Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Lotus Pharmaceutical Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Lotus Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2016 and 2015 and the related consolidated statements of comprehensive income (loss) for the three months and six months ended June 30, 2016 and 2015, as well as the consolidated statements of changes in equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements", issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of nonsignificant subsidiaries included in the consolidated financial statements described in Note 11 to the consolidated financial statements were not reviewed. As of June 30, 2016 and 2015, combined total assets of these subsidiaries were 1.55% (NT$247,843 thousand) and 1.38% (NT$216,854 thousand), respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were 0.65% (NT$46,449 thousand) and 0.45% (NT$31,185 thousand), respectively, of the consolidated total liabilities; for the three months and six months ended June 30, 2016 and 2015, the combined comprehensive losses of these subsidiaries were (680.37%) (NT$9,712 thousand), (13.05%) (NT$11,251 thousand), (15.93%) (NT$16,645 thousand) and 39.53% (NT$11,394 thousand), respectively, of the consolidated total comprehensive income (losses). In addition, as described in Note 12 to the consolidated financial statements, the investment accounted for using the equity method amounted to $15,503 thousand and $7,270 thousand as of June 30, 2016 and 2015 respectively, and the share of comprehensive income (losses) amounted to $774 thousand and $(4,385) thousand, $(2,592) thousand and $(4,409) thousand for the three months ended and six months ended June 30, 2016 and 2015, respectively; the information for investees as described in Note 33 to the consolidated financial statements was also based on the financial statements that have not been reviewed.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements of these non-significant subsidiaries, investment accounted for using the equity method, and the information of investees as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the Group's consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

August 12, 2016

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Restated During Measurement Period - Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,932,015	12	$ 1,578,181	10	$ 1,296,169	8
Financial assets at fair value through profit or loss - current (Note 7)	-	-	42,383	-	62,905	-
Available-for-sale financial assets - current (Note 8)	-	-	7,611	-	-	-
Notes and trade receivables, net (Notes 9 and 29)	1,421,030	9	1,462,354	9	1,700,259	11
Other receivables	4,983	-	22,126	-	189,785	1
Other receivables from related parties (Note 29)	149,005	1	143,080	1	126,921	1
Current tax assets (Note 22)	128	-	472	-	843	-
Inventories (Note 10)	987,083	6	904,307	6	941,970	6
Other current assets (Note 30)	102,037	1	96,414	1	133,584	1
Total current assets	4,596,281	29	4,256,928	27	4,452,436	28
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 8)	1,751	-	1,756	-	1,756	-
Financial assets measured at cost - non-current (Note 8)	10	-	10	-	10	-
Investment accounted for using the equity method (Note 12)	15,503	-	18,095	-	7,270	-
Property, plant and equipment (Note 13)	2,008,512	13	2,074,686	13	1,934,175	12
Investment properties (Note 15)	-	-	-	-	11,240	-
Goodwill (Note 16)	6,121,276	38	6,205,249	40	6,206,221	40
Other intangible assets (Note 14)	2,228,400	14	1,826,090	12	1,808,535	12
Deferred tax assets (Note 22)	468,989	3	527,772	4	522,285	3
Other non-current assets (Notes 29 and 30)	529,938	3	591,355	4	722,231	5
Total non-current assets	11,374,379	71	11,245,013	73	11,213,723	72
TOTAL	$ 15,970,660	100	$ 15,501,941	100	$ 15,666,159	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 416,260	3	$ 376,752	3	$ 666,033	4
Notes and trade payables (Note 29)	516,087	3	396,973	3	295,133	2
Other payables	337,006	2	318,002	2	322,403	2
Other payables to related parties (Note 29)	344,181	2	335,134	2	874,923	6
Current tax liabilities (Note 22)	144,206	1	42,004	-	68,190	-
Provisions - current (Note 23)	94,913	1	98,196	1	130,398	1
Lease payables - current (Note 24)	1,450	-	3,405	-	4,085	-
Current portion of long-term borrowings (Note 17)	61,947	-	61,905	-	2,617	-
Other current liabilities - others	124,946	1	130,961	1	159,477	1
Total current liabilities	2,040,996	13	1,763,332	12	2,523,259	16
NON-CURRENT LIABILITIES						
Provisions - non-current (Note 23)	176,198	1	84,375	1	119,497	1
Long-term borrowings, net of current portion (Note 17)	4,087,821	26	4,111,501	26	3,522,976	22
Deferred tax liabilities (Note 22)	352,214	2	389,946	2	392,590	3
Other payable to related parties - non-current (Note 29)	-	-	-	-	213	-
Lease payables - non-current (Note 24)	62	-	414	-	4,147	-
Net defined benefit liabilities (Note 18)	477,818	3	421,306	3	352,060	2
Other non-current liabilities	435	-	435	-	-	-
Total non-current liabilities	5,094,548	32	5,007,977	32	4,391,483	28
Total liabilities	7,135,544	45	6,771,309	44	6,914,742	44
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital (Note 19)	2,384,917	15	2,384,917	15	2,384,917	15
Capital surplus (Note 19)	6,153,905	39	6,153,905	40	6,153,905	39
Treasury shares (Note 19)	(22,888)	-	(22,888)	-	(22,890)	-
Accumulated deficits (Note 19)	(555,471)	(4)	(619,551)	(4)	(593,578)	(4)
Other equity	(110,824)	(1)	(93,224)	(1)	(101,198)	-
Total equity attributable to owners of the Company	7,849,639	49	7,803,159	50	7,821,156	50
NON-CONTROLLING INTERESTS (Note 19)	985,477	6	927,473	6	930,261	6
Total equity	8,835,116	55	8,730,632	56	8,751,417	56
TOTAL	$ 15,970,660	100	$ 15,501,941	100	$ 15,666,159	100

Authorized Signatories (Chops) Title president

CEO

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

(With Deloitte & Touche review report dated August 12, 2016)

The above signers should be the same persons signing the management representation letter.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 20 and 29)	$ 1,594,332	100	$ 1,337,398	100	$ 3,019,607	100	$ 2,631,846	100
OPERATING COSTS (Notes 10 and 29)	647,382	41	577,163	43	1,293,257	43	1,126,678	43
GROSS PROFIT	946,950	59	760,235	57	1,726,350	57	1,505,168	57
OPERATING EXPENSES (Notes 21 and 29)								
Selling and marketing expenses	450,149	28	455,257	34	876,072	29	921,501	35
General and administrative expenses	225,584	14	156,535	12	367,726	12	317,004	12
Research and development expenses	66,093	4	57,734	4	129,116	4	105,565	4
Total operating expenses	741,826	46	669,526	50	1,372,914	45	1,344,070	51
INCOME FROM OPERATIONS	205,124	13	90,709	7	353,436	12	161,098	6
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 21 and 29)	11,239	1	72,071	5	43,096	1	122,465	4
Other gains and losses (Notes 21 and 29)	(23,694)	(2)	50,317	4	(16,748)	-	50,595	2
Finance costs (Notes 21 and 29)	(71,021)	(5)	(93,101)	(7)	(140,286)	(5)	(192,351)	(7)
Share of loss of associate (Note 33)	(26)	-	(19)	-	(48)	-	(43)	-
Total non-operating income (expenses), net	(83,502)	(6)	29,268	2	(113,986)	(4)	(19,334)	(1)
INCOME BEFORE INCOME TAX	121,622	7	119,977	9	239,450	8	141,764	5
INCOME TAX (EXPENSE) BENEFIT (Note 22)	(67,267)	(4)	5,207	-	(94,525)	(3)	(37,726)	(1)
NET INCOME FOR THE PERIOD	54,355	3	125,184	9	144,925	5	104,038	4
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	(25,744)	(1)	29,081	2	(25,744)	(1)	29,081	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	5,664	-	(6,398)	-	5,664	-	(6,398)	-

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LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	$ (33,648)	(2)	$ (57,270)	(4)	$ (17,817)	(1)	$ (151,180)	(6)
Share of the other comprehensive loss of associate accounted for using the equity method	800	-	(4,366)	(1)	(2,544)	-	(4,366)	-
Other comprehensive loss for the period	(52,928)	(3)	(38,953)	(3)	(40,441)	(2)	(132,863)	(5)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 1,427	-	$ 86,231	6	$ 104,484	3	$ (28,825)	(1)
NET INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ 16,818	1	$ 89,364	7	$ 80,640	3	$ 59,076	2
Non-controlling interests	37,537	2	35,820	2	64,285	2	44,962	2
	$ 54,355	3	$ 125,184	9	$ 144,925	5	$ 104,038	4
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ (27,333)	(2)	$ 53,379	4	$ 46,480	1	$ (54,702)	(2)
Non-controlling interests	28,760	2	32,852	2	58,004	2	25,877	1
	$ 1,427	-	$ 86,231	6	$ 104,484	3	$ (28,825)	(1)
EARNINGS PER SHARE (Note 25)								
Basic	$ 0.07		$ 0.37		$ 0.34		$ 0.25	

The accompanying notes are an integral part of the consolidated financial statements

(With Deloitte & Touche review report dated August 12, 2016)

(Concluded)

Authorized Signatories (Uncos) Title

president

CFO

The above signers should be the same persons signing the management representation letter

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
					Other Equity					
	Share Capital - Ordinary Shares									
	Shares (Thousand)	Amount	Capital Surplus	Accumulated Deficits	Unrealized Gain on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015 AS RESTATED	238,469	$ 2,384,690	$ 6,153,493	$ (671,361)	$ 2,524	$ 28,763	$ -	$ 7,898,109	$ 904,384	$ 8,802,493
Net income for the six months ended June 30, 2015	-	-	-	59,076	-	-	-	59,076	44,962	104,038
Other comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	18,707	(4,366)	(128,119)	-	(113,778)	(19,085)	(132,863)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	77,783	(4,366)	(128,119)	-	(54,702)	25,877	(28,825)
Convertible bonds converted to ordinary shares	23	227	412	-	-	-	-	639	-	639
Buy-back ordinary shares	-	-	-	-	-	-	(22,890)	(22,890)	-	(22,890)
BALANCE AT JUNE 30, 2015 AS RESTATED	238,492	$ 2,384,917	$ 6,153,905	$ (593,578)	$ (1,842)	$ (99,356)	$ (22,890)	$ 7,821,156	$ 930,261	$ 8,751,417
BALANCE AT JANUARY 1, 2016	238,492	$ 2,384,917	$ 6,153,905	$ (619,551)	$ 8,176	$ (101,400)	$ (22,888)	$ 7,803,159	$ 927,473	$ 8,730,632
Net income for the six months ended June 30, 2016	-	-	-	80,640	-	-	-	80,640	64,285	144,925
Other comprehensive loss for the six months ended June 30, 2016	-	-	-	(16,560)	(2,544)	(15,056)	-	(34,160)	(6,281)	(40,441)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	64,080	(2,544)	(15,056)	-	46,480	58,004	104,484
BALANCE AT JUNE 30, 2016	238,492	$ 2,384,917	$ 6,153,905	$ (555,471)	$ 5,632	$ (116,456)	$ (22,888)	$ 7,849,639	$ 985,477	$ 8,835,116

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

(With Deloitte & Touche review report dated August 12, 2016)

Authorized Signatories (Chops) | Title

president

CFO

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LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 239,450	$ 141,764
Adjustments for:		
Depreciation expenses (including investment properties)	89,837	101,132
Amortization expenses	57,457	53,272
Write-down of inventories	28,324	52,901
Impairment loss on non-financial assets	78,494	378
Gain on disposal of property, plant and equipment and investment properties	(630)	(3,791)
Interest income	(14,893)	(21,410)
Finance costs	140,286	192,351
Share of loss of associate	48	43
Net loss on fair value change of financial assets at fair value through profit or loss	-	11,241
Gain on disposal of financial assets at fair value through profit or loss	(5,036)	-
Gain on disposal of available-for-sale financial assets	(415)	(36,547)
Impairment loss recognized (reversal of impairment loss) on notes and trade receivables	6,851	(4,839)
Changes in operating assets and liabilities		
Notes and trade receivables	27,729	94,723
Other receivables	17,036	(3,194)
Other receivables from related parties	3,816	6,489
Inventories	(127,606)	15,404
Other current assets	8,057	(24,144)
Other non-current assets	(3,830)	39,995
Notes and trade payables	120,221	(157,641)
Other payables	28,210	(55,425)
Other payables to related parties	(1,400)	38,051
Net defined benefit liabilities	29,872	19,899
Provisions	(8,735)	(16,306)
Other current liabilities - others	(5,769)	17,511
Cash generated from operations	707,374	461,857
Interest received	8,390	20,444
Interest paid	(121,384)	(172,698)
Income tax refund	34,475	19,005
Net cash generated from operating activities	628,855	328,608

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LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through profit or loss	$ 47,419	$ -
Proceeds from disposal of available-for-sale financial assets	7,913	36,547
Purchase of property, plant and equipment	(29,719)	(71,070)
Proceeds from disposal of property, plant and equipment and investment properties	4,774	36,585
Purchase of intangible assets	(368,839)	(118,798)
Decrease (increase) in refundable deposits	11,064	(19)
Decrease in restricted cash	47,149	149,607
Net cash (used in) generated from investing activities	(280,239)	32,852
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	40,000	345,504
Repayments of short-term borrowings	-	(163,680)
Repayments of long-term borrowings	(30,913)	(93,413)
Repayments of loan from related party	-	(170,972)
Decrease in lease payables	(2,295)	(7,040)
Decrease in guarantee deposits	-	(26,895)
Buy-back of ordinary shares	-	(22,890)
Net cash generated from (used in) financing activities	6,792	(139,386)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(1,574)	(21,421)
NET INCREASE IN CASH AND CASH EQUIVALENTS	353,834	200,653
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,578,181	1,095,516
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,932,015	$ 1,296,169

Authorized Signatories (Unclear) Title

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

president

(With Deloitte & Touche review report dated ~~August 12, 2016~~) (Concluded)

CFO

The above signers should be the same persons signing the management representation letter

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Lotus Pharmaceutical Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on June 30, 1966. The Company's shares started to be traded on the Taipei Exchange on January 29, 2010.

The Company completed a stock swap with its investor, Alvogen Asia Pacific Holdings Limited ("Alvogen AP"), in which the Company privately placed its newly issued 151,100,000 shares and acquired on August 11, 2014 equity in some subsidiaries of Alvogen AP (collectively, the "legal subsidiaries"), as follows: 100% of Alvogen Korea Holdings Ltd. ("Alvogen Korea Holdings", formerly "Alvogen Korea Ltd.") and its subsidiary, Alvogen Korea Co., Ltd. ("Alvogen Korea", formerly "Kunwha Pharmaceutical Co., Ltd."); 98% of Alvogen Pharma India Pvt Ltd. and its subsidiary, Norwich Clinical Services Private Limited; and 100% of Taiwan Alvogen Ltd. This was a reverse acquisition; thus, the consolidated financial statements prepared following this reverse acquisition have been issued in the name of the legal parent (the Company) and presented as a continuation of the financial statements of the legal subsidiaries (Alvogen Korea Holdings and its subsidiary, Alvogen Pharma India Pvt Ltd. and its subsidiary, and Taiwan Alvogen Ltd.). In addition, the Company, through Alvogen Korea Holdings, acquired two high-value Abbreviated New Drug Application (ANDA) filings for Buprenorphine/Naloxone and Budesonide from the Alvogen Group. Further, the Company acquired distribution rights from the Alvogen Group to sell some monoclonal antibody molecules to Asian markets, excluding Japan.

As described in Note 26, Alvogen Korea acquired a 100% ownership interest in Dream Pharmaceutical Co., Ltd. ("Dream Pharma"), a spin-off subsidiary of Hanwha Chemical Corporation on December 19, 2014. Dream Pharma was merged with Alvogen Korea in June 2015 and had been liquidated.

The consolidated financial statements comprise the Company and its subsidiaries as described in Note 11 (hereinafter referred to collectively as "the Group").

The Group is engaged mainly in the pharmaceutical research and development, manufacturing and sales of medicine, and drug consulting services.

The consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on August 12, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

   Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Group's accounting policies:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

   Several standards, including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

5) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016.

As of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

(Continued)

New IFRSs	Effective Date Announced by IASB (Note)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

IFRS 15 and related amendment require that the nature of the Group's promise in granting the license is to provide a right to access the Group's intellectual property and revenue is recognized over time if all of the following criteria are met. Otherwise, the promise is to provide a right to use the Group's intellectual property as it exists at the point in time at which the license is granted and revenue is recognized when the license is transferred.

a) The contract requires, or the customer reasonably expects, the Group to undertake activities that significantly affect the intellectual property to which the customer has rights.

b) The rights granted by the license directly expose the customer to any positive or negative effects of the above activities.

c) Those activities do not result in the transfer of a good or a service to the customer as the activities occur.

The Group's activities significantly affect the intellectual property to which the customer has rights if those activities are expected to significantly change the form or the functionality of the intellectual property, or if the ability of the customer to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities.

Under current standard and practice, fees and royalties paid for the use of the Group's asset are recognized on a straight-line basis over the life of the agreement.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

About the detail information, holding percentage, and main business of the subsidiaries, please refer to Note 11 and Table 5.

c. Other significant accounting policies

Except for the following, the accounting policies applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash and deposits in banks	$ 1,398,111	$ 1,046,376	$ 1,296,169
Money market deposit account	533,904	531,805	-
	$ 1,932,015	$ 1,578,181	$ 1,296,169

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets held for trading			
Domestic quoted shares	$ -	$ 42,383	$ 62,905

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS MEASURED AT COST

	June 30, 2016	December 31, 2015	June 30, 2015
Available-for-sale financial assets - current			
Investment in money market portfolio	$ -	$ 7,611	$ -
Available-for-sale financial assets - non-current			
Overseas unlisted common shares - Korea Pharmaceutical	$ 1,751	$ 1,756	$ 1,756
Financial assets measured at cost - non-current			
Others	$ 10	$ 10	$ 10

Available-for-sale financial assets - non-current refers to Korean unlisted ordinary shares which amounted to ₩63,180 thousand.

9. NOTES AND TRADE RECEIVABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable			
Notes receivable - operating	$ 12,304	$ 13,111	$ 16,526
Less: Allowance for doubtful accounts	(122)	(159)	(165)
	12,182	12,952	16,361
Trade receivables			
Trade receivables - operating	1,356,198	1,403,560	1,670,788
Less: Allowance for doubtful accounts	(30,713)	(24,514)	(29,627)
	1,325,485	1,379,046	1,641,161
Trade receivables from related parties	83,363	70,356	42,737
	$ 1,421,030	$ 1,462,354	$ 1,700,259

The average credit period for the sale of goods was 60 to 180 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable from the date credit was initially granted to the end of the reporting period. From historical experience, there was no significant risk on the settlement of the notes and trade receivables; nevertheless, an allowance for doubtful accounts was estimated by reference to the record of past-due accounts and the analysis of the financial situation of the transaction counterparty.

For notes and trade receivables that were past due at the end of the reporting period, the Group considered the credit quality of these receivables, as well as any collateral or other credit enhancements for these receivables.

The aging of trade receivables (excluding related parties) was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Less than 60 days	$ 1,041,382	$ 754,076	$ 719,590
61-90 days	173,458	282,815	469,924
91-120 days	57,787	196,354	137,534
121-150 days	22,860	45,119	82,564
151-180 days	17,072	33,723	75,639
181-360 days	25,293	30,273	164,289
More than 360 days	18,346	61,200	21,248
	$ 1,356,198	$ 1,403,560	$ 1,670,788

The above aging schedule was based on the invoice date.

The aging of trade receivables that were past due but not impaired was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Less than 60 days	$ 13,094	$ 52,569	$ 7,006
61-90 days	1,077	355	216
91-120 days	1,418	827	1,026
121-150 days	363	552	932
151-180 days	437	77	-
181-360 days	393	-	274
More than 360 days	528	568	554
	$ 17,310	$ 54,948	$ 10,008

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful accounts of notes and trade receivables (excluding related parties) were as follows:

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	$ 24,673	$ 34,988
Amounts recovered from prior year write-off	-	9
Impairment loss recognized (reversal of impairment loss)	6,851	(4,839)
Amounts written off during the year as uncollectible	(619)	-
Foreign exchange translation gains and losses	(70)	(366)
Balance at June 30	$ 30,835	$ 29,792

As of June 30, 2016, December 31, 2015 and June 30, 2015, there were no notes and trade receivables from entities under liquidation or in severe financial difficulties.

10. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Merchandise	$ 176,355	$ 106,108	$ 102,137
Raw materials and supplies	228,682	188,243	189,953
Work in progress	115,725	142,694	86,017
Finished goods	427,060	437,578	539,781
Inventory in transit	39,261	29,684	24,082
	$ 987,083	$ 904,307	$ 941,970

Write-down of inventories to net realizable value at the amount of $9,477 thousand and $42,004 thousand for the three months ended June 30, 2016 and 2015, respectively; $28,324 thousand and $52,901 thousand for the six months ended June 30, 2016 and 2015, respectively, were included in the cost of goods sold.

11. SUBSIDIARIES

Details of the Group's subsidiaries included in the consolidated financial statements were as follows:

			% of Ownership			
Investor	Investee	Main Businesses	June 30, 2016	December 31, 2015	June 30, 2015	Remark
Lotus Pharmaceutical Co., Ltd.	Alvogen Korea Holdings Ltd. ("Alvogen Korea Holdings")	Investment business	100	100	100	
	Alvogen Pharma India Pvt Ltd.	Investment business	98	98	98	
	Taiwan Alvogen Ltd.	Sale of medicine	100	100	100	
	Lotus International Pte. Ltd.	Investment business	100	100	100	
	Lotus Lab, Ltd.	Data collection and agency affairs in Europe	100	100	100	
	Lotus Pharmaceutical, HK Inc.	Data collection and agent services in Hong Kong	100	100	100	
	Lotus Jonson Biotech Limited.	Cosmetics wholesale, medicine retail, clinical machine retail, international trade industry, biotech technological services, and related consulting services	100	100	100	
Alvogen Korea Holdings Ltd.	Alvogen Korea Co., Ltd. ("Alvogen Korea")	Manufactures and sells medicines	82	82	82	a.
Alvogen Korea Co., Ltd.	Dream Pharmaceutical Co., Ltd. ("Dream Pharma")	Manufactures and sells slimming drugs, prescription drugs and other drugs	NA	NA	NA	b.
Alvogen Pharma India Pvt Ltd.	Norwich Clinical Services Private Limited	Contract research organization	100	100	100	
Lotus International Pte. Ltd.	Lotus Biotech (Shanghai) Limited	Consulting on pharmaceutical technology, chemical drugs, chemical reagents, biotechnology, and biotech production	100	100	100	

a. Alvogen Korea is a listed company in Korea. Non-controlling interests represented investors in the Korean stock market.

b. Dream Pharma was merged with Alvogen Korea in June 2015 and had been liquidated.

The consolidated financial statements of Alvogen Korea Holdings were reviewed by the auditors, and the remaining subsidiaries were non-significant subsidiaries which were not reviewed. As of June 30, 2016 and 2015, combined total assets of these subsidiaries were 1.55% ($247,843 thousand) and 1.38% ($216,854 thousand), respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were 0.65% ($46,449 thousand) and 0.45% ($31,185 thousand), respectively, of the consolidated total liabilities; for the three months and six months ended June 30, 2016 and 2015, the combined comprehensive losses of these subsidiaries were (680.37%) (NT$9,712 thousand), (13.05%) (NT$11,251 thousand), (15.93%) (NT$16,645 thousand) and 39.53% (NT$11,394 thousand) of the consolidated total comprehensive income (losses), respectively.

12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Investment in an Associate

	June 30, 2016	December 31, 2015	June 30, 2015
Associate that is not individually material			
Heng Kang Bio Medi Co., Ltd.	$ 15,503	$ 18,095	$ 7,270

The summarized financial information of the Group's associate is set out below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
The Group's share of				
Net loss for the period	$ (26)	$ (19)	$ (48)	$ (43)
Comprehensive income (loss) for the period	$ 774	$ (4,385)	$ (2,592)	$ (4,409)

The investment accounted for using equity method amounted to $15,503 thousand and $7,270 thousand as of June 30, 2016 and 2015, respectively; the share of comprehensive income (losses) amounted to $774 thousand and $(4,385) thousand, $(2,592) thousand and $(4,409) thousand for the three months and six months ended June 30, 2016 and 2015, respectively, were calculated and disclosed on the basis of financial statements that have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Plant Equipment	Machinery	Experiment Equipment	Miscellaneous Equipment	Construction in Progress	Leasehold Improvements	Total
Cost									
Balance at January 1, 2015	$ 728,677	$ 758,772	$ 140,838	$ 622,267	$ 93,025	$ 221,699	$ 4,618	$ 23,997	$ 2,593,893
Additions	-	615	5,816	17,209	1,751	36,928	3,192	9,997	75,508
Disposals	-	(19)	-	(16,067)	(1,761)	(9,470)	-	-	(27,317)
Reclassification	-	10,362	3,000	(20)	-	(13,342)	-	-	-
Effect of foreign currency exchange differences	(10,677)	(15,736)	-	(12,727)	-	(3,603)	(181)	(776)	(43,700)
Balance at June 30, 2015	$ 718,000	$ 753,994	$ 149,654	$ 610,662	$ 93,015	$ 232,212	$ 7,629	$ 33,218	$ 2,598,384
Accumulated depreciation									
Balance at January 1, 2015	$ -	$ 239,726	$ 11,766	$ 249,572	$ 6,172	$ 87,780	$ -	$ 6,081	$ 601,097
Depreciation	-	13,774	14,466	46,731	9,164	13,812	-	2,870	100,817
Disposals	-	(10)	-	(15,435)	(1,712)	(5,158)	-	-	(22,315)
Reclassification	-	9,313	-	(3)	-	(9,310)	-	-	-
Effect of foreign currency exchange differences	-	(6,449)	-	(6,599)	-	(2,157)	-	(185)	(15,390)
Balance at June 30, 2015	$ -	$ 256,354	$ 26,232	$ 274,266	$ 13,624	$ 84,967	$ -	$ 8,766	$ 664,209
Carrying amounts at January 1, 2015	$ 728,677	$ 519,046	$ 129,072	$ 372,695	$ 86,853	$ 133,919	$ 4,618	$ 17,916	$ 1,992,796
Carrying amounts at June 30, 2015	$ 718,000	$ 497,640	$ 123,422	$ 336,396	$ 79,391	$ 147,245	$ 7,629	$ 24,452	$ 1,934,175
Cost									
Balance at January 1, 2016	$ 717,877	$ 735,517	$ 150,291	$ 852,128	$ 95,019	$ 207,222	$ -	$ 61,166	$ 2,819,220
Additions	-	247	286	10,449	254	14,127	3,714	2,631	31,708
Disposals	-	-	-	(23,953)	(302)	(61)	-	(33)	(24,349)
Reclassification	-	3,798	(3,626)	(7,121)	-	8,074	(1,125)	-	-
Effect of foreign currency exchange differences	(1,251)	(1,773)	-	(3,336)	-	(828)	-	(995)	(8,183)
Balance at June 30, 2016	$ 716,626	$ 737,789	$ 146,951	$ 828,167	$ 94,971	$ 228,534	$ 2,589	$ 62,769	$ 2,818,396
Accumulated depreciation									
Balance at January 1, 2016	$ -	$ 251,270	$ 40,774	$ 372,269	$ 22,012	$ 24,974	$ -	$ 33,235	$ 744,534
Depreciation	-	13,196	14,531	39,477	8,613	9,704	-	4,316	89,837
Disposals	-	-	-	(19,976)	(168)	(33)	-	(28)	(20,205)
Reclassification	-	1,442	(1,442)	(8,074)	-	8,074	-	-	-
Effect of foreign currency exchange differences	-	(725)	-	(2,131)	-	(599)	-	(827)	(4,282)
Balance at June 30, 2016	$ -	$ 265,183	$ 53,863	$ 381,565	$ 30,457	$ 42,120	$ -	$ 36,696	$ 809,884
Carrying amounts at January 1, 2016	$ 717,877	$ 484,247	$ 109,517	$ 479,859	$ 73,007	$ 182,248	$ -	$ 27,931	$ 2,074,686
Carrying amounts at June 30, 2016	$ 716,626	$ 472,606	$ 93,088	$ 446,602	$ 64,514	$ 186,414	$ 2,589	$ 26,073	$ 2,008,512

Property, plant and equipment were depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Building	
Main building	35-50 years
Firefighting, air-conditioning and other systems	3-27 years
Plant equipment	1-35 years
Machinery	2-17 years
Experiment equipment	2-6 years
Miscellaneous equipment	3-5 years
Leasehold improvements	1-5 years

Refer to Note 30 for the carrying amounts of property, plant and equipment pledged by the Group to secure borrowings of the Group.

14. OTHER INTANGIBLE ASSETS

	Product Use Rights	Patent	Brand	In-process R&D	Capitalization of Development Expenses	Others	Total
Cost							
Balance at January 1, 2015 (restated during measurement period)	$ 271,689	$ 158,431	$ 807,234	$ 385,434	$ 94,072	$ 194,519	$ 1,911,379
Additions	767	-	-	-	105,176	12,365	118,308
Effect of foreign currency exchange differences	-	(3,892)	(19,828)	(9,467)	(3,194)	(4,645)	(41,026)
Balance at June 30, 2015 (restated during measurement period)	$ 272,456	$ 154,539	$ 787,406	$ 375,967	$ 196,054	$ 202,239	$ 1,988,661
Accumulated amortization and impairment							
Balance at January 1, 2015 (restated during measurement period)	$ 11,419	$ 22,634	$ -	$ 2,141	$ 19,147	$ 74,898	$ 130,239
Amortization expense	15,062	5,638	-	12,803	2,249	17,520	53,272
Impairment loss					378		378
Effect of foreign currency exchange differences	-	(676)	-	(323)	(604)	(2,160)	(3,763)
Balance at June 30, 2015 (restated during measurement period)	$ 26,481	$ 27,596	$ -	$ 14,621	$ 21,170	$ 90,258	$ 180,126
Carrying amounts at January 1, 2015 (restated during measurement period)	$ 260,270	$ 135,797	$ 807,234	$ 383,293	$ 74,925	$ 119,621	$ 1,781,140
Carrying amounts at June 30, 2015 (restated during measurement period)	$ 245,975	$ 126,943	$ 787,406	$ 361,346	$ 174,884	$ 111,981	$ 1,808,535
Cost							
Balance at January 1, 2016	$ 332,651	$ 154,495	$ 787,181	$ 375,859	$ 358,152	$ 157,991	$ 2,166,329
Additions	297,727	-	-	-	170,923	354	469,004
Effect of foreign currency exchange differences	(152)	(456)	(2,324)	(1,109)	(1,313)	(1,249)	(6,603)
Balance at June 30, 2016	$ 630,226	$ 154,039	$ 784,857	$ 374,750	$ 527,762	$ 157,096	$ 2,628,730
Accumulated amortization and impairment							
Balance at January 1, 2016	$ 92,524	$ 33,107	$ -	$ 27,145	$ 101,541	$ 85,922	$ 340,239
Amortization expense	24,153	5,501	-	12,145	5,744	9,914	57,457
Impairment loss	-	-	-	-	4,494	-	4,494
Effect of foreign currency exchange differences	(148)	(97)	-	(79)	(531)	(1,005)	(1,860)
Balance at June 30, 2016	$ 116,529	$ 38,511	$ -	$ 39,211	$ 111,248	$ 94,831	$ 400,330
Carrying amounts at January 1, 2016	$ 240,127	$ 121,388	$ 787,181	$ 348,714	$ 256,611	$ 72,069	$ 1,826,090
Carrying amounts at June 30, 2016	$ 513,697	$ 115,528	$ 784,857	$ 335,539	$ 416,514	$ 62,265	$ 2,228,400

Other intangible assets were amortized on a straight-line basis over the useful lives of the assets, estimated as follows:

Product use rights	7-9 years
Patent	14 years
In-process R&D	15 years
Capitalization of development expenses	5-7 years
Others	3-15 years

15. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2015	June 30, 2015
Completed investment properties	$ -	$ -	$ 11,240

	Land	Building	Total
Cost			
Balance at January 1, 2015	$ 8,787	$ 35,504	$ 44,291
Disposals	(6,187)	(25,000)	(31,187)
Effect of foreign currency exchange differences	(85)	(344)	(429)
Balance at June 30, 2015	$ 2,515	$ 10,160	$ 12,675
Accumulated depreciation			
Balance at January 1, 2015	$ -	$ 4,550	$ 4,550
Disposals	-	(3,383)	(3,383)
Depreciation expense	-	315	315
Effect of foreign currency exchange differences	-	(47)	(47)
Balance at June 30, 2015	$ -	$ 1,435	$ 1,435
Carrying amounts at January 1, 2015	$ 8,787	$ 30,954	$ 39,741
Carrying amounts at June 30, 2015	$ 2,515	$ 8,725	$ 11,240

The investment properties held by the Group were depreciated over their estimated useful lives, using the straight-line method.

Building	50 years

As of June 30, 2015, the fair values of the investment properties were $14,788 thousand. Management of the Group used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market transaction prices for similar properties.

16. GOODWILL

	For the Six Months Ended June 30	
	2016	**2015 (Restated During Measurement Period)**
Cost		
Balance as of January 1	$ 6,205,249	$ 6,291,353
Effect of foreign currency exchange differences	(9,973)	(85,132)
Balance as of June 30	$ 6,195,276	$ 6,206,221
Accumulated impairment		
Balance as of January 1	$ -	$ -
Impairment loss	74,000	-
Balance as of June 30	$ 74,000	$ -
Carrying amounts at January 1	$ 6,205,245	$ 6,291,353
Carrying amounts at June 30	$ 6,121,276	$ 6,206,221

The Company had a stock swap with its investor, Alvogen AP, in which the Company privately placed its newly issued 151,100,000 shares on August 11, 2014 to acquire equity in some subsidiaries of Alvogen AP (Note 1). Goodwill resulted from this reverse acquisition (Note 26). As some of the synergies expected from the business combination have not been achieved, the Company has taken a conservative approach to perform an interim goodwill impairment test and recognized an impairment loss of $74,000 thousand for the six months ended June 30, 2016.

On December 19, 2014, Alvogen Korea acquired all of Dream Pharma's shares, and goodwill was generated from this share acquisition (Note 26). Dream Pharma, a subsidiary of Hanwha Chemical Corporation, was spun off on October 1, 2014 as a pharmaceutical manufacturing business.

In the year ended December 31, 2015, the Group revised purchase price allocation report and etc. during the measurement period. The Group has made adjustments to the initial accounting and provisional amounts and restated the comparison information.

The increased (decreased) adjustments from the reverse acquisition of the company in the balance sheet as of August 11, 2014 were as follows:

Goodwill	$ 1,099,755
Inventories	$ (36,199)
Intangible assets	$ (115,615)
Deferred tax assets	$ 6,154
Deferred tax liabilities	$ (51,339)
Capital surplus	$ 1,005,434

The increased (decreased) adjustments from Korea subsidiaries as of December 19, 2014 in the balance sheet were as follows:

Goodwill	$ 93,950
Inventories	$ (9,637)
Intangible assets	$ (2,694)
Deferred tax assets	$ 11,117
Other payables	$ 21,131
Provisions - current	$ 71,605

17. BORROWINGS

a. Short-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Secured borrowings (Note 30)			
Bank loans	$ 166,260	$ 216,752	$ 456,033
Unsecured borrowings			
Line of credit borrowings - bank loans	250,000	160,000	210,000
	$ 416,260	$ 376,752	$ 666,033
Interest interval	1.33%-3.92%	1.39%-3.42%	1.39%-11.55%

b. Long-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Secured borrowings (Note 30)			
Bank loans	$ 2,497,460	$ 2,529,346	$ 2,277,727
Other loans	1,220,308	1,212,060	1,247,866
Unsecured borrowings			
Bank loans	432,000	432,000	-
	4,149,768	4,173,406	3,525,593
Less: Current portion matured within a year	(61,947)	(61,905)	(2,617)
	$ 4,087,821	$ 4,111,501	$ 3,522,976
Bank loans			
Maturity period	August 2016-August 2020	February 2017-August 2020	January 2016-December 2019
Interest interval	2.42%-12.45%	2.57%-12.45%	5.46%-13.00%
Other loans			
Maturity period	December 2017-December 2019	December 2017-December 2019	December 2017-December 2019
Interest interval	5.04%-6.43%	5.47%-6.86%	5.47%-6.86%

As described in Note 30, bank demand deposits, 9,779,570 shares of Alvogen Korea and property, plant and equipment had been pledged as collaterals. Other loans were borrowed from SamSung Securities Co., Ltd., Kdb Capital Corp., and New Star Dream.

18. RETIREMENT BENEFIT PLANS

The pension cost of the defined benefit plan, which amounted to $26,696 thousand and $27,443 thousand, $56,322 thousand and $51,248 thousand for the three months and six months ended June 30, 2016 and 2015, respectively, were calculated by the cost rate from the actuarial result as of December 31, 2015 and 2014.

19. EQUITY

a. Share capital

Ordinary shares

	June 30, 2016	December 31, 2015	June 30, 2015
Number of shares authorized (in thousands)	300,000	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	238,492	238,492	238,492
Amount of shares issued	$ 2,384,917	$ 2,384,917	$ 2,384,917

In January 2015, corporate bonds amounting to $700 thousand were converted into ordinary shares amounting to $227 thousand based on the agreed-upon conversion price.

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, this capital surplus may be distributed as cash dividends or transferred once a year to capital within a certain percentage of the Company's paid-in capital.

The capital surplus from long-term investment accounted for using the equity method may not be used for any purpose.

Capital surplus as of June 30, 2016, December 31, 2015 and June 30, 2015 consisted of the following:

	June 30, 2016	December 31, 2015	June 30, 2015
Shares issued in excess of par			
Arising from adjustment of reverse acquisition (Note a)	$ 4,464,123	$ 4,464,123	$ 4,464,123
Arising from treasury share transactions	16,805	16,805	16,805
Arising from conversion of bonds	1,268,876	1,268,876	1,268,876

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Arising from donation from its shareholder (Note b)	$ 270,754	$ 270,754	$ 270,754
Arising from changes in percentage of ownership interest in subsidiaries	133,347	133,347	133,347
	$ 6,153,905	$ 6,153,905	$ 6,153,905

(Concluded)

Note a: The balance was the sum of legal capital and capital surplus, amounting to $3,164,409 thousand of the legal subsidiaries in the reverse acquisition immediate before the acquisition; a consideration transferred of the reverse acquisition of $3,563,075 thousand (exclusive of the fair value of the conversion right of convertible bonds) on August 11, 2014. For the adjustment from purchase price allocation report during the measurement period, the Group decreased the consideration transferred by $8,439 thousand and the legal capital of the Company, amounting to $2,254,922 thousand for the year ended December 31, 2015. The capital surplus from reverse acquisition amounted to $4,464,123 thousand.

Note b: The Company acquired the creditor's right payable to Alvogen Group through reverse combination with Alvogen Pharma India Pvt Ltd. and Taiwan Alvogen Ltd., which amounted to US$6,094 thousand and US$2,522 thousand, respectively (in the aggregate of NT$270,754 thousand at the date of acquisition), and the transactions were regarded as the donation from its shareholders, which was debited to other receivables and credited to capital surplus - donation from its shareholders. The Company's board of directors in March 2016 approved to transfer the other receivables from Taiwan Alvogen Ltd. to its equity investment through debt-to-equity swap of Taiwan Alvogen Ltd.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 27, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors (including independent directors) before and after amendment, please refer to employee benefits expense in Note 21,e.

In allocating dividends from distributable earnings, the Company takes into consideration its future capital demand, long-term financial planning, the cash inflow demand of the shareholders, plans for corporate growth, and the operating environment. In their meeting, shareholders may adjust the board of directors' proposed form and percentage of appropriations depending on the Company's actual profit and capital situation.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company. When the Company distributes the earnings to the foreign shareholders, the Company should withhold the tax following the statute for investment by foreign nationals. As a result, the foreign shareholders can not apply to the deductible tax rate. Income tax (10%) paid on undistributed earnings can be used as tax credit, subject to tax limit, against income tax due when such earnings are ultimately distributed to foreign shareholders.

d. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	$ 927,473	$ 904,384
Attributable to non-controlling interests:		
Share of profit for the period	64,285	44,962
Exchange difference on translating foreign operations	(2,761)	(23,061)
Remeasurement on defined benefit plans	(3,520)	3,976
Balance at June 30	$ 985,477	$ 930,261

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-back	June 30, 2016	December 31, 2015	June 30, 2015
Shares to be transferred to employees	291	291	291

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

20. NET OPERATING REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Revenue from the sale of goods	$ 1,545,298	$ 1,270,501	$ 2,924,792	$ 2,522,891
Revenue from the rendering of services	38,846	28,340	76,540	55,417
Revenue from R&D and others	10,188	38,557	18,275	53,538
	$ 1,594,332	$ 1,337,398	$ 3,019,607	$ 2,631,846

21. NET INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	$ 6,606	$ 9,940	$ 14,893	$ 21,410
Collaborative development income	-	57,550	-	81,830
Others	4,633	4,581	28,203	19,225
	$ 11,239	$ 72,071	$ 43,096	$ 122,465

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain on disposal of available-for-sale financial assets	$ 415	$ 36,547	$ 415	$ 36,547
Gain on disposal of financial assets at FVTPL	32	-	5,036	-
Gain on disposal of property, plant and equipment and investment properties	(2,731)	1,143	630	3,791
Net foreign exchange (losses) gains	(3,322)	11,267	(4,515)	11,593
Net loss on fair value change of financial assets at FVTPL	-	(8,176)	-	(11,252)
Others	(18,088)	9,536	(18,314)	9,916
	$ (23,694)	$ 50,317	$ (16,748)	$ 50,595

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest expenses				
Loans	$ 70,730	$ 93,101	$ 139,995	$ 192,351
Others	291	-	291	-
	$ 71,021	$ 93,101	$ 140,286	$ 192,351

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Depreciation: Property, plant and equipment	$ 44,955	$ 50,250	$ 89,837	$ 100,817
Depreciation: Investment properties	-	102	-	315
Amortization: Intangible assets	33,398	26,901	57,457	53,272
	$ 78,353	$ 77,253	$ 147,294	$ 154,404
An analysis of deprecation by function				
Operating costs	$ 30,616	$ 35,001	$ 61,206	$ 70,065
Operating expenses	11,635	15,666	21,641	29,480
Capitalization of development expenses	2,704	(315)	6,990	1,587
	$ 44,955	$ 50,352	$ 89,837	$ 101,132
An analysis of amortization by function				
Operating costs	$ 436	$ 11,835	$ 944	$ 12,259
Operating expenses	32,962	15,066	56,513	41,013
	$ 33,398	$ 26,901	$ 57,457	$ 53,272

e. Employee benefit expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term benefits	$ 392,040	$ 376,370	$ 757,322	$ 716,818
Post-employment benefits				
Defined contribution plans	2,670	2,058	5,370	4,513
Defined benefit plans	26,696	27,443	56,322	51,248
	$ 421,406	$ 405,871	$ 819,014	$ 772,579
An analysis of employee benefit expense by function				
Operating costs	$ 115,016	$ 110,288	$ 218,902	$ 208,417
Operating expenses	306,390	295,583	600,112	564,162
	$ 421,406	$ 405,871	$ 819,014	$ 772,579

In the compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Company's Articles, the amendments stipulate that employees' compensation and remuneration to directors shall be calculated based on income before income tax and before deducting employees compensation and remuneration to directors, at a rate of no less than 1% as employees' compensation and no higher than 10% as remuneration to directors. For the three months and six months ended June 30, 2016, due to accumulated deficits, accruals for employees' compensation and remuneration to directors were $0.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors and supervisors at 1% to 10% of net earnings (net of the bonus and remuneration). For the three months and six months ended June 30, 2015, due to accumulated deficits, accruals for employees' bonus and remuneration to directors were $0.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors in 2016 and bonus to employees and directors resolved by the shareholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Current tax				
Current year	$ 61,053	$ 25,079	$ 116,844	$ 70,445
Adjustments for prior periods	(4,620)	(6,908)	(76,280)	(12,548)
	56,433	18,171	40,564	57,897
Deferred tax				
Current year	11,246	(23,378)	11,693	(20,171)
Adjustment for prior periods	(412)	-	42,268	-
	10,834	(23,378)	53,961	(20,171)
Income tax expense (benefit) recognized in profit or loss	$ 67,267	$ (5,207)	$ 94,525	$ 37,726

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in Korea and India are 22% and 33%, respectively.

b. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Generated before January 1, 1998 - after reverse acquisition	$ -	$ -	$ -
Imputation credit accounts	$ 1,951	$ 1,951	$ 1,951

c. Income tax assessments

The Company's tax returns through 2013 and undistributed earnings through 2012 have been assessed by the tax authorities and the Company had paid the additional tax liability, if any.

23. PROVISIONS

	June 30, 2016		December 31, 2015		June 30, 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Provisions for estimated return of goods	$ 94,913	$ -	$ 98,196	$ -	$ 42,086	$ 54,445
Provision for restoration	-	854	-	857	-	857
Provision for litigation (a)	-	34,333	-	34,434	-	34,444
Other long-term employee benefit obligations (b)	-	20,569	-	25,424	18,467	29,751
Provision for taxation	-	-	-	-	53,197	-
Contingent consideration	-	97,816	-	-	-	-
Provision for others	-	22,626	-	23,660	16,648	-
	$ 94,913	$ 176,198	$ 98,196	$ 84,375	$ 130,398	$ 119,497

a. As of June 30, 2016, the Group had recognized a provision for expected damages on a litigation because of a high possibility of losing a patent infringement lawsuit (refer to Note 31).

b. The key actuarial assumptions for other long-term employee benefit obligations were same as those applied in the calculation of retirement benefit obligations.

24. FINANCE LEASE PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Minimum lease payments			
Not later than one year	$ 1,450	$ 3,405	$ 4,085
Later than one year and not later than five years	62	414	4,147
	$ 1,512	$ 3,819	$ 8,232

The Group leased certain of its computer equipment and vehicles under finance leases. The average lease term for the six months ended June 30, 2016 and 2015 was 3 years. As of June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amounts of assets under finance lease recognized as miscellaneous equipment were $8,098 thousand, $9,894 thousand and $10,528 thousand, respectively.

Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 4.30% to 4.55% per annum at June 30, 2016, December 31, 2015 and June 30, 2015.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Basic earnings per share	$ 0.07	$ 0.37	$ 0.34	$ 0.25

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Net income attributable to owners of the Company	$ 16,818	$ 89,364	$ 80,640	$ 59,076

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Weighted average number of ordinary shares in the computation of basic earnings per share	238,201	238,381	238,201	238,435

There was no potential share with dilutive effect issued by the Company during the six months ended June 30, 2016 and 2015.

26. BUSINESS COMBINATIONS

a. 1) The Company as acquiree

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
Lotus Pharmaceutical Co., Ltd.	Manufacture and sale of oral medication, ointment, injection and medical consulting, etc.	August 11, 2014	67

The Company was acquired in order to expand the Group's business, provide more diverse products through research and development, enhance competitiveness in international market, increase sales and profits and create more values.

2) Consideration transferred

	After Adjustments During the Measurement Period
Acquired 67% ownership interest in Lotus Pharmaceutical Co., Ltd. by issuing equity instruments	$ 2,971,875
Non-controlling interests - 33% ownership interest in Lotus Pharmaceutical Co., Ltd.	582,761
Non-controlling interests - conversion right of convertible bonds evaluated by the fair value method	1,036,560
	$ 4,591,196

3) Fair values of assets acquired and liabilities assumed at the date of acquisition

	After Adjustments During the Measurement Period
Current assets	
Cash and cash equivalents	$ 760,923
Trade and other receivables	188,259
Inventories	130,868
Others	175,931
Non-current assets	
Plant and equipment	818,942
Intangible assets	266,538
Deferred tax assets	6,154
Others	125,178
Current liabilities	
Trade and other payables	(188,196)
Others	(61,107)
Non-current liabilities	
Bonds payable	(361,282)
Deferred tax liabilities	(67,964)
Others	(28,301)
	$ 1,765,943

4) Goodwill arising on acquisition

	After Adjustments During the Measurement Period
Consideration transferred	$ 4,591,196
Less: Fair value of identifiable net assets acquired	(1,765,943)
Goodwill arising on acquisition	$ 2,825,253

Goodwill arose on the acquisition of the Company because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Company. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purposes.

b. 1) Dream Pharma acquired

	Principal Products	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
Dream Pharma	Manufacture and sale of slimming drugs, prescription drugs and other drugs	December 19, 2014	100

Dream Pharma was acquired to expand the Group's business, provide diverse products, increase the Group's competitiveness, improve customer service and increase sales.

Dream Pharma, a subsidiary of Hanwha Chemical Corporation, was spun off on October 1, 2014 as a pharmaceutical manufacturing business from other division (included leasing business) of Hanwha Chemical Corporation. On December 19, 2014, Alvogen Korea acquired all the shares of Dream Pharma.

2) Consideration transferred

Transfer price paid in cash	$ 5,453,652

3) Fair values of assets acquired and liabilities assumed at the date of acquisition

	After Adjustments During the Measurement Period
Current assets	
Cash and cash equivalents	$ 141,642
Trade and other receivables	731,238
Inventories	418,146
Others	26,974
Non-current assets	
Plant and equipment	549,491
Intangible assets (Note)	1,201,976
Others	38,248
Current liabilities	
Trade and other payables	(230,691)
Provisions - current	(148,867)
Others	(72,859)
Non-current liabilities	
Accrued pension liability	(340,070)
Others	(21,101)
	$ 2,294,127

Note: Intangible assets included a brand with fair value of $812,899 thousand and technology with fair value of $388,139 thousand. The fair value of the brand was calculated by discounting the estimated royalty payment received from the trademark. The fair value of the technology was calculated by applying the multi-period excess earning method.

4) Goodwill arising on acquisition

	After Adjustments During the Measurement Period
Consideration transferred	$ 5,453,652
Less: Fair value of identifiable net assets acquired	(2,294,127)
Goodwill arising on acquisition	$ 3,159,525

Goodwill on the acquisition of Dream Pharma was mainly from the cost of the combination, which included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not fully deductible for tax purposes.

5) Cash outflow arising on acquisition

	After Adjustments During the Measurement Period
Consideration transferred	$ 5,453,652
Less: Cash and cash equivalent	(141,642)
Cash outflow arising on acquisition	$ 5,312,010

27. NONCASH TRANSACTIONS

Material non-cash activities included:

a. For the six months ended June 30, 2015, corporate bonds amounting to $700 thousand ($639 thousand on book value) were converted into ordinary shares amounting to $227 thousand based on the agreed-upon conversion prices.

b. A debt-to-equity swap amounted to $75,242 thousand between the Company and Taiwan Alvogen Ltd. was approved by the Company's board of directors in March 2016; refer to Note 19,b.

c. The Group obtained an unsecured loan from the ultimate parent company at rates comparable to market interest rates that the ultimate parent company was given. The loan was partially offset by a receivable from the ultimate parent company in May 2015 with a total amount of US$8,675 thousand; see Note 31,c for further details.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments measured at fair values in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ -	$ -	$ 1,751	$ 1,751

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	$ 42,383	$ -	$ -	$ 42,383
Available-for-sale financial assets	-	7,611	1,756	9,367
	$ 42,383	$ 7,611	$ 1,756	$ 51,750

June 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	$ 62,905	$ -	$ -	$ 62,905
Available-for-sale financial assets	-	-	1,756	1,756
	$ 62,905	$ -	$ 1,756	$ 64,661

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Available-for-sale financial assets

	For the Six Months Ended June 30	
	2016	**2015**
Balance at January 1	$ 1,756	$ 1,801
Exchange difference on translating foreign operations	(5)	(45)
Balance at June 30	$ 1,751	$ 1,756

Financial assets at FVTPL - held for trading

	For the Six Months Ended June 30, 2015
Balance at January 1	$ 11
Gains or losses recognized in profit or loss	(11)
Balance at June 30	$ -

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial instruments with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. If there is no market price for reference, the Group will use a certain valuation method to estimate prices. The valuation techniques and assumptions used by the Group are the same as those used by other participants in financial instrument transactions in the open market.

b. Categories of financial instruments

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Financial assets			
Financial assets at FVTPL (Note a)	$ -	$ 42,383	$ 62,905
Loans and receivables (Note b)	3,507,033	3,205,741	3,313,134
Available-for-sale financial assets (Note c)	1,751	9,367	1,756
Financial assets measured at cost - non-current	10	10	10
Financial liabilities			
Measured at amortized cost (Note d)	5,764,814	5,604,086	5,692,530

Note a: The balance includes marketable securities held and was classified as held for trading assets.

Note b: The balance includes cash and cash equivalents, notes and trade receivables, other receivables, and other receivables from related parties, etc., which are carried at amortized cost.

Note c: The balance includes available-for-sale financial assets - current and non-current.

Note d: The balance includes short-term borrowings, notes and trade payables, other payables, other payables with related parties, current portion of long-term borrowings, long-term borrowings, long-term payables - related parties and lease payables, etc., which are carried at amortized cost.

c. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loans and receivables, available-for-sale financial assets, financial assets measured at cost - non-current, short-term borrowings, notes and trade payables, other payables, current portion of long-term borrowings, long-term borrowings, long-term payables - related parties and lease payables.

The Group's corporate treasury function provides services relevant to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

To lower financial risks, the Group seeks to identify and evaluate what negative influence each risk will have on the financial performance. Each material financial activity has been reviewed by the board of directors following the related rules and internal control systems.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group has assets and liabilities not recorded in the same functional currency as that of the Company; thus, it is exposed to risks due to exchange rate fluctuation.

To manage risks within an acceptable level, the Group uses nature hedge against it currency risk. The Group monitors and evaluates the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency with the Group entity at the end of the reporting period are shown in Note 32.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the U.S. dollar.

The following table shows the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Company) against the relevant foreign currencies. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and was adjusted at the end of the reporting period for a 5% change in foreign currency rates. The positive number in the table below indicates an increase in pretax profit and other equity associated with the 5% strengthening of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity and the balances in the table below will be negative.

	Currency USD Impact	
	For the Six Months Ended June 30	
	2016	2015
Profit (loss)/equity	$ (5,432)	$ (46,082)

The above profit or loss are mainly from the accounts receivables, accounts payables and bank deposits calculated by USD, which are outstanding and not being hedged to cash flows risk at balance sheet date.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial liabilities	$ 307,784	$ 267,784	$ 1,278,054
Cash flow interest rate risk			
Financial liabilities	4,466,028	4,490,158	3,692,392

Sensitivity analysis

The sensitivity analyses were determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year.

Had interest rates been five basis points higher/lower and all other variables were held constant, the Group's pretax profits would have decreased/increased by $1,117 thousand and $923 thousand for the six months ended June 30, 2016 and 2015, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk was mainly concentrated on equity instruments operating in biotechnology industry sector quoted in the Taiwan Stock Exchange.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower, pre-tax profit for six months ended June 30, 2015 would have increased/decreased by $3,145 thousand, as a result of the changes in fair value of held-for-trading investments.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the balance sheets.

The Group has a policy to have transactions only with reputable counterparties, and it will continue monitoring the exposure to credit risk and the creditworthiness of the counterparty.

The Group did not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. That is, the concentration of credit risk to a counterparty did not exceed 10% of accounts receivable at any time for the six months ended June 30, 2016 and 2015.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of cash flow fluctuations. In addition, management monitors how bank borrowings are used and ensures compliance with loan covenants.

The Group has adequate capital and working capital to cover all of its contract obligations; thus, it does not have liquidity risk on meeting its obligations.

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

June 30, 2016

	On Demand or Less Than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ 30,464	$ 347,743	$ 4,087,821
Fixed interest rate liabilities	-	307,784	-
	$ 30,464	$ 655,527	$ 4,087,821

December 31, 2015

	On Demand or Less Than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ 197,404	$ 181,253	$ 4,111,501
Fixed interest rate liabilities	267,784	-	-
	$ 465,188	$ 181,253	$ 4,111,501

June 30, 2015

	On Demand or Less Than 3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities			
Variable interest rate liabilities	$ -	$ 166,800	$ 3,525,592
Fixed interest rate liabilities	-	1,278,054	-
	$ -	$ 1,444,854	$ 3,525,592

29. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Alvogen AP, which held 63% of the Company's ordinary shares as of June 30, 2016. The Company's ultimate parent company is Alvogen Lux Holdings S.A.R.L. Associates are those entities in which the Company has significant influence. Other related parties are the companies in which the ultimate parent has direct or indirect control, and entities under control, joint control or significant influence of key management personnel or their close family members.

Balances and transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in the other notes, transactions between the Group and other related parties are disclosed below.

a. Operating transactions

Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2016	2015	2016	2015
Sale of goods and services	Ultimate parent company	$ 63	$ 520	$ 164	$ 597
	Parent company	563	29	1,005	599
	Other related parties	42,811	36,596	68,670	57,895
		$ 43,437	$ 37,145	$ 69,839	$ 59,091
Purchase of goods	Other related parties	$ 20,243	$ 219	$ 30,961	$ 4,342

b. Other transactions

Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2016	2015	2016	2015
Capitalization of development expense	Other related parties	$ -	$ -	$ 21,301	$ -
Operating expense	Other related parties	$ 2,542	$ -	$ 3,847	$ 145
Other income	Parent company	$ 2,890	$ 1,897	$ 5,225	$ 3,923
Interest expense	Ultimate parent company	$ 5,180	$ 24,126	$ 10,360	$ 53,248
Interest income	Ultimate parent company	$ -	$ 4,322	$ -	$ 10,767
	Parent company	3,084	-	6,179	-
		$ 3,084	$ 4,322	$ 6,179	$ 10,767
Other operating income	Other related parties	$ -	$ 12,724	$ -	$ 12,724

Transactions with related parties were entered into at prices and on terms that were not materially different from those with third parties.

c. Receivables from related parties

Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
1) Trade receivables	Ultimate parent company	$ 28	$ 6	$ 222
	Parent company	432	144	474
	Other related parties	82,903	70,206	42,041
		$ 83,363	$ 70,356	$ 42,737
2) Other receivables	Ultimate parent company	$ 4,723	$ 4,737	$ -
	Parent company	134,092	125,133	117,052
	Other related parties	10,190	11,710	9,869
	Associate	-	1,500	-
		$ 149,005	$ 143,080	$ 126,921

Trade receivables from related parties are unsecured. For the six months ended June 30, 2016 and 2015, no impairment loss was recognized on the trade receivables from related parties.

In May 2015, the Company entered into an agreement with the ultimate parent company in full to offset a refundable payment of US$8,675 thousand for the cancellation of the acquisition of Alvogen Asia Ltd. against the loan payable to the ultimate parent company. The Company charged 10% interest on the outstanding balance and the interest income recognized for the six months ended June 30, 2015 amounted to $10,767 thousand; refer to Note 29,e.

Other receivables from the parent company included mainly the payments made on behalf of the parent company, which were for taxes on capital gains and securities transactions on the sale and purchase of the shares of Alvogen Korea Holdings and Taiwan Alvogen Ltd. As approved by the Company's board of directors in March 2016, the Company entered an agreement with the parent company to transfer foregoing payments into an intercompany loan effective from January 1, 2016 at an annual interest rate of 10%. Details of the loan to the parent company were as follows:

	For the Six Months Ended June 30, 2016				
Related Party Categories	Maximum Balance	Ending Balance	Interest	Interest Income	Interest Receivable
Parent company	$ 124,599	$ 124,599	10%	$ 6,179	$ 6,179

d. Other non-current assets

Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	$ 310,742	$ 314,841	$ 315,241
Associate	-	-	1,500
	$ 310,742	$ 314,841	$ 316,741

Other non-current assets amounted to US$11,000 thousand were related to the seller's book value of the prepayments for two high-value ANDA filings for Buprenorphine/Naloxone and Budesonide pursuant to a purchase agreement entered into with a related party in the Alvogen Group in May 2014. All rights under the agreement, including intellectual property and authorization to sell the two ANDA are expected to be transferred to the Group upon receiving the FDA's final approval (refer to Note 1).

e. Payables to related parties

Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
1) Trade payables	Other related parties	$ 30,307	$ 965	$ 1,224
2) Other payables - current	Ultimate parent company	$ 298,091	$ 287,731	$ 838,657
	Parent company	23,181	23,637	20,889
	Other related parties	22,909	23,766	15,377
		$ 344,181	$ 335,134	$ 874,923
3) Other payables - non-current	Other related parties	$ -	$ -	$ 213

Other payables to the ultimate parent company comprised mainly an unsecured loan which is charged at market interest rate that the ultimate parent company was given. The loan was partially offset by a receivable from the ultimate parent company in May 2015; refer to Note 29,c. Details of the loan from the ultimate parent company were as follows:

	For the Six Months Ended June 30, 2016				
Related Party Categories	Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
Ultimate parent company	$ 207,784	$ 207,784	10%	$ 10,360	$ 90,253

Related Party Categories	For the Year Ended December 31, 2015 Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
Ultimate parent company	$ 1,227,923	$ 207,784	10%	$ 72,297	$ 79,893

Related Party Categories	For the Six Months Ended June 30, 2015 Maximum Balance	Ending Balance	Interest	Interest Expense	Interest Payable
Ultimate parent company	$ 1,227,923	$ 778,821	10%	$ 53,248	$ 59,836

f. Compensation of key management personnel

Items	For the Three Months Ended June 30 2016	2015	For the Six Months Ended June 30 2016	2015
Salaries and other employee benefits	$ 3,479	$ 5,759	$ 7,405	$ 10,028
Post-employment benefits	17	16	33	32
	$ 3,496	$ 5,775	$ 7,438	$ 10,060

The remuneration of chairman and key executives was determined by the remuneration committee on the basis of the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

The following assets and 9,779,570 shares of Alvogen Korea were pledged as collaterals for borrowings:

	June 30, 2016	December 31, 2015	June 30, 2015
Bank demand deposits (classified as other current assets)	$ -	$ -	$ 1,001
Bank demand deposits (classified as other non-current assets)	112,367	169,098	208,493
Property, plant and equipment			
Land	716,626	503,413	647,799
Buildings	469,162	480,536	465,725
Plant equipment	93,087	109,517	123,422
Machinery	129,242	131,072	114,205
Others	10,585	12,164	4,683
	$ 1,531,069	$ 1,405,800	$ 1,565,328

31. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2016 were as follows:

a. The Group had entered into an agreement to buy machines and building plants and equipment for $61,289 thousand, and it committed to pay $9,828 thousand in the future.

b. The Group had entered into clinical trials collaborative agreements, which required the Group to pay $107,104 thousand, with $21,421 thousand payable within one year and the remaining $85,683 thousand payable in installments based on the progress of clinical trials.

c. The Group had entered into a drug development collaborative agreement, which required the Group to pay $6,375 thousand.

d. The Group had entered into certain operating leases for its office promises, staff dormitories and copy machines. The leases will expire between July 2016 and April 2026. Lease deposits were $65,201 thousand as of June 30, 2016.

The future rentals under the lease contracts were:

Fiscal Year	Amount
Within one year	$ 58,638
One year to five years	108,204
More than five years	44,338

e. As of June 30, 2016, the Group's subsidiaries in Korea had the following commitments:

Significant Commitment	Contract Amount (In Thousands of Korea Won/U.S. Dollars)	Financial Institution
Letter of credit	US$ 2,000	Woori Bank and Korea Exchange Bank
General loan agreement	₩ 2,000,000	Woori Bank
Limit loan for operating fund	₩ 5,000,000	Korea Development Bank
Turnover loan for general fund	₩ 3,000,000	Korea Exchange Bank

f. As of June 30, 2016, the Group's subsidiaries in Korea were involved in the following lawsuits:

Plaintiff	Defendant	Cause of Action	Amount (In Thousands of Korean Won)	Status
Europharm (UK) Co., Ltd.	Alvogen Korea Co., Ltd.	Claims litigation for acquisition contract breach	₩ 2,471,298	First trial ongoing
LG Life Sciences Co., Ltd.	Alvogen Korea Co., Ltd. and TS Corporation	Claims litigation for patent infringement	100,000	First trial ongoing
Loges Cube	Alvogen Korea Co., Ltd. and 30 others	Logistics system suit	1,410,000	First trial ongoing
Alvogen Korea Co., Ltd.	Choi Jae Seung	Claim of lawsuit	137,615	First trial ongoing

As of June 30, 2016, the Group had recognized a provision for expected damages because of the high possibility of losing a patent infringement lawsuit (refer to Note 23).

Except for the above, any negative results of the lawsuits will have no significant impact on the Group's consolidated financial statements.

32. EXCHANGE RATES FOR FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Thousands of New Taiwan Dollars and Others

June 30, 2016

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 318	1,164.42 (USD:WON)	$ 10,251
USD	2,548	67.60 (USD:RUP)	82,209
USD	2,546	32.27 (USD:NTD)	82,166
JPY	16,144	0.31 (JPY:NTD)	4,986
CNY	8,627	4.92 (CNY:NTD)	42,417
Financial liabilities			
Monetary items			
USD	2,068	1,164.42 (USD:WON)	66,723
USD	6,320	67.60 (USD:RUP)	203,909
USD	391	32.27 (USD:NTD)	12,619

December 31, 2015

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 317	1,183.85 (USD:WON)	$ 10,420
USD	2,483	66.35 (USD:RUP)	81,695
USD	7,511	32.90 (USD:NTD)	247,112
CNY	5,891	5.07 (CNY:NTD)	29,891
Financial liabilities			
Monetary items			
USD	531	1,183.85 (USD:WON)	17,459
USD	6,199	66.35 (USD:RUP)	203,945
USD	536	32.90 (USD:NTD)	17,645

June 30, 2015

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,302	63.83 (USD:RUP)	$ 40,037
USD	5,788	30.75 (USD:NTD)	177,981
JPY	20,907	0.25 (JPY:NTD)	5,227
CNY	3,984	5.02 (CNY:NTD)	20,000
Financial liabilities			
Monetary items			
USD	746	1,108.16 (USD:WON)	22,940
USD	6,101	63.83 (USD:RUP)	187,606
USD	30,212	30.75 (USD:NTD)	929,019
CNY	1,250	5.02 (CNY:NTD)	6,275

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and on investees:

1) Financing provided to others: Table 1.

2) Endorsements/guarantees provided: NA.

3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: NA.

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital: NA.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: NA.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: NA.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.

9) Trading in derivative instruments: NA.

10) Intercompany relationships and significant intercompany transactions: Table 4.

11) Information on investees: Table 5.

b. Information on investments in mainland China:

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.

34. OPERATING SEGMENT INFORMATION

a. The only reportable segment of the Group is the generic drug business segment, which engages mainly in the research and development, manufacturing and sales of medicine. The Group has other operating segments engage mainly in the research, design and the provision of clinical trial and technical services, which did not meet the quantitative thresholds for reportable segment.

The segment income or loss was mainly measured by operating income or loss, which is also the basis of performance valuation. In addition, there is no significant inconsistency between the accounting policies adopted by the operating segment and the policies stated in Note 4.

b. Segment revenues and results

The following was an analysis of the Group's revenue and results by reportable segment.

	Drug Manufacturing Department	Others	Elimination	Consolidation
For the six months ended June 30, 2016				
Revenues from external customers	$ 2,924,792	$ 94,815	$ -	$ 3,019,607
Inter-segment revenues	-	2,204	(2,204)	-
Net operating revenue	$ 2,924,792	$ 97,019	$ (2,204)	$ 3,019,607
Income from operations	$ 351,294	$ 3,858	$ (1,716)	$ 353,436
Interest income				14,893
Net foreign exchange losses				(4,515)
Finance costs				(140,286)
Share of loss of associate				(48)
Gain on disposal of financial assets at FVTPL				5,036
Other non-operating income and losses, net				10,934
Income before income tax				$ 239,450

(Continued)

	Drug Manufacturing Department	Others	Elimination	Consolidation
For the six months ended June 30, 2015				
Revenues from external customers	$ 2,522,891	$ 108,955	$ -	$ 2,631,846
Inter-segment revenues	-	9,950	(9,950)	-
Net operating revenue	$ 2,522,891	$ 118,905	$ (9,950)	$ 2,631,846
Income from operations	$ 156,970	$ 5,589	$ (1,083)	$ 161,098
Interest income				21,410
Net foreign exchange gains				11,593
Finance costs				(192,351)
Share of loss of associate				(43)
Collaborative development income				81,830
Gain on disposal of available-for-sale financial assets				36,536
Other non-operating income and losses, net				21,691
Income before income tax				$ 141,764

(Concluded)

TABLE 1

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note
													Item	Value			
0	Lotus Pharmaceutical Co., Ltd.	Taiwan Alvogen Ltd.	Other receivables from related parties	Yes	$ 46,000	$ 46,000	$ 46,000 (Note 2)	5%-7%	Necessity for short-term financing	$ -	For operating fund	$ -	-	-	$ 3,139,856	$ 3,139,856	
		Alvogen Asia Pacific Holdings Limited	Other receivables from related parties	Yes	124,599	124,599	124,599	10%	Necessity for short-term financing	-	For operating fund	-	-	-	3,139,856	3,139,856	

Note 1: It was according to 40% of the Company's equity as of the latest period.

Note 2: The transaction was eliminated in process of compiling the consolidated financial report.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Lotus Pharmaceutical Co., Ltd. (the "Company")	International Green Solution, Inc.	-	Financial assets measured at cost - non-current	1	$ 10	0.06	$ 10	Note
Alvogen Korea Co., Ltd.	Korea Pharmaceutical Industry Cooperative	-	Available-for-sale financial assets - non-current	65 shares	1,751	0.65	1,751	Note

Note: The securities had no quoted market prices, so the Company listed their investment net value as of June 30, 2016.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Lotus Pharmaceutical, Co., Ltd.	Alvogen Asia Pacific Holdings Limited (Note 1)	Parent company	$ 131,236	-	$ -	-	$ -	$ -
	Norwich Clinical Services Private Limited (Note 2)	Indirectly owned subsidiary company	196,622 (US$ 6,094)	-	-	-	-	-

Note 1: The items are mainly from other receivables from related parties.

Note 2: The above transactions were eliminated in process of compiling the consolidated financial report.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amounts in Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	Percentage of Total Sales or Assets
0	Lotus Pharmaceutical, Co., Ltd.	Norwich Clinical Services Private Limited	a	Other receivables - related parties	$ 196,622 (US$ 6,094)	Note 2	1.23%
		Taiwan Alvogen Ltd.	a	Other receivables - related parties	52,107	Note 2	0.33%
	Norwich Clinical Services Private Limited	Lotus Pharmaceutical, Co., Ltd.	a	Other receivables - related parties	12,408	Note 2	0.08%

Note 1: a. Refers to the transactions between the parent company and the subsidiaries.

Note 2: Because there were no similar transactions for reference, the conditions were decided by negotiation between the parties.

Note 3: The above transactions were eliminated in process of compiling the consolidated financial report.

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars/U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of June 30, 2016			Net Income (Loss) of the Investee	Investee Gain (Loss)	Note
				June 30, 2016	December 31, 2015	Shares	% (Note 4)	Carrying Amount			
Lotus Pharmaceutical, Co., Ltd.	Lotus International Pte. Ltd.	Singapore	Investment business	$ 25,618	$ 25,618	790	100.00	$ 30,119	$ (1,791)	$ (1,791)	-
	Lotus Lab, Ltd. (Note 1)	England	Market data collection and European-agent services	-	-	-	100.00	(626)	(82)	(82)	Note 1
	Heng Kang Bio Medi Co., Ltd. (Note 2)	Taiwan	Drug inspection, biotech technology services, and intellectual property	49,700	49,700	4,970	33.69	15,503	(1,143)	(48)	Note 2
	Lotus Pharmaceutical, HK Inc. (Note 3)	Hong Kong	Market data collection and Hong-Kong-agent services	-	-	-	100.00	(335)	(67)	(67)	Note 3
	Lotus Jonson Biotech Limited	Taiwan	Cosmetics wholesale, medicine retail, clinical machine retail, international trade industry, biotech technological services, and related consulting services	1,100	1,100	110	100.00	522	(86)	(86)	-
	Alvogen Korea Holdings Ltd.	Korea	Investment business	US$ 204,244	US$ 204,244	1,922	100.00	4,261,016	308,068	243,812	Note 5
	Taiwan Alvogen Ltd.	Taiwan	Sale of medicine	US$ 5,000	US$ 5,000	7,554	100.00	(31,265)	(10,343)	(10,343)	-
	Alvogen Pharma India Pvt. Ltd.	India	Investment business	US$ 9,800	US$ 9,800	502	98.00	(32,429)	1,901	1,385	Note 5
Lotus International Pte. Ltd.	Lotus Biotech (Shanghai) Limited	Mainland China - Shanghai	Consulting on pharmaceutical technology, chemical drugs, chemical reagents, biotechnology, and biotech production	20,100	20,100	-	100.00	30,143	(1,637)	(1,637)	-

Note 1: England subsidiary - Lotus Lab, Ltd., as of June 30, 2016, the capital remittance has not been paid.

Note 2: It includes the pricing technology contribution amounting to $30,000 thousand.

Note 3: Hong Kong subsidiary - Lotus Pharmaceutical, HK Ltd., as of June 30, 2016, the capital remittance has not been paid.

Note 4: Except for Heng Kang Bio Medi Co., Ltd., the above transactions were eliminated in the consolidated financial statements.

Note 5: The main financial statements of the Company's subsidiary Alvogen Korea Holdings Ltd. and Alvogen Pharma India Pvt Ltd. are their consolidated financial statements.

TABLE 6

LOTUS PHARMACEUTICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2016	Ownership of Direct or Indirect Investment (%)	Investment Loss (Note 2)	Carrying Amount as of June 30, 2016	Accumulated Repatriation of Investment Income as of June 30, 2016
					Outward	Inward					
Lotus Biotech (Shanghai) Limited	Consulting on health technology, chemical drugs, chemical reagents, biotech technology, and biotech production	$ 20,100	Reinvestment in Mainland China through another investee in a third area	$ 20,100	$ -	$ -	$ 20,100	100	$ (1,637)	$ 30,143	$ -

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Limit of the Amount of Investment Stipulated by the Investment Commission, MOEA (Note 3)
$20,100	$20,100	$4,709,783

Note 1: The investment amount has been approved by Investment Commission, MOEA No. 092031304 and No. 09500181300.

Note 2: The investment income was recognized based on financial statements of Lotus Biotech (Shanghai) Limited in the same period which were audited.

Note 3: The amount of the limit is in accordance with No. 006130 issued by the Ministry of Finance on November 16, 2001.