,267)
Increase in prepayment for equipment		(19,421)	(25,852)
Decrease in pledged deposits		168	451
Increase in other financial assets - non-current		(4,097)	-
Net cash flows used in investing activities		(368,742)	(514,595)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in guarantee deposits received		(1,779)	21,741
Payment of cash dividends	6(14)	(219,325)	(140,592)
Net cash flows used in financing activities		(221,104)	(118,851)
Net increase in cash and cash equivalents		1,280,416	599,137
Cash and cash equivalents at beginning of year	6(1)	1,981,296	1,382,159
Cash and cash equivalents at end of year	6(1)	<u>\$ 3,261,712</u>	<u>\$ 1,981,296</u>

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

ScinoPharm Taiwan, Ltd.

NOTES TO THE PARENT COMPANY ONLY 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) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company is primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (API), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services.

The Company's investment plan for the manufacturing of API was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.

(3) Uni-President Enterprises Corp., the Company's ultimate parent company, holds 37.94% equity interest in the Company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 28, 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 Company

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (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 Company's financial condition and financial performance based on the Company's assessment.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognized or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.

B. 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 IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board

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

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'

Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. 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.

C. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize 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 parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in NTD, which is the Company's functional and presentation currency.

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

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

(4) Classification of current and non-current items

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

(5) Cash equivalents

- A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Available-for-sale financial assets

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

(8) Impairment of financial assets

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

- (e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

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

(b) Financial assets measured at amortized cost

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

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for under the equity method / subsidiaries and associates

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.

- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. To meet the consistency of accounting policies of the Company, necessary adjustments are made to the accounting policies of the subsidiaries.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss. On the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Company disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognized as capital reserve in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital reserve in relation to the associate are transferred to profit or loss proportionately.

- I. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, ‘profit for the year’ and ‘other comprehensive income for the year’ reported in an entity’s parent company only statement of comprehensive income, shall equal to ‘profit for the year’ and ‘other comprehensive income’ attributable to owners of the parent reported in that entity’s consolidated statement of comprehensive income. Total equity reported in an entity’s parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity’s consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, 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. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings and structures	2 ~ 35 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	2 ~ 6 years
Office equipment	2 ~ 9 years
Other equipment	2 ~ 19 years

(13) Intangible assets

Professional skills, computer software, etc. are stated at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 5 years.

(14) Operating leases (lessee)

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

(15) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. The increased carrying amount due to reversal should not exceed the depreciated or amortized historical cost if the impairment had not been recognized.

(16) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(17) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(18) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation

on each balance sheet date.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The 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 of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations. .

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

C. Employees' compensation and directors' remuneration

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

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements. However, the deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- F. Deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options 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 Company manufactures and sells Active Pharmaceutical Ingredients (API), intermediates, 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 Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Company provides biochemical technology development consultation and processing services. Revenue from rendering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed.

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

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

(1) Critical judgments in applying the Company's accounting policies

Financial assets — impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

- (a) As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable 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 \$1,652,432.

B. Realizability of deferred tax assets

- (a) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realizability of deferred tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future

sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(b) As of December 31, 2016, the Company recognized deferred income tax assets amounting to \$277,852.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash:		
Cash on hand	\$ 34	\$ 180
Checking accounts and demand deposits	<u>71,403</u>	<u>117,201</u>
	<u>71,437</u>	<u>117,381</u>
Cash Equivalents:		
Time deposits	2,904,500	1,564,003
Bill under repurchase agreements	<u>285,775</u>	<u>299,912</u>
	<u>3,190,275</u>	<u>1,863,915</u>
	<u>\$ 3,261,712</u>	<u>\$ 1,981,296</u>

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

B. Details of the Company's time deposits pledged to others as collateral (listed as 'other financial assets – non-current') as of December 31, 2016 and 2015 are provided in Note 8.

(2) ACCOUNTS RECEIVABLES, NET

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	\$ 587,946	\$ 840,532
Less: Allowance for doubtful accounts	(<u>617</u>)	(<u>53</u>)
	<u>\$ 587,329</u>	<u>\$ 840,479</u>

A. As of December 31, 2016 and 2015, the Company had no accounts receivable classified as 'past due but not impaired'.

B. Movements on the provision for impairment of accounts receivable are as follows:

	<u>2016</u>	<u>2015</u>
	<u>Group provision</u>	<u>Group provision</u>
At January 1	\$ 53	\$ 96
Provision for (reversal of) impairment	<u>564</u>	(<u>43</u>)
At December 31	<u>\$ 617</u>	<u>\$ 53</u>

C. The Company's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial

characteristics, scale of business and profitability.

D. The Company does not hold any collateral as security for accounts receivable as of December 31, 2016 and 2015.

(3) INVENTORIES

	December 31, 2016		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 327,360	(\$ 66,508)	\$ 260,852
Supplies	9,139	(593)	8,546
Work in process	765,869	(83,745)	682,124
Finished goods	956,958	(256,048)	700,910
	<u>\$ 2,059,326</u>	<u>(\$ 406,894)</u>	<u>\$ 1,652,432</u>
	December 31, 2015		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 214,680	(\$ 52,413)	\$ 162,267
Supplies	11,213	(603)	10,610
Work in process	992,976	(56,161)	936,815
Finished goods	1,071,717	(239,228)	832,489
	<u>\$ 2,290,586</u>	<u>(\$ 348,405)</u>	<u>\$ 1,942,181</u>

The cost of inventories recognized as expense and losses for the year:

	2016	2015
Cost of goods sold	\$ 1,687,721	\$ 1,964,054
Loss on scrap inventory	53,811	15,956
Loss on physical inventory	8,910	6,724
Under applied manufacturing overhead	199,752	173,765
Provision for inventory market price decline	58,489	48,270
	<u>\$ 2,008,683</u>	<u>\$ 2,208,769</u>

(4) FINANCIAL ASSETS MEASURED AT COST – NON – CURRENT

	December 31, 2016	December 31, 2015
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167,673	\$ 167,673
SYNGEN, INC.	4,620	4,620
Foresee Pharmaceuticals Co., Ltd.	196,416	171,234
	368,709	343,527
Less: Accumulated impairment	(4,620)	(4,620)
	<u>\$ 364,089</u>	<u>\$ 338,907</u>

- A. Based on the Company's intension, its investment in Tanvex Biologics, Inc. and SYNGEN, INC. should be classified as available-for-sale financial assets. However, as Tanvex Biologics, Inc. and Syngen, Inc. are not traded in an active market and no sufficient industry information and financial information of similar companies can be obtained, the fair value of the investments in Tanvex Biologics, Inc. and Syngen, Inc. cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost'.
- B. Foreseeacer Pharmaceuticals, Inc. (hereafter, "Foreseeacer"), an associate of the Company accounted for under the equity method, entered into a share swap transaction with its controlling shareholder, Foresee Pharmaceuticals, Inc. (hereafter, "Foresee Cayman") during the fourth quarter of 2014, whereby Foresee Cayman issued new shares to swap and recall the outstanding shares of Foreseeacer. The Company obtained approval of such transaction during the Board of Directors' meeting on November 7, 2014, and the related share swap was completed on January 15, 2015. After the swap, the Company obtained 5,400 thousand preferred shares of Foresee Cayman, consisting of 6.12% of its outstanding preferred shares. However, Foresee Cayman announced its second phase of re-organization plan (the Phase II Plan), in which, one of its fully owned subsidiaries, Foresee Pharmaceuticals Co., Ltd. (hereafter, "Foresee") will issue new shares to swap and recall all outstanding shares of Foresee Cayman. After engaging in the swap, the Company obtained 4,072 thousand common shares, comprising 6.12% of its outstanding common shares. Based on the guidance and accounting policies of the Company, such share swap transaction should be deemed as disposal of associates accounted for under the equity method, and the new investment will be measured at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. Any amounts previously recognized as capital surplus or as other comprehensive income in relation to the associate are transferred to profit or loss. However, as the Phase II Plan was completed as of June 30, 2015, the uncertainties regarding the fair value of the final share interests received in the swap has been eliminated. The related gain of \$95,381 from the share swap transaction has been recognized upon completion of the Phase II Plan. After a comprehensive assessment, the Company does not have the right to exercise significant influence on the investee company, Foresee Cayman, and accordingly, the related share of interest was classified as 'available-for-sale financial assets'. However, as the shares of Foresee Cayman are not publicly traded in an active market and its fair value cannot be measured reliably, the Company classified those shares as 'financial assets measured at cost'.

C. As of December 31, 2016 and 2015, no financial assets measured at cost held by the Company were pledged to others.

(5) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
SPT International, Ltd.	\$ 816,788	\$ 1,145,966
ScinoPharm Singapore Pte Ltd.	66	50
	<u>\$ 816,854</u>	<u>\$ 1,146,016</u>

A. Subsidiaries

For information relating to the Company's subsidiaries, please refer to Note 4(3), "Basis of consolidation" of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2016.

B. Associates

For the years ended December 31, 2016 and 2015, the Company has no significant associate investments, other relevant investment which has effect on financial performance is as follows:

	<u>2016</u>	<u>2015</u>
Profit for the year from continuing operations	\$ —	\$ 754
Total comprehensive income	<u>\$ —</u>	<u>\$ 754</u>

C. The Company was involved in swap exchange with controlling shareholders of an investment accounted for under the equity method. Consequently, the Company lost the significant influence over the investee. For relevant information, please refer to Note 6(4).

D. The share of loss of subsidiaries, associates and joint ventures accounted for under the equity method amounted to (\$256,704) and (\$285,806) for the years ended December 31, 2016 and 2015, respectively.

E. The Company does not hold any investment accounted for under the equity method as collateral for the years ended December 31, 2016 and 2015.

(6) PROPERTY, PLANT AND EQUIPMENT

<u>January 1, 2016</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost	\$ 1, 983, 537	\$ 4, 314, 922	\$ 19, 962	\$ 145, 368	\$ 4, 832	\$ 1, 194, 610	\$ 7, 663, 231
Accumulated depreciation	(680, 341)	(3, 148, 185)	(13, 782)	(86, 661)	(2, 254)	–	(3, 931, 223)
Accumulated impairment	–	(13, 751)	–	–	–	–	(13, 751)
	<u>\$ 1, 303, 196</u>	<u>\$ 1, 152, 986</u>	<u>\$ 6, 180</u>	<u>\$ 58, 707</u>	<u>\$ 2, 578</u>	<u>\$ 1, 194, 610</u>	<u>\$ 3, 718, 257</u>
<u>For the year ended December 31, 2016</u>							
At January 1	\$ 1, 303, 196	\$ 1, 152, 986	\$ 6, 180	\$ 58, 707	\$ 2, 578	\$ 1, 194, 610	\$ 3, 718, 257
Additions	–	–	–	–	–	341, 205	341, 205
Reclassified from prepayment for equipment	–	–	–	–	–	16, 458	16, 458
Reclassified upon completion	485, 491	87, 074	–	9, 215	–	(581, 780)	–
Depreciation charge	(77, 630)	(250, 429)	(1, 891)	(21, 272)	(206)	–	(351, 428)
Disposals – Cost	–	(14, 206)	(405)	(421)	(876)	–	(15, 908)
– Accumulated depreciation	–	12, 978	405	421	876	–	14, 680
Impairment loss	–	(889)	–	–	–	–	(889)
At December 31	<u>\$ 1, 711, 057</u>	<u>\$ 987, 514</u>	<u>\$ 4, 289</u>	<u>\$ 46, 650</u>	<u>\$ 2, 372</u>	<u>\$ 970, 493</u>	<u>\$ 3, 722, 375</u>
<u>December 31, 2016</u>							
Cost	\$ 2, 469, 028	\$ 4, 387, 790	\$ 19, 557	\$ 154, 162	\$ 3, 956	\$ 970, 493	\$ 8, 004, 986
Accumulated depreciation	(757, 971)	(3, 385, 636)	(15, 268)	(107, 512)	(1, 584)	–	(4, 267, 971)
Accumulated impairment	–	(14, 640)	–	–	–	–	(14, 640)
	<u>\$ 1, 711, 057</u>	<u>\$ 987, 514</u>	<u>\$ 4, 289</u>	<u>\$ 46, 650</u>	<u>\$ 2, 372</u>	<u>\$ 970, 493</u>	<u>\$ 3, 722, 375</u>

January 1, 2015	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost	\$ 1,959,937	\$ 4,305,887	\$ 19,962	\$ 136,667	\$ 7,693	\$ 919,307	\$ 7,349,453
Accumulated depreciation	(604,736)	(2,903,815)	(11,440)	(69,952)	(5,154)	–	(3,595,097)
Accumulated impairment	–	(17,944)	–	–	–	–	(17,944)
	<u>\$ 1,355,201</u>	<u>\$ 1,384,128</u>	<u>\$ 8,522</u>	<u>\$ 66,715</u>	<u>\$ 2,539</u>	<u>\$ 919,307</u>	<u>\$ 3,736,412</u>
<u>For the year ended December 31, 2015</u>							
At January 1	\$ 1,355,201	\$ 1,384,128	\$ 8,522	\$ 66,715	\$ 2,539	\$ 919,307	\$ 3,736,412
Additions	–	–	–	–	–	356,716	356,716
Reclassified from prepayment for equipment	–	–	–	–	–	17,600	17,600
Reclassified upon completion	23,600	61,918	–	13,269	226	(99,013)	–
Depreciation charge	(75,605)	(296,450)	(2,342)	(21,277)	(187)	–	(395,861)
Disposals – Cost	–	(52,883)	–	(4,568)	(3,087)	–	(60,538)
– Accumulated depreciation	–	52,080	–	4,568	3,087	–	59,735
Reversal of impairment loss	–	4,193	–	–	–	–	4,193
At December 31	<u>\$ 1,303,196</u>	<u>\$ 1,152,986</u>	<u>\$ 6,180</u>	<u>\$ 58,707</u>	<u>\$ 2,578</u>	<u>\$ 1,194,610</u>	<u>\$ 3,718,257</u>
<u>December 31, 2015</u>							
Cost	\$ 1,983,537	\$ 4,314,922	\$ 19,962	\$ 145,368	\$ 4,832	\$ 1,194,610	\$ 7,663,231
Accumulated depreciation	(680,341)	(3,148,185)	(13,782)	(86,661)	(2,254)	–	(3,931,223)
Accumulated impairment	–	(13,751)	–	–	–	–	(13,751)
	<u>\$ 1,303,196</u>	<u>\$ 1,152,986</u>	<u>\$ 6,180</u>	<u>\$ 58,707</u>	<u>\$ 2,578</u>	<u>\$ 1,194,610</u>	<u>\$ 3,718,257</u>

A. As of and for the years ended December 31, 2016 and 2015, the Company has not capitalized any interest.

B. Information about provision for and reversal of impairment on property, plant and equipment is provided in Note 6(7).

C. As of December 31, 2016 and 2015, no property, plant and equipment were pledged to others as collateral.

(7) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Company recognized impairment loss for the years ended December 31, 2016 and 2015 in the amount of \$889 and \$—, respectively. The Company reversed the impairment loss recognized in prior period amounting to \$— and \$4,193 for the years ended December 31, 2016 and 2015, respectively, (listed as ‘other gains and losses’) as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(6).

B. The impairment loss and the reversal of impairment reported by operating segments are as follows:

Department	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
ScinoPharm Taiwan	\$ <u>889</u>	\$ <u>—</u>	(\$ <u>4,193</u>)	\$ <u>—</u>

(8) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Liabilities	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ <u>2,822</u>	\$ <u>145</u>

A. The Company recognized net gain (loss) on financial liabilities held for trading amounting to \$3,981 and (\$14,941) for the years ended December 31, 2016 and 2015, respectively (listed as ‘other gains and losses’).

B. Contract information about non-hedging derivative instrument transactions is as follows:

Items	December 31, 2016	
	Contract Amount	Contract Period
Forward foreign exchange contracts	USD 6,940,000	11. 2016~2. 2017

Items	December 31, 2015	
	Contract Amount	Contract Period
Forward foreign exchange contracts	USD 5,400,000	11. 2015~2. 2016

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of operations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(9) OTHER PAYABLES

	December 31, 2016	December 31, 2015
Accrued salaries and bonuses	\$ 137,962	\$ 114,164
Payables on equipment	70,505	44,817
Others	166,323	155,054
	<u>\$ 374,790</u>	<u>\$ 314,035</u>

(10) PENSIONS

A. (a) The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement). The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned methods to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by the end of March next year.

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	\$ 118,242	\$ 111,292
Fair value of plan assets	(48,189)	(48,438)
Net defined benefit liability	<u>\$ 70,053</u>	<u>\$ 62,854</u>

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2016</u>			
At January 1	\$ 111,292	(\$ 48,438)	\$ 62,854
Current service cost	1,926	–	1,926
Interest expense (income)	1,892	(823)	1,069
	<u>115,110</u>	<u>(49,261)</u>	<u>65,849</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	379	379
Change in financial assumptions	3,950	–	3,950
Experience adjustments	<u>3,064</u>	<u>–</u>	<u>3,064</u>
	<u>7,014</u>	<u>379</u>	<u>7,393</u>
Pension fund contribution	–	(3,189)	(3,189)
Paid pension	<u>(3,882)</u>	<u>3,882</u>	<u>–</u>
At December 31	<u>\$ 118,242</u>	<u>(\$ 48,189)</u>	<u>\$ 70,053</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
At January 1	\$ 113,369	(\$ 44,665)	\$ 68,704
Current service cost	2,634	–	2,634
Interest expense (income)	2,267	(893)	1,374
	<u>118,270</u>	<u>(45,558)</u>	<u>72,712</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	(283)	(283)
Change in financial assumptions	3,764	–	3,764
Experience adjustments	<u>(10,302)</u>	<u>–</u>	<u>(10,302)</u>
	<u>(6,538)</u>	<u>(283)</u>	<u>(6,821)</u>
Pension fund contribution	–	(3,037)	(3,037)
Paid pension	<u>(440)</u>	<u>440</u>	<u>–</u>
At December 31	<u>\$ 111,292</u>	<u>(\$ 48,438)</u>	<u>\$ 62,854</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is 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 Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2016</u>	<u>2015</u>
Discount rate	<u>1.40%</u>	<u>1.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance industry 5th Mortality Table for the years ended December 31, 2016 and 2015.

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

	<u>Discount rate</u>	<u>Future salary increases</u>
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2016</u>		
Effect on present value of defined benefit obligation	(\$ 3,304)	\$ 3,438
<u>December 31, 2015</u>		
Effect on present value of defined benefit obligation	(\$ 2,970)	\$ 3,493

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

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

(f) Expected contribution to the defined benefit pension plan of the Company for 2017 is \$3,120.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years.

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

Within 1 year	\$	9,749
2~5 years		17,903
Over 6 years		130,480
	\$	<u>158,132</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognized under the defined contribution plan were \$22,661 and \$21,849 for the years ended December 31, 2016 and 2015, respectively.

(11) SHARE CAPITAL

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

	For the years ended December 31,	
	2016	2015
At January 1	731,083	702,964
Capitalization of retained earnings	29,243	28,119
At December 31	<u>760,326</u>	<u>731,083</u>

B. On June 23, 2015, the Company’s shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$281,186 and obtained approval from the SFC. The effective date of capitalization was set on August 14, 2015. After the event of capitalization mentioned above, the Company’s total authorized capital was \$10,000,000, and the paid-in capital was \$7,310,829 (731,083 thousand shares) with a par value of \$10 (in dollars) per share.

C. On June 27, 2016, the Company’s shareholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$292,433 and obtained approval from the SFC. The effective date of capitalization was set on August 16, 2016. After the capitalization mentioned above, the Company’s total authorized capital was \$10,000,000 and the paid-in capital was \$7,603,262 (760,326 thousand shares) with a par value of \$10 (in dollars) per share.

D. As of on December 31, 2016, the Company’s authorized capital was \$10,000,000 and the paid-in capital was \$7,603,262 (760,326 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(12) CAPITAL REAERVE

- A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. Movements in the Company's capital reserve are as follows:

	For the year ended December 31, 2016		
	Share premium	Stock options	Total
At January 1	\$ 1, 233, 286	\$ 32, 258	\$ 1, 265, 544
Employee stock options compensation			
— Company	—	10, 025	10, 025
— Subsidiaries	—	91	91
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 42, 374</u>	<u>\$ 1, 275, 660</u>
	For the year ended December 31, 2015		
	Share premium	Stock options	Total
At January 1	\$ 1, 233, 286	\$ 23, 991	\$ 1, 257, 277
Employee stock options cost			
— Company	—	7, 844	7, 844
— Subsidiaries	—	423	423
At December 31	<u>\$ 1, 233, 286</u>	<u>\$ 32, 258</u>	<u>\$ 1, 265, 544</u>

(13) SHARE-BASED PAYMENT

- A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the Grant Date). The exercise prices of the options were set at \$91.70 (in dollars), \$41.65 dollars (in dollars) and \$40.55 (in dollars), respectively, which were based on the closing market price of the Company's common shares on the grant date. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in share numbers of the Company's common stocks after the Grant Date. (As of December 31, 2016, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price adjusted based on the specific formula was \$80.20 (in dollars) per share, \$40.00 (in dollars) per share and \$40.55(in dollars) per share, respectively.) Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognized compensation cost relating to the employee stock options plan of \$10,025 and \$7,844 for the years ended December 31, 2016 and 2015,

respectively.

B. Details of the share-based payment arrangement are as follows:

<u>For the year ended December 31, 2016</u>		
	No. of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,348	\$ 56.92
Options granted	1,500	40.55
Options forfeited	(391)	62.47
Options outstanding at end of the year	<u>3,457</u>	48.03
Options exercisable at end of the year	<u>503</u>	80.20
<u>For the year ended December 31, 2015</u>		
	No. of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	1,000	\$ 91.70
Options granted	1,500	41.65
Options forfeited	(152)	80.40
Options outstanding at end of the year	<u>2,348</u>	56.92
Options exercisable at end of the year	<u>430</u>	83.40

C. The exercise prices of the employee stock options outstanding on the balance sheet date is as follows:

		<u>December 31, 2016</u>		<u>December 31, 2015</u>	
<u>Grant date</u>	<u>Expiry date</u>	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	670	\$ 80.20	859	\$ 83.40
11.6.2015	11.5.2025	1,299	40.00	1,489	41.65
10.14.2016	10.13.2026	1,488	40.55	–	–

D. The fair value of the Company's employee stock option on grant date was evaluated using the combination of Hull & White and the Ritchken trinomial option valuation model. Related information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12. 3. 2013	\$ 91. 70	\$ 91. 70	28. 50% (Note)	10 years	1. 5%	1. 7145%	\$ 26. 045
Employee stock options	11. 6. 2015	41. 65	41. 65	37. 63% (Note)	10 years	1. 5%	1. 2936%	13. 799
Employee stock options	10. 14. 2016	40. 55	40. 55	37. 20% (Note)	10 years	1. 5%	0. 9223%	13. 171

Note: According to daily returns of the Company's stock for the previous year, the annualized volatility is 28.50%, 37.63% and 37.20%, respectively.

(14) RETAINED EARNINGS

- A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends 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. Since the Company is in an ever-changing industry, the Board of Directors takes future budgeted capital expenditure and fund requirements into consideration to make the earnings appropriation decision and adopt proper dividend policies. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve for 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. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognized cash dividends and stock dividends distributed to owners amounting to \$219,325 (\$0.30 (in dollars) per share) and \$292,433 (\$0.40 (in dollars) per share) for the year ended December 31, 2016, respectively, and \$140,592 (\$0.20 (in dollars) per share) and \$281,186 (\$0.40 (in dollars) per share) for the year ended December 31, 2015, respectively. On March 28, 2017, the Board of Directors proposed for the distribution of cash dividends of \$228,098 (\$0.30 (in dollars) per share) and stock dividends of \$304,130 (\$0.40 (in dollars) per share) for the year 2016.

(15) OTHER EQUITY ITEMS

	For the years ended December 31,	
	2016	2015
At January 1	\$ 69,095	\$ 100,674
Currency translation differences-group	(72,549)	(26,755)
Disposal (Note)	—	(4,824)
At December 31	<u><u>(\$ 3,454)</u></u>	<u><u>\$ 69,095</u></u>

Note: The Company has lost significant influence due to adoption of equity evaluation of investees and stock swap transactions between the controlling shareholders, treated as disposal adapts investment under equity method and be removed original stake holding percentage be listed as other related equity item, please refer to Note 6(4).

(16) OPERATING REVENUE

	For the years ended December 31,	
	2016	2015
Sales revenue	\$ 3,865,240	\$ 3,865,958
Less: Sales returns	(64,812)	(18,348)
Sales discounts	(6,984)	(31,549)
Technical service revenue	95,167	81,076
	<u><u>\$ 3,888,611</u></u>	<u><u>\$ 3,897,137</u></u>

(17) OTHER INCOME

	For the years ended December 31,	
	2016	2015
Interest income from bank deposits	\$ 13,371	\$ 11,067
Management service revenue	15,226	11,843
Compensation revenue	7,404	9,741
Others	4,028	6,321
	<u><u>\$ 40,029</u></u>	<u><u>\$ 38,972</u></u>

(18) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2016	2015
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	\$ 3,981	(\$ 14,941)
Gain on disposal of investments	–	95,381
Loss on disposal of property, plant, and equipment	(744)	(503)
(Provision for) reversal of impairment	(889)	4,193
Net currency exchange (loss) gain	(13,555)	32,161
Others	(16,497)	(20,051)
	<u>(\$ 27,704)</u>	<u>\$ 96,240</u>

(19) FINANCE COSTS

	For the years ended December 31,	
	2016	2015
Interest expense:		
Bank borrowings	<u>\$ 11</u>	<u>\$ 28</u>

(20) EXPENSES BY NATURE

	For the year ended December 31, 2016		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 374,908	\$ 322,577	\$ 697,485
Depreciation	276,907	74,521	351,428
Amortization	<u>2,285</u>	<u>2,915</u>	<u>5,200</u>
	<u>\$ 654,100</u>	<u>\$ 400,013</u>	<u>\$ 1,054,113</u>

	For the year ended December 31, 2015		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 371,090	\$ 284,105	\$ 655,195
Depreciation	319,960	75,901	395,861
Amortization	<u>1,749</u>	<u>2,875</u>	<u>4,624</u>
	<u>\$ 692,799</u>	<u>\$ 362,881</u>	<u>\$ 1,055,680</u>

(21) EMPLOYEE BENEFIT EXPENSE

	For the year ended December 31, 2016		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 321, 631	\$ 282, 020	\$ 603, 651
Labor and health insurance expenses	26, 522	17, 488	44, 010
Pension costs	15, 730	9, 926	25, 656
Other personnel expenses	11, 025	13, 143	24, 168
	<u>\$ 374, 908</u>	<u>\$ 322, 577</u>	<u>\$ 697, 485</u>

	For the year ended December 31, 2015		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 319, 585	\$ 246, 737	\$ 566, 322
Labor and health insurance expenses	26, 783	15, 066	41, 849
Pension costs	15, 424	10, 433	25, 857
Other personnel expenses	9, 298	11, 869	21, 167
	<u>\$ 371, 090</u>	<u>\$ 284, 105</u>	<u>\$ 655, 195</u>

- A. As of December 31, 2016 and 2015, the Company had 610 and 616 employees, respectively.
- B. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- C. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$82,181 and \$67,511, respectively; directors' remuneration was accrued at \$11,734 and \$11,429, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized for the period were accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 28, 2017 were \$82,181 and \$11,734, respectively, and the employees' compensation will be distributed in the form of cash. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2015 was \$88,554, which was different from the estimated amount of \$78,940 recognized in the 2015 financial statements by \$9,614. Such difference mainly resulted from estimation, and was recognized in profit or loss for 2016.
- Information about the appropriation of employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current income tax:		
Current tax on profits for the year	\$ 195,170	\$ 176,862
10% tax on unappropriated retained earnings	6,537	1,214
Prior year income tax under (over) estimate	<u>2,471</u>	<u>(2,683)</u>
Total current tax	<u>204,178</u>	<u>175,393</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>(41,065)</u>	<u>(40,249)</u>
Income tax expense	<u>\$ 163,113</u>	<u>\$ 135,144</u>

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

	<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Remeasurement of defined benefit obligation	<u>(\$ 1,258)</u>	<u>\$ 1,160</u>

B. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Income tax at statutory tax rate	\$ 139,707	\$ 130,919
Effect of items disallowed by tax regulation	14,749	6,058
Effect of investment tax credits	<u>(351)</u>	<u>(364)</u>
10% tax on unappropriated retained earnings	6,537	1,214
Prior year income tax under (over) estimate	<u>2,471</u>	<u>(2,683)</u>
Income tax expense	<u>\$ 163,113</u>	<u>\$ 135,144</u>

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

For the year ended December 31, 2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Investment loss	\$ 200,515	\$ 41,900	\$ -	\$ 242,415
Technology know-how	21,570	(3,698)	-	17,872
Pensions	10,685	(33)	1,258	11,910
Employee benefits - unused compensated absences	2,888	(202)	-	2,686
Impairment of assets	2,337	152	-	2,489
Unrealized loss on financial liabilities	25	455	-	480
	<u>\$ 238,020</u>	<u>\$ 38,574</u>	<u>\$ 1,258</u>	<u>\$ 277,852</u>
Deferred tax liabilities:				
Unrealized gain on currency exchange	(3,368)	2,491	-	(877)
	<u>\$ 234,652</u>	<u>\$ 41,065</u>	<u>\$ 1,258</u>	<u>\$ 276,975</u>
For the year ended December 31, 2015				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Investment loss	\$155,012	\$ 45,503	\$ -	\$ 200,515
Technology know-how	25,268	(3,698)	-	21,570
Pensions	11,680	165	(1,160)	10,685
Employee benefits - unused compensated absences	3,085	(197)	-	2,888
Impairment of assets	3,050	(713)	-	2,337
Unrealized loss on financial liabilities	624	(599)	-	25
	<u>\$198,719</u>	<u>\$ 40,461</u>	<u>(\$ 1,160)</u>	<u>\$ 238,020</u>
Deferred tax liabilities:				
Unrealized gain on currency exchange	(3,156)	212	-	(3,368)
	<u>\$195,563</u>	<u>\$ 40,249</u>	<u>(\$ 1,160)</u>	<u>\$ 234,652</u>

- D. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary differences unrecognized as deferred tax liabilities were \$277,644 and \$287,871, respectively.
- E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 28, 2017.
- F. The Company's unappropriated retained earnings listed on the balance sheet as of December 31, 2016 and 2015 were all generated after the year 1998.
- G. As of December 31, 2016 and 2015, the balance of the Company's imputation tax credit account was \$240,791 and \$180,052, respectively. The earnings distribution for 2015 and 2014 were approved at the stockholders' meeting on June 27, 2016 and June 23, 2015, respectively, and the date of dividend distribution were set on August 16, 2016 and August 14, 2015, respectively, by the Board of Directors. The creditable tax rate were 23.04% and 23.48%, respectively. The creditable tax rate for 2016 is expected to be 23.81%. 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.

(23) EARNINGS PER SHARE ("EPS")

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 658,693	760,326	\$ 0.87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 658,693	760,326	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	—	253	
Employees' bonus	—	2,613	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 658,693	763,192	\$ 0.86

For the year ended December 31, 2015			
		Weighted average number of shares outstanding	EPS
	Amount after tax	(shares in thousands)	(in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 634,965	760,326	\$ 0.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 634,965	760,326	
Assumed conversion of all dilutive potential ordinary shares	—	1,375	
Employees' bonus	—	21	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 634,965	761,722	\$ 0.83

A. The stock options issued in 2013 are anti-dilutive, and are not included in the calculation of the diluted EPS.

B. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2015.

(24) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2016	2015
Purchase of property, plant and equipment	\$ 341,205	\$ 356,716
Add : Beginning balance of payable on equipment	44,817	167,328
Less : Ending balance of payable on equipment	(70,505)	(44,817)
Cash paid for purchase of property, plant and equipment	\$ 315,517	\$ 479,227

B. Investing activities with no cash flow effects

	For the years ended December 31,,	
	2016	2015
a. Investment accounted for under the equity method reclassified to financial assets measured at cost	\$ <u> —</u>	\$ <u> 171,234</u>
	For the years ended December 31,,	
	2016	2015
b. Prepayments for equipment reclassified to property, plant and equipment	\$ <u> 16,458</u>	\$ <u> 17,600</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent the ultimate controlling party of the Company is Uni-President Enterprises Corp. For names and relationship of other related parties with substantive control, please refer to Note 13(2).

(2) Significant transactions and balances with related parties

A. Purchases

	For the years ended December 31,	
	2016	2015
Purchase of goods:		
— Subsidiaries	\$ <u> 181,331</u>	\$ <u> 234,851</u>

Goods are purchased from subsidiaries on normal commercial terms and conditions. Payments are made in 90 days after receipt of goods.

B. Other expenses

	For the years ended December 31,	
	2016	2015
Rental expenses:		
— Entities controlled by key management individuals	\$ 1, 583	\$ 1, 663
Repairs and maintenance fees:		
— Entities controlled by key management individuals	\$ 462	\$ 3, 697
Management service fees:		
— Subsidiaries	\$ 12, 791	\$ 10, 945
— Ultimate parent company	5, 397	4, 755
— Associates of ultimate parent company	2, 186	2, 040
	\$ 20, 374	\$ 17, 740
Research and development expenses		
— Subsidiaries	\$ 2, 791	\$ —

C. Management consultancy revenue

	For the years ended December 31,	
	2016	2015
Technical consultancy revenue:		
— Subsidiaries	\$ 15, 226	\$ 11, 843

D. Other receivables

	December 31, 2016	December 31, 2015
Other receivables from related parties:		
— Subsidiaries	\$ 6, 780	\$ 5, 268

E. Accounts payable

	December 31, 2016	December 31, 2015
Accounts payable from related parties:		
— Subsidiaries	\$ 33, 100	\$ —

F. Other payables

	December 31, 2016	December 31, 2015
Other payables to related parties:		
— Subsidiaries	\$ 2, 075	\$ 5, 563
— Entities controlled by key management individuals	110	2, 231
	\$ 2, 185	\$ 7, 794

G. Property transactions

	For the years ended December 31,	
	2016	2015
Acquisition of property, plant and equipment:		
— Entities controlled by key management individuals	\$ —	\$ 1,656

H. Endorsements and guarantees provided to related parties

Details of endorsement and guarantees

		December 31, 2016	December 31, 2015
	<u>Nature of suretyship</u>		
Subsidiaries	Financial guarantee	\$ 1,625,270	\$ —

As of December 31, 2016 and 2015, the actual drawn amounts, which is guaranteed by the Company to the subsidiaries, were \$802,993 and \$ — , respectively.

(3) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	\$ 58,158	\$ 59,808

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2016	December 31, 2015	Purpose of collateral
			Customs duty and performance guarantee
Time deposits (Note)	\$ 28,831	\$ 24,734	

Note: Listed as 'other financial assets-non-current'

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2016 and 2015, the Company's unused letters of credit amounted to \$— and \$7,508, respectively.
- (2) As of December 31, 2016 and 2015, the Company's remaining balance due for construction in progress and prepayments for equipment was \$274,146 and \$463,663, respectively.
- (3) The Company entered into a non-cancellable operating lease agreement from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, with a lease term of less than twenty years. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of \$22,276 and \$21,291 listed as 'operating cost' and 'operating expense') was recognized

in profit or loss for the years ended December 31, 2016 and 2015. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Within one year	\$ 22, 276	\$ 21, 291
Later than one year but not exceeding five years	3, 713	24, 840
	<u>\$ 25, 989</u>	<u>\$ 46, 131</u>

Information about endorsement and guarantee to others is provided in Note 7(2) H.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Fair value information of financial instruments

The Company's financial instruments which are not measured at fair value (including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, other financial assets-non-currant, notes payable, accounts payable (including related parties), other payables and guarantee deposits received) is approximate to their fair value. Please refer to Note 12(3) for details of fair value information of financial instruments measured at fair value.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) The Company's central treasury department identifies, evaluates and hedges financial risks closely with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- (ii) To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company is required to hedge the foreign exchange risk exposure using forward foreign exchange contracts. However, hedge accounting is not applied as transactions did not meet all criteria of hedge accounting. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- (iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2016			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,467	32.25	\$ 627,811
EUR:NTD	413	33.90	14,001
CNY:NTD	510	4.644	2,368
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,567	32.25	50,536
CNY:NTD	435	4.644	2,020

	December 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 35,002	32.83	\$1,149,116
EUR:NTD	1,664	35.88	59,704
CNY:NTD	2,723	4.995	13,601
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	732	32.83	24,028
CNY:NTD	562	4.995	2,807
EUR:NTD	16	35.88	574

(iv) As of December 31, 2016 and 2015, if the USD:NTD exchange rate had appreciated/depreciated by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2016 and 2015 would have increased/decreased by \$28,864 and \$56,254, respectively. If the EUR:NTD exchange rate had appreciated/depreciated by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2016 and 2015 would have increased/decreased by \$700 and \$2,957, respectively. If the CNY:NTD exchange rate had appreciated/depreciated by 5% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2016 and 2015 would have increased/decreased by \$17 and \$540, respectively.

(v) Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015 amounted to (\$13,555) and \$32,161, respectively.

II. Price risk

The Company has investments classified as financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets (shown in 'financial assets measured at cost — non-current'). Therefore, the Company is exposed to price risk on equity instruments investments. To manage this risk, the Company has set stop-loss amounts for these instruments. Therefore, the Company is not exposed to significant market risk.

III. Interest rate risk

For the years ended December 31, 2016 and 2015, the Company's liabilities bear little significance and a small range of interest rate, thus, the Company does not bear significant interest rate risk.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing 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 with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, and outstanding receivables. The Company also transacts with many different banks and financial institutions to diversify risk.
- II. No credit limits were exceeded during the years ended December 31, 2016 and 2015.
- III. For more information regarding the Company's credit ratings on its financial assets, please refer to detailed explanation on financial assets in Note 6.

(c). Liquidity risk

- I. Cash flow forecasting is performed by the Company's treasury department, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. The following table comprises the Company's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analyzed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analyzed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 1,001	\$ –	\$ –	\$ –
Accounts payable	56,926	–	–	–
Accounts payable — related parties	33,100			
Other payables	374,790	–	–	–
Guarantee deposits received	21,618			
Derivative financial liabilities:				
Forward exchange contracts	2,822	–	–	–
December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 995	\$ –	\$ –	\$ –
Accounts payable	32,639	–	–	–
Other payables	314,035	–	–	–
Guarantee deposits received	23,397			
Derivative financial liabilities:				
Forward exchange contracts	145	–	–	–

(3) Fair value estimation

- A. Details of the fair value of the Group's financial liabilities not measured at fair value are provided in Note 12(2) A.
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- 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: Inputs for the asset or liability that are not based on observable market data.
- C. The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2016 and 2015.

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign exchange contracts	<u>\$ –</u>	<u>\$ 2,822</u>	<u>\$ –</u>	<u>\$ 2,822</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Financial liabilities at fair value through profit or loss – forward foreign exchange contracts	<u>\$ –</u>	<u>\$ 145</u>		<u>\$ 145</u>

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

- (a) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent Company only balance sheet date.
- (b) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (c) Forward exchange contracts are usually valued based on the current forward exchange rate.

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

F. The Company did not have financial instruments that meet the definition of level 3 instruments as of and for the years ended December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

According to the policies, only the financial information of the investee for 2016 is supposed to be disclosed based on the financial statements prepared by the same-period auditors. Instead of the adjustments taking into account the consolidation, the financial information is presented in every consolidated entity.

(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 period (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: Please refer to table 4.
- 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: Please refer to Note 6(8).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. General information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

ScinoPharm Taiwan, Ltd.

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity	Maximum amount available for loan	Footnote
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	\$ 88,236	\$ 85,907	\$ 85,907	2.00	2	\$ -	Additional operating capital	\$ -	-	\$ -	\$ 431,461	\$ 431,461	(Note 2)

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

- 1.Trading partner.
- 2.Short-term financing.

Note 2: (1) For trading partner: the maximum amount for individual trading partner shall not exceed the higher of purchase or sales amount of the most recent year or the current year, the maximum amount for total loan is 20% of its net worth.(2) For short-term financing: the maximum amount for individual is 20% of its net worth, the maximum amount for total loan is 40% of its net worth. If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net worth.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd.

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 Company name	Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	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 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	\$ 10, 227, 793	\$ 1, 740, 200	\$ 1, 625, 270	\$ 802, 993	\$ -	15. 89%	\$ 10, 227, 793	Y	N	Y	—

Note 1: The following code represents the relationship with the Company:

1.The endorsed/ guaranteed parent company and its subsidiaries jointly own more than 50% voting shares of the endorser/ guarantor subsidiary.

Note 2: 1.The limit of total amount of endorsement is 50% of the Company's net worth, for 100% directly or indirectly owned subsidiaries, the maximum amount is 100% of its net worth.

The limit of total amount of the Group's endorsement and guarantee is 100% of the Group's net worth.

2. For any endorsement or guarantee provided by the Company due to business dealings, the amount of endorsement or guarantees shall be limited to the business dealing amount of the most recent year or the current year.

The business dealing amount is product purchase or sale amount between the entities, whichever is higher.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd.

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				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
ScinoPharm Taiwan, Ltd.	Stocks:							
	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets measured at cost-non-current	28,800,000	\$ 167,673	17.00%	\$ -	—
	SYNGEN, INC.	—	Financial assets measured at cost-non-current	245,000	-	7.40%	-	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets measured at cost-non-current	4,358,226	196,416	6.05%	-	—

ScinoPharm Taiwan, Ltd.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Subsidiary (SPT International, Ltd.)	Purchases	\$ 171, 470	19%	Closes its accounts 90 days from the end of each month after acceptance	\$ -	—	(\$ 33, 100)	(36%)	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(171, 470)	(55%)	Closes its accounts 90 days from the end of each month after acceptance	-	—	33, 100	39%	—

ScinoPharm Taiwan, Ltd.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 171, 470	Closes its accounts 90 days from the end of each month after acceptance	4%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Management service revenue	(15, 226)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	(33, 100)	—	—
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	1, 625, 270	—	13%
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Management consultancy fees	12, 398	—	—
1	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	87, 527	—	1%

Note 1: Significant inter-company transactions during the reporting periods are not disclosed since these were corresponding transactions. Only transactions over NT\$10 million are material.

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: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (CNY:NTD 1:4.644).

ScinoPharm Taiwan, Ltd.

Information on investees

For the year ended December 31, 2016

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016		Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value				
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 1,833,304	\$ 1,833,304	60,524,644	100.00	\$ 816,788	(\$ 264,129)	(\$ 256,720)		Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	–	–	2	100.00	66	16	16		Subsidiary

ScinoPharm Taiwan, Ltd.
Information on investments in Mainland China
For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016 (Note 2)	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	Footnote
				as of January 1, 2016	Remitted to Mainland China	Remitted back to Taiwan	of December 31, 2016						
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new drug, etc.	\$ 129, 000	(Note 1)	\$ 120, 113	\$ -	\$ -	\$ 120, 113	(\$ 10, 227)	100	(\$ 10, 227)	\$ 431, 461	\$ -	Subsidiary
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drug, sale produced products, etc.	1, 757, 625	(Note 1)	1, 757, 625	-	-	1, 757, 625	(253, 827)	100	(253, 827)	408, 330	-	Subsidiary
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	38, 700	(Note 1)	38, 700	-	-	38, 700	84	100	84	20, 011	-	Subsidiary
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 3)										
ScinoPharm Taiwan, Ltd.	\$ 1, 955, 914	\$ 1, 955, 914	\$ 6, 136, 676										

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.

Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2016 was based on audited financial statements of investee companies as of and for the year ended December 31, 2016.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:32.25).

ScinoPharm Taiwan, Ltd.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2016		Balance at December 31, 2016		Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others
						%		Purpose					
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	(\$ 171,470)	(19%)	-	-	(\$ 33,100)	(37%)	\$ 1,625,270	Secured financing amount	-	-	-	-	- Management service revenue \$ 15,226 Research and development expenses \$2,791 Other receivables \$ 6,780
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	- Management consultancy fee \$ 12,398 Other payables \$ 2,019
ScinoPharm (Kunshan) Biochemical Technology, Ltd.	(9,861)	(1%)	-	-	-	-	-	-	-	-	-	-	-

ScinoPharm Taiwan, Ltd.

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