Stock Code: 4105

台灣東洋藥品工業股份有限公司
TTY BIOPHARM COMPANY LIMITED

Annual Report
2016

Annual Report is available at http://www.tty.com.tw

Taiwan Stock Exchange Market Observation Post System：
http://mops.twse.com.tw

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1. **Spokesperson**

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Title：CFO
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2. **Deputy Spokesperson**

Name：Chen,Rui-Fen
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3. **Head Office**

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Tel：+886-2-2652-5999

4. **Chungli Factory**

Add：No.838, Sec. 1, Zhonghua Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)
Tel：+886-3-452-2160

5. **Lioudu Factory**

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Add：5F., No. 118, Xingshan Rd., Neihu Dist., Taipei City 11469, Taiwan (R.O.C.)
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7. **Share Transfer Agency**

Company：Capital Securities Corporation
Add：B2,No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)
Tel：+886-2-2702-3999
Website：http://agency.capital.com.tw

8. **Contact information of the Certified Public Accountants for the Latest Financial Repot**

Name：Tseng,Kuo-Yang and Chi,Shi-Qin
CPA Firm：KPMG Taiwan
Add： No.7-68, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Tel：+886--2-8101-6666
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9. **Overseas trade places and the inquiry methods for listed negotiable securities**：None

10. **Company Website**：http://www.tty.com.tw

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I. Letter to Shareholders

Dear Ladies and Gentlemen,

I would like to express my gratitude for your support and dedication. As a professional and highly competent developer and manufacturer of pharmaceuticals in Taiwan, our main vision and greatest social responsibility is to enhance the quality of human life through science and technology. Over the past decades, we have therefore been firmly committed to the research and development of safe pharmaceutical products with maximum pharmaceutical effect with the ultimate goal of improving the life quality of patients.

In the field of corporate governance, TTY Biopharm embraces the lofty principle of "benevolent corporate operations". We comply with all relevant laws and place utmost emphasis on business ethics We are also fully aware of the growing impact of our company on the industry, the nation, and society following the expanding scope of our business operations. We therefore espouse integrity and legal compliance as our core values. Due to our dedicated efforts and firm belief in corporate governance we were ranked in the top 5% of all listed OTC companies in the third corporate governance appraisal conducted by the Taiwan Stock Exchange and the Taipei Exchange. We aim to set a paragon by embracing a positive business philosophy in an effort to turn into a positive force of progress in society.

Looking back on the past year, TTY Biopharm actively pursued its strategic direction and made steady progress toward its goals by relying on the joint efforts of the management team and all staff members. Overall operational performance and profitability were impressive. In the future, we will continue to enhance our operational performance and generate rich profits with undiminished dedication and devotion on the basis of our current achievements. We will also adopt a high-dividend policy to ensure reasonable returns for our investors.

<u>The Company's Business Result for 2016</u>

(1) Business Plan Implementation Result

The Company's consolidated net business revenue for 2016 reached NTD3,760,717,000, which constitutes an increase by NTD565,499,000 (17.70%) compared to the revenue of NTD3,195,218,000 for 2015. This increase has been mainly caused by higher OEM revenues and increased anti-infective medicine sales for 2016. Net profit attributed to the parent company for 2016 totaled NTD1,193,324,000 which constitutes a decrease by NTD17,694,000 (1.46%) compared to the net profits of NTD1,211,018,000 in 2015. This decrease has been mainly caused by the fact that despite the increase of business revenues to NTD 389,900,000 in 2016, no profits from asset disposal were recorded as opposed to 2015.

(2) Budget Implementation Status

The Company's net business revenue for 2016 is NTD 3,344,262,000, achieving 101.87% of the annual budget target. Pre-tax net profit is NTD 1,432,037,000, achieving 111.79% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item \ Year		2016	2015
Income & Expenditure	Interest Income (in 000s)	2,508	2,767
	Interest Expenditure (in 000s)	25,362	25,467
Profitability Analysis	Return on Assets %	14.29	16.12
	Return on Equity %	22.77	26.05
	Net Profit Margin %	35.68	44.21
	Earnings Per Share (NTD)	4.80	4.87

(4) Research & Development Status

In continuation of the R&D strategy of past years, the Company constantly refines its liposome technologies and long-lasting extended-release injection technologies, develops new ingredients and medications, and explores new application areas for currently available products with the goal of benefiting a greater number of patients and generating more value for shareholders.

Our constant efforts over the past years have generated excellent results in 2016. The Company has developed overseas markets for two liposome products in cooperation with a major international manufacturer, introducing the Company's liposome products to international target demographics.

Looking ahead, the Company will continue to develop forward-looking and innovative technologies to consolidate its core competitiveness and leadership position.

Business Plan Summary for This Year (2017)

(1) Operation Policy

Ever since its founding, TTY has experienced several critical strategic leaps and successfully transformed itself into a "new drug development oriented innovative international biopharma company" for the purpose of creating excellence and ever-lasting business. In addition to the in-depth exploration of Taiwan market, China and major countries in Asia in order to obtain stable growth for domestic and offshore businesses, we also continue to evaluate emerging markets across the world. TTY explores its self-developed product revenue and brand efficiency through regular chain or collaboration with strategic partners. TTY is also closely connected with international expert social media groups and provides treatment solutions with the best drug economic values. TTY is dedicated to becoming a leading international biopharma company specialized in developing special preparation and biotechnological drugs, marketing and manufacturing.

(2) Quantity and Basis for Projected Sales

In 2017, the Company is expected to sell 379,000,000 tablets of oral preparation and 5,200,000 doses of injection. The Company's projected sales volume has been established in accordance with IMS statistic report and under considerations of possible changes in market supply and demand going forward, new product development speed as well as national health insurance policy.

(3) Critical Production and Marketing Policies

For the upcoming year, TTY shall continue its strategy and goal from last year, and shall utilize its previous achievements as a basis during its relentless dedication to self-challenge while marching towards its next milestone:

With respect to "marketing strategy," we shall continue to evaluate major countries in Asia as well as global emerging markets in addition to our in-depth exploration of Taiwan market. Exploration of TTY product revenue and brand efficiency will be conducted through management of regular chain and strategic partner collaboration. As for "Research & Development Strategy," we shall continue to enhance the development of specialty pharma platform. In the meantime, we shall balance our needs for short/medium/long term R&D and be engaged in aggressive and cautious search for and assessment of development targets in a bid to enhance product assortments for respective business divisions in the Company. With respect to "Production Strategy," we shall continue to establish and maintain drug manufacturing bases meeting international quality requirements and enhance production capacity planning which comes with flexibility and economies of scale for the purpose of ensuring our cost advantages.

The Company's Future Development Strategy

Corporate Vision: "Enhance Human Life Quality with Technology"

Corporate Mission: "Commitment to development and manufacturing of specialty pharma (patented or high market-entrance obstacle), biological products and new drugs; Enhancement of TTY product assortments; Continuous enhancement of high market-entrance obstacle drug development platform as well as undisrupted extension of utilization efficiency over such platform," "Specialized in the in-depth exploration and international development over manufacturing and R&D for anti-cancer, critical illness anti-infection and specialty pharma," "Becoming one of the most innovative biopharma company in the world as well as the best collaborating partner for international biotechology company in drug development and international market promotion."

For future development, each year TTY shall, in addition to exploiting maximum efficiency over current R&D achievements, continue to explore 3 international markets and aggressively look for international collaboration opportunities, and achieve its development goals through the following critical strategies:

① Balanced evaluations over early/middle/final phase drug development targets for the purpose of enhancing product assortments(specialty pharma, biopharma, new drug) and meeting this organization's short/long term operation goals;

② Collaboration with international cooperation partners in order to speed up development for new drugs which come with unsatisfied medical needs, high market-entrance obstacle (technology, manufacturing) and high drug economic values;

③ Concentrate in an ongoing basis on the implementation of "localized" business activities and life cycle management "best suited for local community" in respective target markets;

④ Development of specialty pharma through competitive self-owned and joint developments for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding values to TTY international business development;

⑤ Establishment, renewal and maintenance of drug manufacturing bases which meet with international quality requirements;

⑥ Utilization of critical strategic activities of mergers and acquisitions, strategic alliance or joint venture to complete integration of value chain which starts from R&D to manufacturing;

⑦ Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage;

⑧ Rapid acquisition and cultivation of local talents with "entrepreneurial spirit" and continued enhancement over product development talents possessing balanced developments in the fields of "science, regulation, business management;"

⑨ Product development supported by current sales revenue in Taiwan;

⑩ Amortization of factory operation costs through international characteristic drug OEM/joint development revenue;

⑪ Introduction of R&D result into in global market and completion of offshore authorization; Combination of product and R&D revenue for the purpose of investing the future while creating positive business cycle;

⑫ Concentration on global biotechnology investment targets to maximize group profits.

Impacts from External Competition Environment, Regulatory Environment and Macro-Economic Environment

With the increasing stringent regulations in recent years, production costs after the implementation of PIC/S continues to increase exponentially. Meanwhile, health insurance drug payment prices have experienced numerous price adjustments which lead to imbalance between input and output as well squeeze on drug manufacturers' revenue and profits.

Additionally, Ministry of Health and Welfare intends to implement "Balance Billing Plan" in the future. This plan offers people an option of brand drug by paying differences over health insurance price. Although this is Ministry of Health and Welfare's goodwill to take care of people's rights on drugs, it is likely that this will lead to people's myth on taking drugs and cause harm to domestic pharma industry if appropriate supporting measures are not stipulated accordingly.

With respect to industry development, China, India and even countries across Southeast Asia have all been engaged in generic drug industry and price competition has therefore become even fiercer. Furthermore, scales of drug manufacturers as well as market in Taiwan are small. Difficulty for industry development will surely be incurred in the event of cut-throat competition among companies with the same nature. Drug price competition result will lead to difficulty in the development of Taiwan pharma market.

All of TTY's cancer product dosage forms and production processes meet with Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme Good Manufacturing Practice (PIC/S GMP) regulations, and currently there are numerous drug applications being submitted in accordance with laws and regulations. All these have helped TTY's drugs maintain their competitiveness in domestic market. Furthermore, TTY's liposome technology platform, long acting slow release injection technology platform, freeze-dry manufacturing process and capsule manufacturing process technologies have become matured. In the meantime, TTY owns drug manufacturing bases which meet with international quality requirements, and PIC/S GMP certifications in numerous countries have already been obtained through official factory inspections in Europe, Japan and U.S. With our preeminent technology and high standard factory equipment, numerous large scale or innovative pharma companies have actively approached TTY for collaboration discussion. TTY will also choose appropriate strategic partners for collaboration in order to enhance our competitiveness in offshore markets.

TTY Biopharm Co., Ltd.

Chairman of the Board: Hsiao, Ying-Chun

II. Company Introduction

1. Founding date: July 22, 1960

2. Formation History：

1960	·	Establishment of Taiwan Tung Yang Chemical Industries Company Limited. with a total registered capital of NT$ 2 million.
1968	·	Construction of the Zhongli Factory and technical cooperation with Toyo Jozo Company Limited.
1969	·	Registration of the Chinese and English name of the Company (Taiwan Tung Yang Chemical Industries Company Limited.)
1988	·	The task force in charge of promotion of Good Manufacturing Practices (GMP) for pharmaceuticals determines that the plant meets all required GMP standards
1993	·	Construction of a plant as a joint venture with Shanghai Xudonghaipu Pharmaceutical Company Limited
1997	·	Merger with Dongxing Pharmaceutial Company Limited. The company has a total capital of NT$180 million upon a capital increase.
1998	·	The Securities & Futures Institute approves the public listing of the company's stock. The company carries out a cash capital increase of NT$ 40 million. The total capital after the capital increase amounts to NT$ 239.9 million.
	·	Acquisition of the Lipo-Dox Liposome Injection certification, turning the plant into one of only three pharmaceutical plants worldwide that possess the technology to manufacture liposomes
	·	Development of “Regrow SR” for slow-release formulas and acquisition of the first certification in Taiwan for antitussives with prolonged effect
2000	·	In accordance with the development and transformation of the company, its English name is officially changed to TTY BioPharm Company Limited.
	·	The first locally produced anti-tumor medication (UFUR) is granted a drug permit license by the Department of Health (in accordance with public notice No.77)
	·	Shanghai Xudong Haipu Pharmaceutical plant passes the GMP certification
2001	·	Official OTC listing of the company's stock on September 27
	·	Issuance of secured common corporate bonds of a par value of NT$ 300 million

2002	• Thado is granted a drug permit license and is brought on the market • Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan • Recognized with the Excellence Award for industrial technology development presented by the Ministry of Economic Affairs • Lipo-Dox® is honored with the Silver Award for Pharmaceutical Technology Research and Development presented by the Department of Health, Ministry of Economic Affairs
2003	• Acquisition of Folina license (Singapore) • Acquisition of a Chinese patent for new Thalidomide indications • Acquisition of a Chinese patent for preparation methods of Oxaliplatinum injection sterilization product
2004	• Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan • Acquisition of the exclusive right to develop the new anti-cancer drug S1 in Taiwan granted by Taiho in Japan
2005	• Recognized with the Outstanding Innovation Award presented by the Ministry of Economic Affairs in the context of the 13th Industrial Technology Development Awards
2006	• Acquisition of a Taiwanese patent for Lipo-Dox® Liposome Injections – Manufacturing method of liposomal suspensions including liposomal suspension products manufactured with this method • Acquisition of a New Zealandian patent for Asadin® injection – Radioactive arsenic compound and its use for tumor treatment • Acquisition of a Taiwanese patent for Asadin® injection – partially applied medicinal formula for treatment of subcutaneous tumors • Acquisition of a Taiwanese patent for Thado® capsules – Medicinal formula for treatment of stem cell cancer
2007	• Passing of a European plant certification for injection medicines for clinical trial • Completion and activation of a professional plant for the manufacture of anti-cancer drugs in accordance with PIC/S GMP.
2008	• Anti-cancer injection medicine plant passes EU plant certification
2009	• Full anti-cancer dosage passes EU plant certification • Cancer Translational Center earns ISO17025 certification • to-BBB technologies BV announces the joint development of the brain tumor target drug liposomal doxorubicin • Anti-cancer drug Taxotere is granted a generics license in Europe • The Zhongli Factory passes the domestic PIC/S GMP plant certification

2010	· Establishment of TOT Shanghai R&D Center Company Limited. in China · Acquisition of the Taiwan Shionogi Lioudu Factory · Establishment of TOT Biopharm Company Limited in China · Acquisition of drug permit license for TS-1 Capsule · Establishment of TSH Biopharm Corporation Limited through spin-off
2011	· Establishment of a local office in Hanoi, Vietnam · Lipo-Dox is honored with the 2011Biotechnology Award for best technology commercialization · Lipo-Dox is honored with the 2011 National Invention and Creation Award- Silver Medal Award · Award in the industry category at the 7th Nano Elite Awards organized by the Ministry of Economic Affairs · Investment in CY Biotech
2012	· Acquisition of a Taiwanese drug permit license for Temazo Capsules · Acquisition of a Taiwanese drug permit license for Tynen Injection · Construction and activation of the new anti-cancer drug manufacturing plant of TOT Biopharm Company Limited in Suzhou · Acquisition of 100% of the total equity of Chengdu Shuyu Pharmaceutical Company Limited. in China
2013	· Disposal of 60% of the total equity of Taiwan Tungyang International Company Limited · Honored with the Gold Award for outstanding biotechnology industries · The Lioudu Factory passes the domestic PIC/S GMP plant certification
2014	· Acquisition of a Taiwanese drug permit license for Brosym for Injection · Neihu Plant passes Taiwan TFDA plant certification
2015	· Neihu Plant passes Taiwan TFDA PIC/S GMP plant certification · Chungli Factory passes Taiwan TFDA PIC/S GMP plant certification · In oreder to adjust investment structure, selling all equities of Taiwan Tungyang International Company Limited and TOT Biopharm International Company Limited
2016	· Audit committee was established to replace supervisor. · Liu-Du factory passed Taiwan TFDA PIC/S GMP inspection and obtained certification in freeze-drying dosage, sterile preparation and final sterilization. · The Company as a whole has passed "Taiwan Intellectual Property Management System" A level certification.
2017	· Achieved top 5% performance of TPEx-listed companies in the 3rd Company Governance Assessment.

III. Corporate Governance Report

1. Organization

(1) Organization

Organization Chart

(2) Department Functions

Department	Segregation of duties
GM Office	Oversee operation from macro-perspectives
Auditing	Bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Oncology Business Unit	Oversee TTY Oncology team operations and implementing strategic measures both in marketing and sales in order to expand product line.
Intensive Care Business Unit	Oversee TTY Intensive team operations and implementing strategic movements by encompassing the latest market trend to promote its products and comb out the niche market.
Healthcare Unit	Oversee TTY Healthcare team operations and implementing strategic movements by encompassing the latest market trend to promote its products and comb out the niche market.
Pharmaceutical Development Center	Allocate and coordinate resources to R&D formulation programs to ensure smooth transfer of new know-how to other departments in a timely manner.
Manufacturing Center	Orchestrate and maintain PIC/S GMP management system to ensure TTY's products meet and exceed global quality standard.
Administration Center	1.Conduct both internal and external communications including strategic Intellectual property analysis and coordination, maintaining the key official rapport in order to smooth out operations company's mission statement。 2.Devote in global pharmaceutical regulatory affairs and strengthening regulatory negotiation and overcome obstacles in order to speed up product launch。 3.Upkeep company's IT infrastructure by developing software and constantly updating hardware to meet company's ever-changing needs 4.Oversee the full spectrum of Human Resource functions including recruitment, training, performance evaluation, compensation and benefits. Also responsible for safeguard TTY's core value in order to maintain competitive edge.
Financial Division	Responsible for all the day to day transactional accounting for the business such as preparing the budgets and forecasts, and to report back on the progress against these throughout the year. This information can be used to plan asset purchases and expansions and cash needs while maintaining investor relationship, BOA's function and stock affairs。
Legal Department	Proof-read company's contracts and take care of litigation matters accordingly to ensure practice is in TTY's interest。
International Business Development	In charge of oversea company's operation including strategic alliance, new venture evaluation, merger and acquisition。

2. Information of Directors, General Manager, Vice General Manager, Vice President and the Respective Departments and Branch Officers

(1) Director

① Director

Apr 18, 2017,Unit: share:%

Title/ Name	Nationality or Place of Registration	Gender	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Dawan Technology Company Limited.	R.O.C.		2016.6.24	3 years	1995.7.24	20,624,732	8.29	20,552,732	8.27	0	0	0	0	【Note 1】	【Note 1】
Representative: Hsiao, Ying-Chun	R.O.C.	Male						4,342,524	1.75	0	0	0	0		
Vice Chairman Chang, Wen-Hwa	R.O.C.	Female	2016.6.24	3 years	1995.7.24	3,660,941	1.47	3,660,941	1.47	0	0	0	0	【Note 1】	【Note 1】
Director Yang, Tze-Kaing	R.O.C.	Male	2016.6.24	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 1】	【Note 1】
Director Chang, Hsiu-Chi	R.O.C.	Male	2016.6.24	3 years	2016.6.24	2,143,686	0.86	2,143,686	0.86	2,772,062	1.11	0	0	【Note 1】	【Note 1】
Director Tseng, Tien-Szu	R.O.C.	Male	2016.6.24	3 years	2014.6.24	3,346	0	3,346	0	87,000	0.03	0	0	【Note 1】	【Note 1】
Director Liao, Ying-Ying	R.O.C.	Female	2016.6.24	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 1】	【Note 1】

Title/ Name	Nationality or Place of Registration	Gender	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Tsai, Duei	R.O.C.	Male	2016.6.24	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 1】	【Note 1】
Independent Director Hsueh, Ming-Ling	R.O.C.	Male	2016.6.24	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 1】	【Note 1】
Independent Director Lin, Tien-Fu	R.O.C.	Male	2016.6.24	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 1】	【Note 1】

Note 1: Main Education & Experience and Current Positions at TTY and Other Company as below:

Title /Name	Main Education & Experience	Current Positions at TTY and Other Company	
Chairman Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	BS., School of Pharmacy, Taipei Medical University	Director Chairman Chairman Director Director Chairman Director Chairman Director	TSH Biopharm Company Limited Dawan Technology Company Limited Xudonghaipu International Company Limited American Taiwan Biopharm Co., Ltd. American Taiwan Biopharma Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited Worldco Biotech(Chengdu) Pharmaceutical Ltd. EnhanX Inc.
Vice Chairman Chang, Wen-Hwa	MBA of Manmos College	Director Director Director Director Director Director Director Director Supervisor	TSH Biopharm Company Limited Arich Investment Company Limited CY Biotech Company Limited PharmaEngine, Inc Xudonghaipu International Company Limited. American Taiwan Biopharma Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited EnhanX Inc.
Director Yang, Tze-Kaing	MBA of University of Illinois at Urbana-Champaign Ph.D of Business Administration, National Chengchi University	Chairman Director and General Manager Director Director Director Independent Director Independent Director Director Director Director	Yangtze Associates Huiyang Private Equity Fund Co., Ltd Chien Kuo Construction Co., LTD. Airiti Inc. Hon Yang Healthcare Asrock Incorporation DBS Bank (Taiwan) Ltd. Pegatron Corporation Taiwan Stock Exchange Corporation Asustek Computer Inc.

Title /Name	Main Education & Experience	Current Positions at TTY and Other Company	
Director Chang, Hsiu-Chi	EMBA, National Taiwan University College of Management BS., School of Pharmacy, Taipei Medical University	Director Director Director Director and General Manager Chairman Director Director Director Director Director Director Director Director Director Director Chairman Director Director Director Director Director	Xudonghaipu International Company Limited. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited Purzer Pharmaceutical Company Limited Yuan-Hwa Biotechnology Enterprise Company Limited AnnJi Pharmaceutical Company Limited HealthBanks Biotech Company Limited Reber Genetics Company Limited. Ku Pao Biotech Company Limited. Nung Pao Biotech Company Limited. Sheng Rong Biotech Company Limited. TheVax Genetics Vaccine Company Limited Chi Chun Consulting Management Company Limited. Stemgen Biotech Holding Limited Asiacord Biotech(BVI) Company Limited Yuen Hung Investment Company Limited KamZea Corporation Limited. Top Horizon Company Limited Aaxter International Limited RueiJi Pharmaceutical Company Limited Bio HK Limited
Director Tseng, Tien-Szu	MS., MBA Program, College of Management, National Taiwan University MS, Graduate Program, Department of Diplomacy, National Chengchi University	Director Director Chairman Vice Chairman and General Manager Director Chairman Chairman	Xudonghaipu International Company Limited. Worldco International Limited Szu Heng Feng Biotech Investment Company Limited Black Wood Investment Company, Limited. Weigao Panion Biotech Holding Company Limited (HongKong) Inalways Corporation Ailiya International Co.

Title /Name	Main Education & Experience	Current Positions at TTY and Other Company	
Director Liao, Ying-Ying	MBA, University of Missouri, USA	Director Director	cnYES.com Company Limited Evenstar Capital Limited
Independent Director Tsai, Duei	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	Independent Director Independent Director Independent Director	Compal Electronics, Inc. Taiwan Taxi Co., Ltd. Getac Technology Corporation
Independent Director Hsueh, Ming-Ling	MBA,Bloomsburg University, Pennsylvania, USA MS., Graduate Institute of Accounting, Soochow University	Independent Director Independent Director Independent Director Independent Director	Lite-On Technology Corp. Walsin Lihwa Corporation Yuanta Financial Holdings Yuanta Commercial Bank
Independent Director Lin, Tien-Fu	Center for Public Administration and Business Management Education, National Chengchi University,Accounting Training Common Accounting Group and Intermediate Accounting Group	Chairman Director	Yuanta Futures Co,Ltd. Ta Chong Securities Co., Ltd.

② **Major Shareholders of Institutional Shareholders**

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Name of Institutional Shareholder	Name of Major Shareholders
Dawan Technology Company Limited	Hsiao, Yu-Bin（35.29%）,Hsiao, Ying-Chun（27.93%）,Wu, Yong-Liang（10.10%）,Xu,Mei-Qin（9.99%）,ZhuZheng, Gong-Ju（9.99%）,Hsiao, Jia-Yu（(3.11%）,Hsiao, Jia-Bin（2.55%）,Li-Yuan Welfare Charitable Trust (1.04)

③ **Principal Shareholder of Corporate Shareholders with a Juridical Person as its Main Shareholder:None**。

④ Professionalism and Independence of Directors

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Qualification / Name	Has over five years work experience and following professional qualifications			Independence Attribute (Note 2)										Number of Director Posts Held Concurrently for Other Publicly Listed Companies
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related Departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	-	-	✓	-	-	-	✓	-	✓	✓	✓	✓	-	None
Chang, Wen-Hwa	-	-	✓	✓	-	-	-	✓	✓	✓	✓	✓	✓	None
Yang, Tze-Kaing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chang, Hsiu-Chi	-	-	✓	✓	-	-	-	✓	✓	✓	✓	✓	✓	None
Tseng, Tien-Szu	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	None
Liao, Ying-Ying	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsai, Duei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Hsueh, Ming-Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4(Note1)
Lin, Tien-Fu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1:Independent Director Hsueh, Ming-Ling was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd. According to requirements prescribed in Jin-Guan-Zen-Yi-Tze No. 0960010070 order dated March 19th, 2007, cases of financial holding company's independent director also serve as an independent director for a listed subsidiary which is 100% held by the company shall not be regarded as one company. Subsidiary company with such assumption of duties shall not be counted in the number of "other" listed companies with such independent director prescribed in Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"

Note 2:If the respective director or supervisor meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark ("✓") in the blank space under the code representing the respective condition.

(1)Neither an employee of the company nor the affiliated companies.

(2) Not a director/supervisor of the Company or any of its affiliates (unless he/she serves as an independent director of the Company/parent company of the Company or any subsidiaries as regulatory by this or local governing body.).
(3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.
(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the fifth degree of consanguinity of any person indicated in the foregoing three categories.
(5) Not a member of the board, supervisor, or employee of institutional shareholders directly holding more than 5% of the company issued total shares, or a member of board, supervisor, or employee of the first five institutional shareholders.
(6) Not a member of the board, supervisor, manager of a company or institution that has financial or business interaction with the Company. Or, not a shareholder that hold more than 5% of the outstanding shares of the said company or institution.
(7) Not a professionals, sole proprietorship profit-seeking enterprise, or partnership that provides commercial, legal, financial or accounting service to the Company or to any affiliate of the Company; not a owner, partner, director, supervisor or manager of a company or institution that provides commercial, legal, financial or accounting service to the Company or to any affiliate of the Company; or not the spouse of any of the above persons. However, the Compensation Committee members who exercise job responsibilities in accordance with Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter” are not subject to the requirement.
(8) Neither the spouse of any other director of the Company nor the relative with the second degree of kinship of any other director of the Company.
(9) Not subject to any condition under Article 30 of the Company Law.
(10) Not elected as director in the capacity of the government, legal person, or the representative thereof in accordance with Article 27 of the Company Law.

(2) Information of Management Team

Apr 18, 2017; Unit: share; %

Title	Name	Nationality or Place of Registration	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
					Shares	%	Shares	%	Shares	%		
General Manager	Hsiao, Ying-Chun	R.O.C.	Male	2014.08.31	4,342,524	1.75	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	【Note】
Vice General Manager	Wu, Hsueh-Liu	R.O.C.	Male	1995.02.06	342,127	0.14	320,573	0.13	0	0	BS, Department of Banking and Insurance, Chihlee College of Business	【Note】
Vice President, Auditing	Wu, Wen-Hua	R.O.C.	Male	2015.10.01	23,000	0.01	2,524	0	0	0	MS. Department of Industrial Management, National Taiwan University of Science and Technology	None
Vice President, Legal	Lin, Jin-Rong	R.O.C.	Male	2014.11.01	0	0	0	0	0	0	MS, Undergraduate Program, Department of Law, National Chung Hsing University MS, Undergraduate Program, Department of Law, University of Washington, USA	None
Senior Vice President and Financial Officer, Financial Division,	Chang , Kuo-Chiang	R.O.C.	Male	2015.12.31	0	0	0	0	0	0	MS., College of Management, National Taiwan University	None
Vice General Manager, Administration Center	Chang , Chih-Meng	R.O.C.	Male	2017.05.03	1,192	0	434,158	0.17	0	0	BS., Department of Electrical Engineering, National Taiwan University	【Note】
Vice President, General Affairs	Tseng , Chu-Lan	R.O.C.	Female	2006.01.11	0	0	0	0	0	0	MBA, University of Leicester, UK	None
Vice President, Administration Center	Liu, Nai-Wei	R.O.C.	Female	2017.02.06	0	0	0	0	0	0	MBA, Department of Business Administration, National Central University	None

Title	Name	Nationality or Place of Registration	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
					Shares	%	Shares	%	Shares	%		
Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	R.O.C.	Male	2003.12.01	6,607	0	813	0	0	0	PhD., Graduate Programs of College of Pharmacy and Health Sciences, ST. John's University	【Note】
Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	R.O.C.	Male	2013.04.01	3,000	0	0	0	0	0	PhD., Department of Biological Science and Technology, National Chiao Tung University	None
Vice General Manager, Oncology Business Unit	Shi, Jun-Liang	R.O.C.	Male	2017.05.03	0	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	None
Senior Vice President, Oncology Business Unit	Yang, Si-Yuan	R.O.C.	Female	2009.05.01	403	0	154	0	0	0	MS, Institute of Pharmacology, National Yang-Ming University	None
Vice General Manager, Intensive Care Business unit	Qu, Zhi-Yuan	R.O.C.	Male	2017.05.03	0	0	0	0	0	0	BS, Department of Business Administration, Chungyu Institute of Technology	None
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	R.O.C.	Male	1989.01.01	2,085	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	【Note】
Vice President, Healthcare Unit	Jian, Chong-Guang	R.O.C.	Male	2015.05.11	0	0	0	0	0	0	BS., Department of Business Administration, Tamkang University	None
Vice General Manager, Manufacturing Center	Liu, Chih-Ping	R.O.C.	Male	2001.02.01	0	0	0	0	0	0	MBA, University of Leicester,UK	None
Vice President, Zhongli Factory	Xie, Cong-Yong	R.O.C.	Male	2015.01.01	0	0	21,283	0.01	0	0	BS., Department of Aquaculture, National Taiwan Ocean University	None
Head of Lioudu Factory	Xu, Jian-Yu	R.O.C.	Male	2013.04.01	0	0	0	0	0	0	BS., School of Pharmacy, Taipei Medical University	None
Accounting Officer	Wang, Shu-Wen	R.O.C.	Male	2015.08.13	0	0	0	0	0	0	BS, Department of Accounting, Soochow University	None

Note: Current Positions at TTY and Other Company as below:

Title	Name	Current Positions At Other Company	
General Manager	Hsiao, Ying-Chun	Director	TSH Biopharm Company Limited
		Chairman	Dawan Technology Company Limited.
		Chairman	Xudonghaipu International Company Limited.
		Director	American Taiwan Biopharm Co., Ltd.
		Director	American Taiwan Biopharma Philippines Inc.
		Chairman	Worldco International Limited
		Director	WorldCo Biotech Pharmaceutical Technology (Beijing) Limited
		Chairman	Worldco Biotech(Chengdu) Pharmaceutical Ltd.
		Director	EnhanX Inc.
Vice General Manager	Wu, Hsueh-Liu	Director	Xudonghaipu International Company Limited.
		Director	American Taiwan Biopharm Co., Ltd.
		Director	American Taiwan Biopharma Philippines Inc.
		Director	Gligio International Ltd.
		Supervisor	Worldco Biotech(Chengdu) Pharmaceutical Ltd.
		Director	Worldco International Limited
		Chairman	WorldCo Biotech Pharmaceutical Technology (Beijing) Limited
Vice General Manager, Administration Center	Chang , Chih-Meng	Director	American Taiwan Biopharm Philippines Inc.
		Chairman	TSH Biopharm Company Limited
Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	Chairman	EnhanX Inc.
Healthcare Unit Vice General Manager	Wu, Yong-Liang	Supervisor	Dawan Technology Company Limited.

(3) Remuneration paid to Directors, Supervisors, General Manager, and Vice General Manager in the most recent year

① Payment of Remuneration to Director

Unit: NT$ Thousand

Title	Name	Remuneration								Ratio Of Total Remuneration (A+B+C+D) To Net Income (%)	
		Base Remuneration (A)		Severance Pay (B)		Bonus To Directors (C)		Allowances (D)			
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements
Chairman and General Manager	Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	3,366	3,366	0	0	13,586	13,586	204	222	1.44	1.44
Vice Chairman	Chang, Wen-Hwa										
Director	Yang, Tze-Kaing (Note 1)										
Director	Chang, Hsiu-Chi (Note 1)										
Director	Tseng, Tien-Szu										
Director	Liao, Ying-Ying (Note 1)										
Independent Director	Tsai, Duei (Note 2)										
Independent Director	Hsueh, Ming-Ling (Note 2)										
Independent Director	Lin, Tien-Fu (Note 2)										
Director	Lin Chuan (Note 3)										
Director	Oushi Foods Company Limited Representative: Lin, Jung-Chin (Note 4)										

Unit: NT$ Thousand

Title	Name	Relevant Remuneration Received By Directors Who Are Also Employees								Ratio Of Total Compensation (A+B+C+D+E+F+G) To Net Income (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries
		Salary, Bonuses, And Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company		All Companies In The Consolidated Financial Statements		The Company	All Companies In The Consolidated Financial Statements	
						Cash	Stock	Cash	Stock			
Chairman and General Manager	Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	5,540	5,540	108	108	500	0	500	0	1.95	1.95	65
Vice Chairman	Chang, Wen-Hwa											
Director	Yang, Tze-Kaing (Note 1)											
Director	Chang, Hsiu-Chi (Note 1)											
Director	Tseng, Tien-Szu											
Director	Liao, Ying-Ying (Note 1)											
Independent Director	Tsai, Duei (Note 2)											
Independent Director	Hsueh, Ming-Ling (Note 2)											
Independent Director	Lin, Tien-Fu (Note 2)											
Director	Lin Chuan (Note 3)											
Director	Oushi Foods Company Limited Representative: Lin, Jung-Chin (Note 4)											

Note 1: New to the post during selection dated June 24, 2016.

Note 2: Directors were selected, supervisors were abolished and audit committee composed of independent directors was established dated June 24, 2016.

Note 3: Resignation was filed on May 13th, 2017.

Note 4: Termination upon selection dated June 24, 2016.

Remuneration Bracket

Compensation Paid to each Director	Name of Director			
	The accumulated amount from the above-mentioned four categories (A+B+C+D)		The accumulated amount from the above-mentioned seven categories (A+B+C+D+E+F+G)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu / Lin Chuan / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu / Lin Chuan / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu / Oushi Foods Company Limited Representative: Lin, Jung-Chin	Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu / Oushi Foods Company Limited Representative: Lin, Jung-Chin
NT$2,000,000 ~ NT$5,000,000	Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Chang, Wen-Hwa / Tseng, Tien-Szu	Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Chang, Wen-Hwa / Tseng, Tien-Szu	Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Chang, Wen-Hwa / Lin Chuan	Dawan Technology Company Limited Representative: Hsiao, Ying-Chun / Chang, Wen-Hwa / Lin Chuan
NT$5,000,000 ~ NT$10,000,000			Tseng, Tien-Szu	Tseng, Tien-Szu
NT$10,000,000 ~ NT$15,000,000				
NT$15,000,000 ~ NT$30,000,000				
NT$30,000,000 ~ NT$50,000,000				
NT$50,000,000 ~ NT$100,000,000				
More than NT$100,000,000				
Total	11	11	11	11

Note: The concept of the “compensation” disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

② **Payment of Remuneration to Supervisors**

Unit: NT$ Thousand

Title	Name	Remuneration of Supervisors						The total of A+B+C / Net Income Ratio (%)		Remuneration from the Reinvested Companies other than the Company's Subsidiaries
		Remuneration (A)		Remuneration from the Distribution of Earnings (B)		Expenses for Business Operations(C)				
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	
Supervisor	Chang, Hsiu-Chi(Note)	0	0	1,100	1,100	10	10	0.19	0.19	0
Supervisor	Liao, Ying-Ying(Note)	0	0	1,100	1,100	10	10	0.19	0.19	0

Note: Directors were selected, supervisors were abolished and audit committee composed of independent directors was established dated June 24, 2016

＊The concept of the "compensation" disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

③ Remuneration of General Manager and Vice General Manager

Unit: NT$ Thousand

Title	Name	Salary (A)		Severance pay and Pension (B)		Bonus and Special Allowance (C)	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
General Manager	Hsiao, Ying-Chun	10,237	10,237	327	327	12,254	12,254
Vice General Manager	Wu, Hsueh-Liu						
Vice General Manager	Wu, Yong-Liang						
Vice General Manager	Liu, Chih-Ping						
Vice General Manager	Hu, Yu-Fang						

Title	Name	Employee Bonus Amount from Earnings Distribution (D)				The total of A+B+C+D / Net Income Ratio (%)		Remuneration from the Reinvested Companies other than the Company's Subsidiaries
		The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
		Cash	Stock	Cash	Stock			
General Manager	Hsiao, Ying-Chun	2,850	0	2,850	0	2.15	2.15	0
Vice General Manager	Wu, Hsueh-Liu							
Vice General Manager	Wu, Yong-Liang							
Vice General Manager	Liu, Chih-Ping							
Vice General Manager	Hu, Yu-Fang							

Remuneration Bracket

The Remuneration Bracket for General Manager and Vice General Manager of the Company	Name of General Manager and Vice General Manager	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Hsiao, Ying-Chun	Hsiao, Ying-Chun
NT$2,000,000 ~ NT$5,000,000	Wu, Yong-Liang/Wu, Hsueh-Liu	Wu, Yong-Liang/Wu, Hsueh-Liu
NT$5,000,000 ~ NT$10,000,000	Liu, Chih-Ping	Liu, Chih-Ping
NT$10,000,000 ~ NT$15,000,000	Hu, Yu-Fang	Hu, Yu-Fang
NT$15,000,000 ~ NT$30,000,000		
NT$30,000,000 ~ NT$50,000,000		
NT$50,000,000 ~ NT$100,000,000		
More than NT$100,000,000		
Total	5	5

∗The concept of the "compensation" disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

④ **Manager's Name of the Allocated Employee Bonus and Allocation Situation**

Dec 31, 2016:Unit: NT$ Thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total	% of Total Amount against Net Income
Managerial Officers	General Manager	Hsiao, Ying-Chun	0	12,709	12,709	1.07
	Vice General Manager	Wu, Hsueh-Liu				
	Vice General Manager	Wu, Yong-Liang				
	Vice General Manager	Hu, Yu-Fang				
	Vice General Manager	Liu, Chih-Ping				
	Senior Vice President	Chang , Chih-Meng				
	Senior Vice President	Yang, Si-Yuan				
	Senior Vice President	Shi, Jun-Liang				
	Senior Vice President	Qu, Zhi-Yuan				
	Vice President	Tseng , Chu-Lan				
	Vice President	Cai, Shi-Hua				
	Head of Lioudu Factory	Xu, Jian-Yu				
	Vice President	Lin, Jin-Rong				
	Vice President	Xie, Cong-Yong				
	Vice President	Jian, Chong-Guang				
	Vice President	Wu, Wen-Hua				
	Vice President	Liu, Nai-Wei				
	Senior Vice President and Financial Officer	Chang , Kuo-Chiang				
	Accounting Officer	Wang, Shu-Wen				

(4) Analysis of the Ratio of Total Remuneration Paid by the Company and by All Companies Included in Consolidated Financial Report to Directors, Supervisors, General Manager, and Vice General Manager / Net Income (%) for the Most Recent Two Years, and Explanation of Remuneration Policy, Standard, and Combination, the Procedure of Remuneration Determination, and the Relation between Business Performance and Future Risk:

① **The ratio of total remuneration paid by the Company to Directors, Supervisors, General Manager, and Vice General Manager / Net income (%)**

	2016(%)	2015(%)
The company	4.29	3.43
All companies in the consolidated financial statements	4.29	3.43

② **Relationships among compensation payment, standards and combination, procedures for compensation drafting and operation performance and future risks:**

Remuneration to directors and supervisors shall comply with Article 25 of the Company's Articles of Incorporation. In the event of director and supervisor's performing of the Company's duties, the Company may pay remuneration accordingly regardless if there is a profit or loss in revenue. Such remuneration shall be determined by the Board of Directors' Meeting in accordance with levels of contribution and participation in the Company's business as well as references from normal standards in the industry. Remuneration shall be distributed in accordance with requirements of Article 21 in the event that the Company has profits from business.

Remuneration policy for General Manager and Vice General Manager shall be implemented in accordance with the Company's compensation determination guidelines. Remuneration policy for General Manager and Vice General Manager includes base salary and allowance. Distribution of bonus is based on consideration of the Company's overall operation performance and personal performance's contribution to the Company's performance.

3. Implementation of Corporate Governance

(1) Information of the Board Function

The meeting of Board of Directors has been held for 11 times in the current year and the attendance status of the directors and supervisors is listed below:

Title	Name(Note 1)	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)(Note 2)	Remark
Chairman	Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	11		100.00	Selected Again Selection was conducted on June 24, 2016
Vice Chairman	Chang, Wen-Hwa	8	3	72.73	Selected Again Selection was conducted on June 24, 2016
Director	Yang, Tze-Kaing	6		100.00	Newly selected Selection was conducted on June 24, 2016
Director	Chang, Hsiu-Chi	4	2	66.67	Newly selected Selection was conducted on June 24, 2016
Director	Tseng, Tien-Szu	10	1	90.91	Selected Again Selection was conducted on June 24, 2016
Director	Liao, Ying-Ying	5	1	83.33	Newly selected Selection was conducted on June 24, 2016
Independent Director	Tsai, Duei	6		100.00	Newly selected Selection was conducted on June 24, 2016
Independent Director	Hsueh, Ming-Ling	6		100.00	Newly selected Selection was conducted on June 24, 2016
Independent Director	Lin, Tien-Fu	6		100.00	Newly selected Selection was conducted on June 24, 2016
Director	Lin Chuan	4		100.00	Resigned on May 13,2016
Director	Oushi Foods Company Limited Representative: Lin, Jung-Chin	0		0.00	Previously selected Discharge on June 23,2016
Supervisor	Chang, Hsiu-Chi	5		100.00	Previously selected Audit committee was established to replace supervisors on June 24, 2016.
Supervisor	Liao, Ying-Ying	5		100.00	Previously selected Audit committee was established to replace supervisors on June 24, 2016.

Other matters to be disclosed:

1. In the event of one of the followings from the Board of Director's Meeting operation, date of Board of Directors' Meeting, term, proposals, all opinions of the independent directors and how the company handles it should be noted:
   (1) Matters prescribed in Article 14-3 of Securities and Exchange Act: The Company established Audit Committee on June 24, 2016 and therefore Article 14-3 of Securities and Exchange Act is not applicable. The Company shall document matters prescribed in Article 14-5 of Securities and Exchange Act. Please refer to Audit Committee operations.
   (2) With the exception of aforementioned matters, dissent or reservation which have been documented and with statements in writing over other Board of Directors' Meeting resolutions: None.
2. The recusal of directors with a conflict of interest from discussing the respective motions with the name of the directors, the contents of the motions, the reasons for recusal, and the participation in voting shall be stated:

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
May 10, 2016	Hsiao, Ying-Chun	Transaction with related parties.	The Company's chairman is the director of related parties.	The Company's chairman did not participate in voting due a conflict of interests.
June 24, 2016	Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	Commissioning of the Company's 3rd Salary & Compensation Committee members and their transportation fee for attending meetings.	All independent directors are members of the Compensation Committee	The Company's independent director did not participate in voting due to a conflict of interests.
July 04, 2016	Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	Transportation fee for the Company's Audit Committee members attending Audit Committee meetings	All independent directors are members of the Audit Committee.	The Company's independent director did not participate in voting due to a conflict of interests.
July 04, 2016	Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	Compensation for the Company's independent director	Compensation for the Company's independent director	The Company's independent director did not participate in voting due to a conflict of interests.
August 12, 2016	Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	Transportation fee for the Company's Audit Committee members attending Audit Committee meetings	All independent directors are members of the Audit Committee.	The Company's independent director did not participate in voting due to a conflict of interests.
September 30, 2016	Hsiao, Ying-Chun	Transaction with related parties.	The Company's chairman is the director of related parties.	The Company's chairman did not participate in voting due to a conflict of interests.
September 30,2016	Hsiao, Ying-Chun Chang, Wen-Hwa Chang, Hsiu-Chi	Distribution of compensation for re-invested company's director representative when performing director's duty	The Company's director is re-invested company's director representative and receives compensation for performing re-invested company director's duties.	The Company's director did not participate in voting due to a conflict of interests.
November 11, 2016	Hsiao, Ying-Chun	Transaction with related parties.	The Company's chairman is the director of related parties.	The Company's chairman did not participate in voting due to a conflict of interests.
December 29, 2016	Hsiao, Ying-Chun	Transaction with related parties.	The Company's chairman is the director of related parties.	The Company's chairman did not participate in voting due to a conflict of interests.

3. The goals (such as, setting Auditing Committee, improving information transparency, etc.) of strengthening the functions of the Board of Directors of the year and in the most recent year by objectives and the performance evaluation:

(1) On June 24th, 2016, the Company established Audit Committee which is responsible for performing supervisor's duties prescribed in related laws and regulations.

(2) For the purpose of enhancing information transparency, the Company voluntarily makes monthly announcement of consolidated income statement in addition to announcements of critical information and monthly revenue prescribed by laws.

(3) To fulfill corporate governance and enhance Board of Directors' Meeting functions, performance goal has been established to enhance Board of Directors' Meeting operation efficiency. "Performance Assessment Guidelines for Board of Directors' Meeting and functional committees" was drafted on December 29th, 2016. Performance assessments over Board of Directors' Meeting and functional committees has been conducted accordingly and assessment results have been submitted to the Board of Directors' Meeting.

(4) To enhance corporate governance capability and develop enterprise functions, and in addition to aggressive arrangements of learning lessons for directors in accordance with director learning hours required by competent authority, directors will also be arranged to visit factory and receive briefings on the Company's products and main businesses in order to enhance their professional knowledge and skills.

(5) The official website of this company fully discloses governance related information.

(2) Function of Audit Committee or Supervisors Involved in the Board Operation

① Function of Audit Committee:

Three independent directors were selected and Audit Committee was established to replace supervisors in accordance with Securities and Exchange Act by the Company's shareholders' general meeting on June 24th, 2016.

The meeting of Audit Committee has been held for 6(A) times in 2016 and the attendance status of the independent directors is listed below:

Title	Name	Number of times attending in person(B)	Number of times attending by proxy	Actual attendance rates (%) (B/A)	Remark
Independent Director	Tsai, Duei	6	0	100.00	Newly selected
Independent Director	Hsueh, Ming-Ling	6	0	100.00	Newly selected
Independent Director	Lin, Tien-Fu	6	0	100.00	Newly selected

Other matters to be disclosed:

1. Matters Prescribed in Article 14-5 of Securities and Exchange Act, and agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors:

Date	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by two thirds or more of all directors
September 30,2016	1. Matters of the Company's transaction with interested party involve chairman's conflict of interest. Result from Audit Committee's resolution: Agreed and approved by all attending members of the committee. The Company's handling of Audit Committee's opinions: With the exception of avoidance of meeting by the chairman, Hsiao, Ying-Chun, all attending directors approved the proposal.	✓	
November 11,2016	1. For 2016, commissioning of certified accountant and public expense be audited and signed by finance; 2. Matters of the Company's transaction with interested party involve chairman's conflict of interest. Result from Audit Committee's resolution: Agreed and approved by all attending members of the committee. The Company's handling of Audit Committee's opinions:： The first proposal: approved by all attending directors; The second proposal: With the exception of avoidance of meeting by the chairman, Hsiao, Ying-Chun, all attending directors approved the proposal.	✓	
December 29,2016	1. Matters of the Company's transaction with interested party involve chairman's conflict of interest. Result from Audit Committee's resolution: Agreed and approved by all attending members of the committee. The Company's handling of Audit Committee's opinions:：With the exception of avoidance of meeting by the chairman, Hsiao, Ying-Chun, all attending directors approved the proposal.	✓	

2. With respect to implementation of independent director's avoiding of conflict of interest resolutions, director's name, resolution contents, reason for avoidance and participation in voting should be prescribed accordingly: N/A.

3. Communications between independent director and internal audit head and accountant (This should include major issues, measures and results for communications over the Company's finance and business conditions.)

(1) Communication between Independent Director and chief internal auditor:
In addition to regular report of audit operation implementation to independent directors and submission of tacking reports on audited deficiencies, internal audit head should also report implementation status of annual audit plan. Independent directors will request audit unit to organize audit to do list and provide this list to independent directors. Independent directors should be notified via email after audit related announcements are made.

(2) Communication between Independent Director and CPAs of the Company:
CPAs should attend audit committee each quarter to report review (audit) result on financial statements. CPAs should also explain new audit report to audit committee and identify the Company's key audit matters. Independent director will request CPAs to submit accounting audit report initial draft (including key audit matters disclosed) in the 4^{th} quarter in accordance with No. 57 and No. 58 of the Statements for Auditing Standards.

② **Supervisors involved in the Board operation.**

Prior to selection of directors by Shareholder's Meeting dated June 24th, 2016, there were a total of five meetings held by the Board of Director in 2016, attendance of supervisors were as below:

Title	Name	Number of times attending in person	Actual attendance rates (%)	Remark
Supervisor	Chang, Hsiu-Chi	5	100.00	
Supervisor	Liao, Ying-Ying	5	100.00	

Other matters to be disclosed:

1. Composition and responsibilities of supervisors:
   (1) Communication between supervisors and employees and shareholders of the Company: Staff members and shareholders can directly communicate with supervisors when the latter attend board meetings or shareholders' meetings. Information can also be conveyed via finance units at all times.
   (2) Communication between supervisors and chief internal auditor and CPAs of the Company: Audit units report the results of their audits to supervisors. Supervisors inquire with finance/accounting executives or directly communicate with accountants regarding any problems related to financial statements.
2. Supervisors who have spoken at the Board meeting, if any, should clearly state the date of the Board meeting, the term, the contents of the motions, the resolutions of the Board meeting, and the Company's handling the opinions of the supervisors: None

(3) The Operation of Corporate Governance and its Differing from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies," and the Reasons:

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Does the company develop and disclose corporate governance practice principles in accordance with "Governance Best Practice Principles for TWSE/GTSM Listed Companies."?	✓		The Company has already formulated "Governance Best Practice Principles." These principles are fully disclosed on the Company's website. (http://www.tty.com.tw)	No discrepancies
2. Corporate shareholding structure and shareholders' equity				
(1) Does the company develop internal operation procedures to process shareholders' suggestions, doubts, disputes, and complaints with implementation according to the procedures?	✓		(1) The Company has already formulated "Operating Procedures for the Processing of Material Internal Information" and has appointed a spokesperson and acting spokesperson and established a stock affairs unit. This enables the Company to process shareholders' suggestions, disputes, and related problems in a prompt and effective manner.	No discrepancies
(2) Does the company actually control the main shareholders and the final control list of major shareholders of the company?	✓		(2) The Company has assigned dedicated personnel to handle shareholder services and manage relevant information. A securities dealer has been commissioned as a stock affairs agent providing assistance in matters related to stock affairs. Shareholding ratios of directors and managers are reported on a monthly basis and the Company maintains a firm grasp of the main shareholders and the final control list of major shareholders of the Company. It also maintains positive relationships with major shareholder.	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	✓		(3) The Company has already formulated “Operating Procedures for Transactions with Related Parties” which serve as norms for financial and business dealings with affiliated enterprises. Joint venture operations are handled pursuant to the Subsidiary Management Guidelines, the Internal Control System regulations as well as relevant laws and regulations. This is a transaction with major interested party and it is submitted to Audit Committee for review.	No discrepancies
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities?	✓		(4) The Company has already formulated Operating Procedures for the Processing of Material Internal Information and regularly updates and publicizes relevant information.	No discrepancies
3. Composition and function of Board of Directors				
(1) Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?	✓		(1) This Company drafted board member diversification policy based “Corporate Governance Principle.” The Company has two female board members and all board members have relevant professional experience in commerce, legal affairs, finance, and accounting.	No discrepancies
(2) Does the company also voluntarily establish other functional committee apart from the salary remuneration committee and audit committee?		✓	(2) The Company has not yet established other functional committees. The necessity of establishment of such committees will be reassessed in the future.	Except the fact that no other functional committees have yet been established, all regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies are met

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company develop Board of Directors Performance Assessment Guidelines and Evaluation Method in addition to conduct annual performance assessment?	✓		(3) This Company established “Guidelines for Performance Assessment over Board of Directors’ Meeting and functional committee” on December 29th, 2016 and conducted performance assessments on Board of Directors’ Meeting and functional committees. Assessment results were submitted to the Board of Directors’ Meeting and was disclosed on the Company’s website.	No discrepancies
(4) Does the company routinely assess the independence of attesting CPA?	✓		(4) According to the Company’s “Certified Accountant Selection Review Guidelines,” certified accountant’s independence and adequacy will be reviewed and assessed accordingly. Results were submitted to the Audit Committee and the Board of Directors’ Meeting dated November 11th, 2016 for approval. Financial statement audits by KPMG accountants Tseng, Kuo-Yang and Chi, Shi-Qin as well as profit enterprise income tax filing audit by accountant Chang, Zhi have all been reviewed in line with accountant selection review chart (detailed in chart 1) established by this Company. They all qualify for the Company’s requirements with respect to independence and adequacy. These three accountants also issue statements declaring their audits qualify for related independence requirements on accountant occupational ethics norms.	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
4. Do TWSE/GTSM Listed Companies establish corporate governance designated (part time) unit or personnel to take charge of corporate governance related matters (including but not limited to providing directors, supervisor with materials needed for their businesses, meeting related matters on holding Board of Directors' Meeting or Shareholders' Meeting as required by laws, conducting company registration and change of registration, establishment of meeting minutes for Board of Directors' Meeting or Shareholders' Meeting, and so on)?	✓		The Company's share related affair responsible unit is responsible for corporate governance related matters, providing directors with materials for business execution, related meeting matters on holding Board of Directors' Meeting, Audit Committee and Shareholders' Meeting as required by laws, conducting company registration and change of registration, establishment of meeting minutes for Board of Directors' Meeting, Audit Committee and Shareholders' Meeting, and so on.	No discrepancies
5. Does the company establish communication channel with the stakeholders (including but not limited to shareholder, employee, customer and supplier), establish stakeholder section on the company website, and properly respond to the key corporate social responsibility issues concerned by the stakeholders?	✓		The Company has established a stakeholder section on its website. Dedicated mailboxes and hotlines for liaison with investors and plants and reporting of adverse drug reactions are listed in the contact section to ensure proper responses to the key corporate social responsibility issues concerned by the stakeholders and maintain positive relationships with stakeholders.	No discrepancies
6. Does the company commission professional registrar for handling of shareholder meeting affairs?	✓		The Company has commissioned the registrar agency department of Capital Securities Corp.	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
7. Public information (1) Does the company establish website to disclose information on the financial operations and corporate governance?	✓		(1) The Company discloses information on financial operations and corporate governance on its website.	No discrepancies
(2) Does the company adopt other information disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting?	✓		(2) The Company has established an English website and appointed a spokesperson and acting spokesperson. Specialists have been assigned to collect and disclose corporate information. Information related to investor meetings is also disclosed on the website.	No discrepancies
8. Does the company hold significant information that helps understand the operation of corporate governance (including but not limited to employees' rights, care for employees, investor relations, vendor relations, stakeholders' equity, advanced study of directors and supervisor, execution of risk management policy and risk measurement standards, execution of customer policy, and company buying liability insurance for directors and supervisors)?	✓		(1) Care and equity of Employees: The Company has established an employee welfare committee, implements a pension plan, and provides equal employment opportunities. Various employee training programs and employee group insurance schemes are also available and the Company schedules health checks on a regular basis. A large number of rights exceed the requirements set forth in the Labor Standards Act. In addition, the Company also provides diversified educational training programs (incl. orientation training, on-the-job training courses, professional courses, work safety courses, and other training courses related to work duties) for its employees to enhance their professional skills and turn them into outstanding professionals of international caliber. For more details on employee rights and employee care please refer to the chapter on labor-management	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			relations in V. Overview of Operations. (2) Investor Relations: The Company makes real time announcements of finance, business and major information as required by laws on the Company's website and Market Observation Post System, and voluntarily discloses unaudited consolidated profit and loss. The Company was also invited to attend domestic and offshore investment forums held by the Taipei Exchange and securities firms to explain the Company's current finance and business status to allow investors' full understanding of the Company's development strategy directions for the purpose of protecting investor and interested party's rights as well as fulfilling enterprise's responsibility to shareholders. (3) Vendor Relations: The Company actively searches for a second and third source of raw materials provided by suppliers to meet the PIC/S GMP requirements and be able to provide DMF active pharmaceutical ingredients which are purchased pursuant to the regulations set forth in the procurement management guidelines in order to provide the Company with the required quantities of high-quality supplies at reasonable prices in a timely manner and achieve projected goals. (4) Stakeholders' Rights: The Company has set up dedicated mailboxes for liaison with investors and plants and reporting of adverse drug reactions to safeguard stakeholder	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			interests and handle stakeholder affairs in a proper manner. (5) Advanced study and director analysis. The directors of the Company participate in relevant advanced training courses in accordance with their professional needs. For more details on advanced training for directors and supervisors in 2016 please refer to chart 2 in the appendix. (6) Execution of risk management policy and risk measurement standards: The Company focuses on its main business areas and has established operational norms and an internal control system in accordance with relevant laws and business activities with the goal of minimizing risks. (7) Execution of consumer protection or customer policy: The Company has already set up customer service hotlines and mailboxes for the reporting of adverse drug reactions to provide consumers with inquiry or grievance channels, while dedicated customer service personnel provides services and handles relevant problems. (8) The Company purchased liability insurance for director and managerial officers: The Company has purchased liability insurance for all its directors and managerial officers provided by AIG Taiwan with a total coverage of US$ 3 million for the period. This insurance had already been reported to the Board of Directors' Meeting on February 7, 2017.	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			(9) For more details on advanced corporate governance related training for managers please refer to chart 3 in the appendix (10) For more details on the acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency please refer to chart 4 in the appendix	

9. Please explain improvement over corporate governance assessment result published in the latest year by corporate governance center of Taiwan Stock Exchange Corporation, and present first priority enhancement matters and according measures on issues not yet improved.

This Company was listed in the top 5% of OTC companies in 2016 corporate governance assessment result, a dramatic improvement over 2015 assessment result. Major improvements include modification of the Company's Articles of Incorporation which adopts full scale candidate nomination system; respect for offshore investors; disclose major information and related information of shareholders' meeting notification, meeting handbook, annual report and financial statements in English in Market Observation Post System and the Company's website and voluntarily establish audit committee. There are also improvements in the perspectives of "safeguarding shareholder's rights", "treat shareholders equally", "enhancement in Board of Director's Meeting structure and operation" and "increase in information transparency." In 2017, the Company will focus on improvements on "fulfillment of corporate social responsibility." Currently, corporate social responsibility policy and corporate social responsibility guidelines have already been drafted, and corporate social responsibility responsible unit has already been designated, and corporate social responsibility report will be compiled accordingly.

Chart 1

Review items of CPA's Independence and Adequacy

Independence

1. Did one of the followings occur within the last two years:
   (1) Neither an employee of the company nor the affiliated companies.
   (2) Not a director/supervisor of the Company or its affiliated companies, unless he/she serves as an independent director of the Company or its parent company or a subsidiary of the Company with more than 50% shareholding held by the Company directly or indirectly or has discharged.
   (3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the fifth degree of consanguinity of any person indicated in the foregoing three categories.

(5) Not a member of the board, supervisor, or employee of institutional shareholders directly holding more than 5% of the company issued total shares, or a member of board, supervisor, or employee of the first five institutional shareholders.

(6) Director, supervisor, manager or shareholder with shareholding of more than 5% of a specific company or institute lacking finance or business transaction with the Company served as an independent director but is now released from the duty is not included.

2. If requirements of "integrity, fair, objective and independent" prescribed in Article 8 of "No. 10 Gazette of Professional Ethics Guidelines drafted by Certified Accountant Association" are met:
   (1) Lack of direct or indirect major financial benefit relationship with the Company;
   (2) Lack of financing or guarantee behavior with the Company or director;
   (3) Lack of consideration on the possibility of losing customers;
   (4) Lack of close business relationship with the Company;
   (5) Lack of potential employment relationship with the Company.
   (6) Lack of relationship or public expense related to audited case.
3. If accountant's independence statement is obtained:

<u>Adequacy</u>

1. Are accounting firm personnel equipped with knowledge on the Company's business related industries or fields?
2. Do accounting firm personnel understand laws or regulations related to the Company's businesses or necessary skills or knowledge?
3. Is accounting firm equipped with sufficient professional staff needed for audit on the Company?
4. Is accounting firm able to complete cases within agreed deadline?
5. Is accounting firm's adequacy free from influences from the Company's major events which will occur this year or in future years?
6. Is accounting firm engaged in conflict of interest with the Company's future potential interests?

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

Chart 2

Advanced training received by directors and supervisors in 2016

Title	Name	Organizer	Course Name	Hours
Chairman	Hsiao, Ying-Chun	Securities & Futures Institute	Duty and operation practices for Board of Director's Meeting and its functional committees	3.0
Chairman	Hsiao, Ying-Chun	Securities & Futures Institute	Prevention of insider trading	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	How directors and supervisors can supervise a company in achieving good risk management and crisis handling?	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Prevention of insider trading	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	How directors and supervisors can supervise a company in achieving good risk management and crisis handling?	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Discussions of human resource and acquisition integration issues during enterprise acquisition process	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Explanations on competition behavior regulations and actual cases on a company's operation rights	3.0
Vice Chairman	Chang, Wen-Hwa	Securities & Futures Institute	Corporate governance and securities related laws and regulations	3.0
Director	Yang, Tze-Kaing	Taiwan Corporate Governance Association	Analysis of IFRS 9	3.0
Director	Yang, Tze-Kaing	Securities & Futures Institute	Exploration on enterprise acquisition development trend and actual cases	3.0
Director	Chang, Hsiu-Chi	Securities & Futures Institute	Duty and operation practices for Board of Director's Meeting and its functional committees	3.0
Director	Chang, Hsiu-Chi	Securities & Futures Institute	Prevention of insider trading	3.0
Director	Tseng, Tien-Szu	Securities & Futures Institute	Duty and operation practices for Board of Director's Meeting and its functional committees	3.0

Item				Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
				Y	N	Summary and Description	

Director	Tseng, Tien-Szu	Securities & Futures Institute	Prevention of insider trading	3.0
Director	Liao, Ying-Ying	Securities & Futures Institute	Duty and operation practices for Board of Director's Meeting and its functional committees	3.0
Director	Liao, Ying-Ying	Securities & Futures Institute	Prevention of insider trading	3.0
Independent Director	Tsai, Duei	Securities & Futures Institute	Taiwan economy prospect and regional chain of global industry under volatile international environment	3.0
Independent Director	Tsai, Duei	Financial Supervisory Commission	The 11th Taipei Corporate Governance Forum	3.0
Independent Director	Hsueh, Ming-Ling	Securities & Futures Institute	Learning class for supervisors in trust business	3.0
Independent Director	Hsueh, Ming-Ling	Taiwan Securities Association	Group governance and financial holding governance	3.0
Independent Director	Hsueh, Ming-Ling	Taiwan Corporate Governance Association	Cases of major controversy in director and supervisor's financial statement responsibilities	3.0
Independent Director	Hsueh, Ming-Ling	Taiwan Corporate Governance Association	Understanding institutional investor's roles and functions in corporate governance from promotion experiences in US and Europe	1.0
Independent Director	Lin, Tien-Fu	Securities & Futures Institute	The 2nd Corporate Governance Assessment Award Ceremony and Seminar	3.0
Independent Director	Lin, Tien-Fu	Taiwan Securities Association	Group governance and financial holding governance	3.0

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

Chart 3

Advanced training received by managers and auditors in 2016

Title	Name	Organizer	Course Name	Hours
Chief Audit Executive	Wu, Wen-Hua	Taiwan Institute of Economic Research	Practices for effective financial statement interpretation for Internal audit	12.0
Chief Audit Executive	Wu, Wen-Hua	Taiwan Institute of Economic Research	Practices in appropriate planning, compiling for approval authorization	6.0
Auditor	Chu, Qi-Wen	Accounting Research and Development Foundation	Analysis of internal audit personnel's "evidence collection" practices and observation of prosecuting agency's practices in searching and seizing crime evidences.	6.0
Auditor	Chu, Qi-Wen	Accounting Research and Development Foundation	Exploration of internal audit personnel's key issues of consolidated statement compiling operation and legal risks on "false financial statement"	6.0
Accounting Officer	Wang, Shu-Wen	Securities & Futures Institute	Real practice continuing study for principal accounting officers of issuers, Securities firm and securities exchange	12.0
Accounting Officer	Wang, Shu-Wen	Securities & Futures Institute	Analysis of the latest IFRSs	6.0

Chart 4

Acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency

Title	Title	Title
Senior project manager	Yang, Mei-Jin	Passing of R.O.C. Accountant Examination
Project Assistant Manager	Chen, Ru-Yi	Passing of R.O.C. Accountant Examination
Chief Audit Executive	Wu, Wen-Hua	International Project Management Professional Certification (PMP)
Auditor	Chu, Qi-Wen	Passing of Internal Control Basic Proficiency Test

(4) The Company That Has Set Up A Compensation Committee Shall Disclose Its Composition, Responsibilities, And Operation:

① The Member of Compensation Committee

Identity	Conditions / Name	Whether The Person Has Work Experience Over Five Years And Possesses Any Of The Following Qualifications			Conformed to the Requirements of Independence (Note)								The Number of Public Companies that the Members Also Serves as Compensation Committee Member	Remark
		Lecturer or Higher Level Qualification of a Public/Private University Or College For Teaching the Relevant Departments in Relation to the Business, Legal, Finance, Accounting or Other Business Requirement.	Judge, Prosecutor, Lawyer, Certified Public Accountant or Other Professional / Technician Who Has Acquired Certificates or Operation Qualifications Through the National Examinations	Work Experiences Required for Commercial, Legal, Financial, Accounting or Corporate Business	1	2	3	4	5	6	7	8		
Other	Lin, Wen-Cheng	✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	5	
Other	Chen, Yung-Yu	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Discharge on June 23,2016
Other	Chou, Kang-Chi	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Tsai, Duei	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Newly selected on June 24,2016
Independent Director	Hsueh, Ming-Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	Newly selected on June 24,2016
Independent Director	Lin, Tien-Fu	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly selected on June 24,2016

Note: If the respective member meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark (✓) in the blank space under the code representing the respective condition:

(1) Not an employee of the Company or its affiliated companies.

(2) Not a director/supervisor of the Company or any of its affiliates unless he/she serves as an independent director of the Company/parent company of the Company or any subsidiaries as regulatory by this or local governing body.

(3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.

(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the third degree of consanguinity of any person indicated in the foregoing three categories.

(5) The Company or a director, supervisor, or employee of the top-five institutional shareholders;

(6) Not a director, supervisor, manager, or an institutional shareholder with more than 5% shareholding of a specific company or an institution that has conducted finance or business transactions with the Company.

(7) Not a professional, sole proprietorship profit-seeking enterprise, or partnership that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; not an owner, partner, director, supervisor, or manager of a company or an institution that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; or not the spouse of any of the above persons.

(8) Not subject to any condition under Article 30 of the Company Law.

② **Operation of the Compensation Committee**

(i) The Company's Compensation Committee is composed of with 5 members.

(ii) The tenure for the members of the Compensation Committee is from June 24, 2016 to June 23, 2019. In the most recent year, 6(A) meetings had been held and their attendances illustrated as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%) (B/A) (Note)	Remark
Convener	Tsai, Duei	4	0	100.00	Newly selected Selection was conducted on June 24, 2016
Committee member	Hsueh, Ming-Ling	4	0	100.00	Newly selected Selection was conducted on June 24, 2016
Committee member	Lin, Tien-Fu	4	0	100.00	Newly selected Selection was conducted on June 24, 2016
Committee member	Chou, Kang-Chi	6	0	100.00	Selected Again Selection was conducted on June 24, 2016
Committee member	Lin, Wen-Cheng	5	1	83.30	Selected Again Selection was conducted on June 24, 2016
Committee member	Chen, Yung-Yu	2	0	100.00	Previously selected Discharge on June 23,2016
Other matters to be disclosed: 1. If the Board does not accept or amend the suggestions of the Compensation Committee, shall state the Board meeting date, the term, the contents of the motions, the resolution of the Board, and the Company's handling the opinions of the Compensation Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Compensation Committee, shall state the differences and the reasons for the differences): None. 2. If there is any opposition or reservation against the resolutions of the Compensation Committee recorded or documented in writing, shall state the meeting date of the Compensation Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None.					

Note: If any of the Compensation Committee members is elected before the end of the fiscal year, the incumbent members and the newly elected members should be stated and with the status of incumbent, newly elected, and reelected stated in the remark column, including the election date. The actual attendance rate (%) is based on the number of committee meetings held during the tenure and the actual number of attendance.

(5) Performance of Corporate Social Responsibility

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Implementation of corporate governance (1) Does the company develop corporate social responsibility policy or system and review the effectiveness of implementation?	✓		(1) To fulfill corporate social responsibility and promote improvements on economy, environment and society for the purpose of reaching the goal of sustainable development, the Company drafted corporate social responsibility policy and corporate social responsibility practice guidelines on December 29, 2016. Department of organization development and human resource will be responsible for promotion accordingly as well as compilation of corporate social responsibility report for the purpose of disclosing the Company's promotion of corporate social responsibility.	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(2) Does the company routinely organize social responsibility education training?	✓		(2) The Company regularly holds training courses and emergency drills on environmental protection, safety, sanitation and firefighting, and conducts various training development activities (including internal and external training) for all existing personnel. Regular holding of director study courses has also been conducted to enhance Board of Directors' Meeting's functions	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company establish and promote full-time (part-time) corporate social responsibility department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?	✓		(3) Board of Directors' Meeting authorizes the department of organization development and human resource to promote corporate social responsibility. Depending on activity or policy needs, General Manager will coordinate various departments to work together towards this goal. Senior management of administration center will serve as corporate social responsibility project meeting convener. Corporate social responsibility responsible team is categorized into corporate governance and economy team, employee caring team, society caring team, sustainable development team and product service team based on perspectives of corporate governance, sustainable environment, employee caring and society charity participation. Through internal meetings, interested party group's reasonable demands and expectations on TTY Biopharm have been discussed. Respective teams have presented performance result and future improvement goals on their responsible sustainable development issues. Promotion of corporate operation concepts and social responsibility obligations will continue through identification and analysis of corporate social responsibility issues.	
(4) Does the company develop reasonable salary and remuneration policy in addition to combining employee performance appraisal system and corporate social responsibility, as well as establishing explicit and effective rewards and punishment system?			(4) The Company has formulated reasonable salary guidelines. Salary and remuneration are combined with training and the performance appraisal system. An explicit and effective rewards and punishment system is adopted to shape and develop employee conduct.	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2. Development of sustainable environment (1) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?	✓		(1) The Company complies with domestic emission and effluent standards through constant operation of air pollutant and waste water treatment facilities in accordance with national laws and regulations. The Company also commissions qualified waste disposal businesses to process waste generated in plants and implements waste categorization to enhance recycling rates	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?	✓		(2) The Company implements the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in all plants and attaches material safety labels to work areas to indicate which dangerous and harmful materials and substances employees are exposed to at their workplaces. Updated material safety data lists are also provided for the reference of employees. The goal is to enhance operational efficiency through improvements of the internal environment and effective environmental protection measures and set a positive example for external parties and same-industry businesses.	
(3) Does the company pay attention on the impact of climate change on operational activating and execute strategies on greenhouse gas inventory, develop corporate energy conservation and carbon emission reduction, and greenhouse gas reduction?	✓		(3) Climate change generated by the greenhouse effect has led to frequent natural disasters and has generated a serious impact on the environment and enterprises in recent years. As a global citizen, TTY BioPharm has the moral responsibility to make all-out efforts to promote environmental protection and conservation. We therefore started to develop a plan for the power, air compression, and	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			air conditioning systems in August 2010 in line with the Energy Conservation and Carbon Reduction Guidance Program for the Manufacturing Sector sponsored by the Industrial Development Bureau of the Ministry of Economic Affairs. This plan completed in April 2011. As for the design of new factory buildings, we started to adopt green building concepts in 2013. Eco-friendly construction materials are employed for building facades and partition walls. Lighting is deployed effectively in operation areas and zone switches allow energy conservation in daily operations. Energy-saving lighting devices have been installed in all plant areas and diesel-operated forklifts have been replaced with electric vehicles. The goal lies in the realization of energy conservation and continued decrease of energy consumption and CO_2 emissions. In addition, green spaces with permeable pavement have been created to conform to environmental indicators and achieve rainwater conservation. The generation of waste during the construction process has been minimized. Recycled materials and balanced earthwork are used and air pollution prevention systems are constructed to achieve the goal of waste reduction.	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
3. Maintenance of social welfare (1) Does the company develop relevant management policy and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?	✓		(1) The Company complies with relevant labor laws and regulations. Hiring and dismissal of employees and remuneration systems are based on the internal control management guidelines to safeguard the basic rights and interests of employees. The Company also honors the International Bill of Human Rights and internationally recognized labor right principles. It has successfully eliminated discrimination in employment practices and has implemented equality in remuneration practices, hiring conditions, training and employment opportunities.	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(2) Does the company establish employee complaint mechanism and channel with proper handling?	✓		(2) The Company has established a grievance channel for sexual harassment incidents. Grievances are handled in a confidential manner to safeguard the rights and interests of the grievant. Cases are investigated in accordance with proper procedures and disciplinary measures are adopted based on the seriousness of the offense.	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	✓		(3) The Company firmly believes that the mental and physical health of its staff is a key prerequisite for work performance characterized by high efficiency and high quality. The Company is therefore firmly committed to providing its employees with a safe and healthy work environment. To ensure the physical health of its staff, the Company organizes annual health checks. Through the organization of diverse health related lectures and health promotion	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			activities and the provision of health information, the Company aims to give employees a better understanding of their personal health status and provide them with the required knowledge and methods for personal health management. The Company has also set up massage stations to provide professional massage services for employees and relieve their mental and physical fatigue. In the field of work safety, the Company hones the emergency response capabilities of its employees and raises their awareness of safety concepts through constant training and education. The goal is to strengthen the cognitive abilities of employees to reduce the incidence of accidents caused by dangerous behavior.	
(4) Does the company establish routine communication mechanism with employees and notify the employees of the operational change that could possibly cause major impact through reasonable means?	✓		(4) Short- and long-term operational goals and directions are conveyed to all employees through regular annual strategy meetings (strategy adjustment meetings), executive meetings, R&D project meetings, e-Newsletters, and other open communication mechanisms to ensure a consensus on operational strategies and a joint focus on the main goals.	
(5) Does the company establish effective career competence development training program for employees?	✓		(5) The Company has established a comprehensive corporate internal training system – “TTY College.” In addition to new employee training, universal knowledge courses and leadership management courses, physical and on-line classes from five major colleges (R&D, production, marketing, business, culture) have been integrated via biotechnology industry expertise and TTY Biopharm	

Items	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			corporate culture across the fields of R&D, production and business marketing..	
(6) Does the company develop relevant rights/interest policy and complaint procedures to protect consumers in accordance with the R&D, purchase, production, operation, and service process?	✓		(6) In the "contact us" field on company website, the Company establishes responsible person contact phone number and email box to handle complaints with respect to the Company's consumer's rights for the purpose of fair and real time processing of consumer's complaint.	
(7) Does the company comply with all relevant laws and regulations and international standards for the marketing and labeling of products and services?	✓		(7) In accordance with requirements from "PIC/S Guide to Good Manufacturing Practice for Medical Products" and "Good Distribution Practice (GDP)", the Company produces and manufactures drugs and executes operations of import, export, storage and transportation for the purpose of providing customers with safe and effective medical products.	
(8) Does the company evaluate the past records of vendors with impact on the environment and society prior to the business?	✓		(8) Prior to doing business with vendors, the Company verifies that the raw materials provided by them conform to relevant pharmaceutical norms and evaluates past records regarding social and environmental impacts.	
(9) Does the contract signed between the company and the major vendors include policy on vendor involving the violation of corporate social responsibility with significant impact on the environment and society and clauses that could terminate or cancel the contract at any time?		✓	(9) Although there are no related clauses on agreements between the Company and major suppliers, routine onsite inspection on suppliers ensures suppliers comply with product quality requirements and environmental protection regulations. For negotiation of new agreements in the future, related clauses will be added depending on actual circumstances.	

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Operations</th><th rowspan="2">Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summary and Description</th></tr>
<tr><td>4. Strengthen information disclosure
(1) Does the company disclose relevant corporate social responsibility with relevance and reliability on the company website and Market Observation Post System?</td><td>✓</td><td></td><td>(1) The Company has set up relevant webpages on the TTY corporate website and the TOT Taiwan Cancer Information Website to routinely disclose the Company’s achievements in the field of support and constant promotion of CSR. The Company will continue to encourage and disclose information pertaining to the implementation of relevant activities in the future.</td><td>In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</td></tr>
<tr><td colspan="5">5. For companies having developed independent corporate social responsibility practice in accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the discretion of operation with the independent practice developed.
The Company establishes its “Corporate Social Responsibility Guidelines” in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and complies accordingly without fail for the purpose of fulfilling corporate social responsibility promotion.</td></tr>
<tr><td colspan="5">6. Other critical information that helps understand the operation of corporate social responsibility:
(1) Provision of employment opportunities for the visually impaired and establishment of massage stations.
(2) Provision of employment opportunities for the mentally and physically disabled (including Down syndrome sufferers) to enable them to learn social skills.
(3) Organization of summer internship programs to give back to society by giving participating students a clear understanding of the status of the biotechnology industry as well as actual corporate operations and work attitudes.
(4) Provision of scholarships for junior and senior high school students from families with cancer patients.
(5) Organization of study camps for cancer patients and their families all over Taiwan.
(6) Organization of cancer prevention seminars in communities of remote towns and villages
(7) Organization of cancer prevention lectures for junior high students in Taiwan and on offshore islands.
(8) Employees voluntarily participate in social service activities which include assistance in building up Fu-San Tribe Youth Gathering Venue, Nankang Industrial Park Happy Enterprise Garden Party charity auction, and so on.
(9) The Company participates in cnYES Warm Charity Public Benefit activity, assists more than 20 social welfare institutions or groups across Taiwan, and donates money for living expenses to disadvantaged elders living in nursing homes and remote areas.</td></tr>
<tr><td colspan="5">7. If the company’s products or corporate social responsibility report has been validated by the relevant certification institutions, it should be described in details:
On December 29, 2016, the Company drafted corporate social responsibility guidelines and started to compile reports accordingly. Going forward, application of audit from verifying institutes will be submitted to inspection institutes for verification.</td></tr>
</table>

(6) Company's Ethical Corporate Management And The Adopted Measures

Implementation of Ethical Corporate Management

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Develop ethical management policy and program (1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy? (2) Does the company develop prevention on non-integral conducts program to specify the operation procedures, conduct guide, punishment and complain system for violation with implementation in all programs? (3) Does the company adopt prevention measures according to Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other operational activities of other business scope without higher unethical behavior risk?	✓ ✓ ✓		(1) The Company drafted "Good Faith Operation Principles" on December 29th, 2016 for the purpose of building up a good faith corporate culture and healthy and comprehensive development, as well as for establishment of a reference structure for good business operation. (2) With "Ethical Corporate Management Best Practice Principles", the Company expressively prohibits dishonest behavior and minimizes risks of good faith violation through rigorous management mechanism and effective control, and ensures colleagues' full understanding and compliance without fail through education, training and random promotion for the purpose of actual fulfillment in daily duties. (3) The Company has developed an internal control system and strictly prohibits managers and employees from engaging in bribery or other forms of illegal conduct. Measures such as penalties, suspension, or termination of employment will be adopted for all activities in violation of relevant regulations in accordance with actual circumstances.	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2. Implementation ethical management (1) Does the company evaluate the ethical records of transacting targets and specify the ethical behavior clauses in the contract signed with the transacting targets? (2) Does the company establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in addition to routinely report to the Board of the Directors for execution? (3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution? (4) Has the company established valid accounting system and internal control system to implement ethical management with the internal audit department routinely audit or the CPA executes inspection?	✓ ✓ ✓	 ✓	(1) Prior to engaging in business transactions, the Company evaluates the ethical records of transaction targets. (2) The Company has yet to establish responsible (part time) unit for corporate good faith management promotion. Currently, planning for this has already started. (3) The Company has already drafted “Ethical Corporate Management Best Practice Principles” together with a rigorous internal control system to implement policies that prevent conflicts of interest. The Company has established appropriate channels that allow a detailed description of potential conflicts of interests with the Company or the absence thereof by directors, the management level, and all staff members. (4) The Company has established a valid accounting system and internal control system in accordance with relevant laws and regulations. Unit executives review and implement corporate ethical management practices, while auditors conduct audits and tracking of such practices in accordance with annual audit plans.	The Company will establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in 2017

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(5) Does the company routinely hold domestic and external educational training for ethical management?	✓		(5) The Company provides education through training or meetings on a non-scheduled basis	
3. Operations of company reporting system (1) Does the company develop specific reporting and incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported? (2) Does the company develop investigation standard operation process and relevant confidential mechanism for accepting reported matters? (3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?		✓ ✓ ✓	(1) The Company has not yet established a specific reporting and incentive system. Currently, planning for this has already started. (2) The Company has not yet formulated investigation standards, operating procedures, and relevant confidentiality mechanisms for accepting reported matters. If such standards and procedures are formulated in the future, relevant confidentiality mechanisms will be meticulously devised. (3) If a reporting system is established in the future, relevant confidentiality mechanisms will be meticulously devised and it will be ensured that the informant will not face improper treatment due to reporting.	Reporting and incentive system will be involved in the development of Operating Procedures and conduct guide for Good Faith Operation Principles
4. Strengthen information disclosure (1) Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Market Observation Post System?	✓		(1) The Company discloses the content of ethical management practices on the Company website and Market Observation Post System	No discrepancies

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summary and Description</th></tr>
<tr><td colspan="5">5. If the company has instituted ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe its operation differing from the Principles: No discrepancies.</td></tr>
<tr><td colspan="5">6. Other helpful information for better understanding the company’s operation of the Ethical Corporate Management Best Practice Principles (such as, the company’s declaring its determination for ethical corporate management to the associated vendors, policies, inviting them to participate in education and training, and reviewing and amending the company’s Ethical Corporate Management Best Practice Principles):
The Company upholds a corporate culture of integrity and has earned the trust of its suppliers and clients in major medical institutions with a firm commitment to the goal of sustainable operations.</td></tr>
</table>

(7) If Corporate Governance Best-Practice Principles and Related Bylaws Are Adopted By the Company, the Company Should Disclose the Inquiry Methods:

The Company has formulated “Governance Best Practice Principles,” “Good Faith Operation Principles” and “Corporate social responsibility practice guidelines.” These principles are fully disclosed in the unit of “investor zone/corporate governance/company articles of incorporation” on the Company’s website.

(8) Any Other Material Information That Would Afford a Better Understanding of the Status of the Company’s Implementation of Corporate Governance May Also Be Disclosed:

The Company has formulated Operating Procedures for the Handling of Material Internal Information in accordance with current laws and management practice requirements as a main reference for the processing and disclosure mechanism for material information. The Company also educates staff members and insiders on the importance and precautions pertaining to material internal information and the prevention of insider trading on a non-scheduled basis. It is fully disclosed in the unit of “investor zone/corporate governance/company articles of incorporation” on the Company’s website.

(9) Internal Control System Execution Status

① Statement of Internal Control System

TTY BioPharm Company Limited

Statement of Internal Control System

March, 10, 2017

TTY BioPharm Company Limited has conducted a self-check of internal control for the year of 2016. The results are as follows:：

1. The Company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. The Company also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation of the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: 1. Environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each component comprises certain factors. Please refer to the Guidelines for preceding items.
4. The Company has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of the aforementioned system, the Company considered the Internal Control System as of December 31, 2015 (including supervision and management of subsidiaries), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals to be reasonably reached.
6. This Statement of Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, the Company will assume the legal responsibilities according to Article 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Statement of Internal Control System had been approved by the Board of Directors at the meeting of March 10, 2017 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

TTY BioPharm Company Limited

Chairman：Hsiao, Ying-Chun

General Manager：Hsiao, Ying-Chun

② If the internal control system is audited by the commissioned independent auditor, the Independent Auditor's Report Should Be Disclosed: None.

(10) Company Or Employees Been Penalized By Law Or Employees Received Penalties From Company For Violating The Internal Control Regulations In Fiscal Year 2014 And As Of The Publication Date Of The Annual Report, Major Nonconformities, And Status Of Improvements: NONE

(11) Major Resolutions Made In Shareholders' Meeting and Board Meetings:

Date and Types of Meetings	Important Resolutions
Board of Directors February 17,2016	1. Modification of the Company's "Articles of Incorporation." 2. The Company's Salary & Compensation Committee reviewed 2016 salary adjustment policy planning. 3. The Company's Salary & Compensation Committee reviewed 2015 "Special Contribution Project Reward Plan."
Board of Directors March 30,2016	1. Proposal of the Company's 2015 employee and director/supervisor Compensation distribution. 2. The Company's 2015 business report and financial statement proposal. 3. The Company's 2015 profit allocation proposal. 4. Proposal of modification of the Company's "Derivative Product Transaction Handling Procedures." 5. Proposal of modification of the Company's "Subsidiary Management Guidelines." 6. Proposal of modification of the Company's "Internal Control System – Other Management System" and "Internal Audit System." 7. Drafting of the Company's 2015 "Internal Control System Statement." 8. Proposal of full scale re-selection of the Company's director. 9. Proposal of lifting of competition restriction on new director and its representative. 10. Date, location and agenda for the Company's 2016 shareholders' Regular meeting. 11. Assessment of the Company's 2015 certified accountant. 12. Proposal of the Company's designation of re-invested company's director representative. 13. The Company's intention to purchase equipment from re-invested company. 14. Proposal of the Company's charging of technology transfer service and advance payment to re-invested company. 15. Re-invested company's renting of the Company's office.
Board of Directors April 28,2016	1. Nomination of candidates for the Company's independent director. 2. Proposal of designation of re-invested company's director representative selection. 3. 15. The Company's offering of 2016 shareholders' regular meeting souvenir.
Board of Directors	1. Proposal of drafting the Company's "Comparison Table for Internal Control

Date and Types of Meetings	Important Resolutions
May 10,2016	Document Compilation Responsibility, Sign-Off Units and Approved Authority." 2. Review of independent director candidate list nominated by the Company's 2016 shareholders' regular meeting. 3. Proposal of modifying the Company's "Articles of Incorporation." 4. Proposal of modifying the Company's "Operation Guidelines for Capital Lending to Others." 5. Proposal of modifying the Company's "Guidelines for Endorsement and Guarantee." 6. Proposal of modifying the Company's "Director and Supervisor Selection Guidelines." 7. Proposal of modifying the Company's "Internal Control System-Other Management System" and "Internal Audit System." 8. Proposal of re-invested company's commissioning of information service to the Company. 9. The Company's intention to enter supplementary contract for house leasing 10. Proposal of the Company's entering of "Consultant Service Contract" with re-invested company. 11. Proposal of authorizing chairman to assign re-invested company's director representative. 12. Proposal of adding designated re-invested company's director representative selection.
Board of Directors June 17,2016	1. Proposal of modifying the Company's "Regulations Governing Procedure for Board of Directors Meetings." 2. Proposal of modifying the Company's "Rules Governing the Scope of Powers of Independent Directors." 3. Proposal of modifying the Company's "Audit Committee Organization Rules." 4. Proposal of adding some contents to the Company's "Internal Control System-Other Management System" and "Internal Audit System." 5. Proposal of assigning subsidiary director representative selection; 6. The Company's intention to enter "Project Termination and Guarantee Agreement" with interested party. 7. Chairman is authorized to fight with other companies for the Company's product and technology development related rights.
Board of Directors June 24,2016	1. Proposal of recommending the Company's current chairman and vice chairman. 2. Proposal of changing subsidiary director designation. 3. Proposal of designation members to form the Company's 1st Audit Committee. 4. Proposal of modifying the Company's "Salary and Compensation Committee Organization Rules." 5. Proposal of commissioning the Company's 3rd Salary & Compensation Committee members.
Board of Directors	1. The Company's intention to jointly explore liposome product offshore

Date and Types of Meetings	Important Resolutions
July 04,2016	markets with major international factories. 2. Proposal of the Company's intention to authorize re-invested company to distribute the Company's certain drug. 3. Proposal of intention to establish cash dividend ex-interest base date and distribution date. 4. Planning of 2015 special performance bonus for managers. 5. Discussion of transportation allowance for the Company's directors attending Board of Directors' meeting. 6. Discussion of transportation allowance for the Company's Audit Committee members attending Audit Committee meeting. 7. Discussion of compensation for the Company's independent director.
Board of Directors August 12,2016	1. Proposal of 2015 compensation distribution for the Company's directors and supervisors. 2. Proposal of transportation allowance for the Company's directors attending Board of Directors' meeting. 3. Proposal of transportation allowance for the Company's Audit Committee members attending Audit Committee meeting. 4. Proposal of business and office car allowance for the Company's managers. 5. The Company's commissioning CRO company to conduct liposome human equivalence clinical test. 6. The Company's intention to enter liposome product clinical test supplementary contract with CRO company. 7. Proposal of the Company's intention to participate in re-invested company's seasoned equity offerings.
Board of Directors September 30,2016	1. Proposal of adding, deleting and changing transfer price and product items for the Company's products distributed by authorized re-invested company and modifications on some transaction terms. 2. Proposal of adding new products to the Company's authorizing subsidiary to distribute products. 3. Proposal of the Company's intention to obtain Taiho Pharmaceutical Co., Ltd. cancer fighting drug「Lonsurf (TAS-102)」 Taiwan market exclusive authorized distribution. 4. Proposal of the Company's intention to commission some company to complete the Company's drug toxicology and pharmacology test and obtain import drug permit. 5. Proposal of increasing clinical test expense for the Company's conducting liposome product post-market surveillance clinical test. 6. Proposal of the Company's cancer translation center moving to Shi Zi Farglory U-Town business building. 7. Intention to distribute compensation to the Company's assigned re-invested company director representative upon performance of 2015 director duty. 8. Proposal of the Company's intention to modify "Guidelines for Director and Supervisor Compensation Distribution." 9. Proposal of intention to cancel the Company's "Business and Office Car Allowance for Managers." 10. Submission of manager car allowance proposal.

Date and Types of Meetings	Important Resolutions
	11. Proposal of the Company's 2015 manager and employee compensation distribution. 12. Budget proposal for the Company's conducting of certain clinical test project.
Board of Directors November 11,2016	1. Proposal to modify the Company's "Application for Suspending and Resumption of Transaction Operation Procedure." 2. Proposal of modifying the Company's "Internal Major Information Processing Procedures." 3. Proposal of modifying the Company's "Guidelines for Selection and Review of Certified Accountant." 4. Assessment of independence and adequacy for 2016 certified accountants, and commissioning of certified accountants, and proposal for finance audit of public expense. 5. Proposal of drafting the Company's 2017 audit plan. 6. Proposal of conducting consolidation operations between Taipei subsidiary and Headquarters. 7. Proposal of modifying contract documents with respect to the Company's commissioning of a certain company to complete drug toxicology and pharmacology tests and obtain drug import permit. 8. Proposal of entering "Consultant Service Contract" from the Company's provision of product development consulting service to re-invested company. 9. Proposal of entering "Professional Service Contract" from the Company's provision of professional services to re-invested company. 10. Proposal of subsidiary's commissioning of the Company to proceed with clinical product trial production.
Board of Directors December 29, 2016	1. Obtainment of Italy MolMed Company authorization of exclusive distribution rights of cell treatment drug "Zalmoxis®" in Asia regions of Taiwan, Hong Kong, Vietnam, Philippines, Thailand, Malaysia and Singapore. 2. Proposal of the Company's execution of a certain clinical test project budget. 3. Proposal of modifying the Company's "Corporate Governance Principles." 4. Proposal of modifying the Company's "Corporate Social Responsibility Best Practice Principles" and "Corporate Social Responsibility Policy." 5. Proposal of modifying the Company's "Ethical Corporate Management Best Practice Principles." 6. Proposal of drafting the Company's "Performance Assessment Guidelines for Board of Directors' Meeting and Functional Committees." 7. Proposal of authorizing Chairman to dispose re-invested company's shares 8. Proposal of the Company's intention to obtain loan from 100% wholly owned subsidiary. 9. Extension of subsidiary's loan. 10. Proposal of re-invested company's commissioning of 2017 information service to the Company. 11. Proposal of the Company's related rights on agreed product development, licensing fee and technology development with a certain company. 12. 10. Proposal of amendment to the Company's authorizing re-invested

Date and Types of Meetings	Important Resolutions
	company to distribute products.
Board of Directors February 07,2017	1. Proposal of intention to modify the Company's "Internal Approval Authorization Guidelines." 2. Proposal of establishing the Company's 2017 operation plan and budget. 3. Proposal of amendment to the Company's obtainment of Italy MolMed Company authorization of exclusive distribution rights of cell treatment drug "Zalmoxis®" in Asia. 4. Proposal of the Company's commissioning a certain company to complete the Company's drug toxicology and pharmacology test and obtainment of import permit. 5. Proposal of the Company's intention to obtain subsidiary's certain drug offshore exclusive distribution rights. 6. Re-invested company's entering of house leasing contract with the Company for renting office. 7. The Company's salary adjustment strategy for 2017. 8. Proposal of intention to distribute 2015 employee compensation and 2016 yearend special bonus to Taipei branch office managers. 9. Proposal of intention to terminate drug development and commissioned production collaboration with a certain company.
Board of Directors March 10, 2017	1. The Company's 2016 employee, director and supervisor compensation total amount and individual compensation distribution for director and supervisor. 2. The Company's 2016 business report and financial statements. 3. Proposal of the Company's 2016 profit distribution. 4. Proposal of intention to modify the Company's "Articles of Incorporation;" 5. Proposal of intention to modify the Company's "Asset Acquisition or Disposal Handling Procedures." 6. Proposal of intention to modify the Company's internal control system and internal audit system. 7. Proposal of intention to draft the Company's 2016 "Internal Control System Statement." 8. Proposal of cancelling director non-competition restrictions. 9. Date, venue and agenda for the Company's holding of 2017 shareholders' regular meeting. 10. Proposal of intended modification of designation procedures for re-invested company's director representative. 11. Proposal of intended increase of experiment execution expense for the Company's collaboration with major international companies in developing liposome product offshore markets. 12. Proposal of intended distribution of the Company's 2016 special contribution reward bonus. 13. Proposal of intention to enter contract with a certain company.
Board of Directors March 22,2017	1. Proposal of the Company's intention to re-designate director representative for subsidiary. 2. Proposal of cancelling non-competition restrictions on managers. 3. Proposal to change the Company's spokesman.

Date and Types of Meetings	Important Resolutions
Board of Directors April 05, 2017	1. Proposal of the Company's intention to establish a joint venture with 2-BBB MEDICINES BV to develop liposome new drug "Glutathione Pegylated Liposomal Methylprednisolone Injection (2B3-201)." 2. Proposal of intention to maintain subsidiary's drug permit and enter drug permit license depository agreement. 3 Proposal of intention to designate director representative selection for re-invested company.
General Shareholders' Meeting June 24, 2016	1. Proposal of modifying the Company's "Company Articles of Incorporation." Execution: Modified "Company Articles of Incorporation" is disclosed in the unit of "investor zone/corporate governance/company articles of incorporation" on the Company's website. 2. Proposal of the Company's 2015 business report and financial statements. 3. Proposal of the Company's 2015 profit distribution. Execution: For 2015 profit distribution, shareholders are distributed with cash dividends of NTD870,274,857 (NTD3.5 per share), and cash dividends have already been distributed on August 26th, 2016. 4. Proposal of modifying the Company's "Operation Guidelines for Capital Lending to Others." Execution: Modified "Operation Guidelines for Capital Lending to Others" is disclosed in the electronic book of "Annual Report and Shareholders' Meeting Related Materials" unit of the Market Observation Post System and the "investor zone/corporate governance/company regulations and system" unit of the Company's website. 5. Proposal of modifying the Company's "Guidelines for Endorsement and Guarantee" Execution: Modified "Guidelines for Endorsement and Guarantee" is disclosed in in the electronic book of "Annual Report and Shareholders' Meeting Related Materials" unit of the Market Observation Post System and the "investor zone/corporate governance/company regulations and system" unit of the Company's website. 6. Proposal of modifying the Company's "Handling Procedures for Engagement in Derivative Product Transaction." Execution: Modified "Handling Procedures for Engagement in Derivative Product Transaction" is disclosed in the "investor zone/corporate governance/company regulations and system" unit of the Company's website. 7. Proposal of modifying the Company's "Director and Supervisor Selection Guidelines." Execution: Modified "Director and Supervisor Selection Guidelines" is disclosed in in the electronic book of "Corporate Governance/Corporate Governance Related Requirements and Rules" unit of the Market Observation Post System and the "investor zone/corporate governance/company regulations and system" unit of the Company's website. 8. Proposal of full scale re-selection of the Company's directors. List Of Selected Directors: Dawan Technology Co., Ltd. Representative Hsiao, Ying-Chun, Chang, Wen-Hwa, Yang, Tze-Kiang, Chang, Hsiu-Chi, Tseng, Tien-Szu, Liao, Ying-Ying, Tsai Duei, Hsueh, Ming-Ling, Lin,

Date and Types of Meetings	Important Resolutions
	Tien-Fu. Hsiao, Ying-Chun Was Elected As Chairman By Board Of Directors' Meeting Dated June 24, 2016. 9 Proposal of cancelling non-competition restrictions for new directors and his/her representative.

(12) The Objections Of The Directors Or Supervisors Against The Major Resolutions Reached In The Board Meeting Recorded Or Documented In Writing In The Most Recent Year And As Of The Publication Date Of The Annual Report: None

(13) Table Of Resignation And Dismissal Of The Chairman, President, Accounting Officer, Finance Officer, Internal Chief Auditor, And R&D Director In The Most Recent Year And As Of The Publication Date Of The Annual Report: None.

4. Information on Accountants' Fees

(1) Information on Accountants' Fees:

Unit: NT$ Thousand

CPA Firm	Name of CPAs	Auditing fee	Non-auditing fee					Auditing period	Remark
			System Design	Industrial and Commercial Registration	Human Resources	Others	Sub-total		
KPMG Taiwan	Tseng, Kuo-Yang, Chi, Shi-Qin	2,700	–	–	–	1,100	1,100	2016/01/01 | 2016/12/31	Non-Audit Public Expense: $150for tax consulting and $950 for agreement process

(2) If The Auditing Fee Paid In the Year of Changing To another CPA Firm Is Less Than the Auditing Fee Paid In the Prior Year, Shall State the Amount of Reduction, Ratio, and Reasons: None

(3) When The Auditing Fee Is Decreased By Over 15% from the Prior Year, Shall State the Amount of Auditing Fee Reduced, Ratio, And Reasons: None

5. Alternation of CPA

The Company did not replace its independent auditor in the most recent year.

6. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its CPA or at an Affiliated Enterprise: None.

7. Transfer & Pledge of Stock Equity by Directors, Managerial Officers and Holders Of 10% or More of Company Shares

<u>Changes in Shareholding of the Directors, Managers, and Major Shareholders</u>

Title	Name	2016		Up to April 18 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Chairman	Dawan Technology Company Limited	(210,000)	4,000,000	138,000	0
Chairman	Dawan Technology Company Limited Representative： Hsiao, Ying-Chun	300,000	1,200,000	0	0
Vice Chairman	Chang, Wen-Hwa	0	0	0	0
Director	Yang, Tze-Kaing	0	0	0	0
Director	Chang, Hsiu-Chi	0	0	0	0
Director	Tseng, Tien-Szu	0	0	0	0
Director	Liao, Ying-Ying	0	0	0	0
Independent Director	Tsai, Duei	0	0	0	0
Independent Director	Hsueh, Ming-Ling	0	0	0	0
Independent Director	Lin, Tien-Fu	0	0	0	0
General Manager	Hsiao, Ying-Chun	300,000	1,200,000	0	0
Vice General Manager	Wu, Hsueh-Liu	0	0	0	0
Vice General Manager	Wu, Yong-Liang	0	0	0	0
Vice General Manager, Manufacturing Center	Liu, Chih-Ping	0	0	0	0
Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	0	0	0	0
Senior Vice President, Administration Center	Chang , Chih-Meng	0	0	0	0
Vice President , General Affairs	Tseng , Chu-Lan	0	0	0	0

Title	Name	2016		Up to April 18 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Senior Vice President, Oncology Business Unit	Yang, Si-Yuan	0	0	0	0
Senior Vice President, Oncology Business Unit	Shi, Jun-Liang	0	0	0	0
Senior Vice President, Intensive Care Business unit	Qu, Zhi-Yuan	0	0	0	0
Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	(1,495)	0	0	0
Head of Lioudu Factory	Xu, Jian-Yu	5,000	0	(5,000)	0
Vice President, Legal	Lin, Jin-Rong	0	0	0	0
Vice President, Zhongli Factory	Xie, Cong-Yong	0	0	0	0
Vice President, Healthcare Unit	Jian, Chong-Guang	0	0	0	0
Vice President, Auditing	Wu, Wen-Hua	(4,000)	0	(9,000)	0
Senior Vice President and Financial Officer, Financial Division	Chang , Kuo-Chiang	0	0	0	0
Vice President, Administration Center	Liu, Nai-Wei	0	0	0	0
Accounting Officer	Wang, Shu-Wen	0	0	0	0

Note 1: Shareholders holding more than 10% of the Company’s total shares: None.
Note 2: Stakeholders as counterparties in equity transfer or pledge: none.

8. Information on the Top-10 Shareholders Who Are Affiliates or Related as Spouse or Second Cousins:

Information on the top-10 shareholders who are affiliates or related

Name（Note1）	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remark
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
Dawan Technology Company Limited.	20,552,732	8.27	-	-	-	-	Hsiao, Ying-Chun	Chairman	
Representative: Hsiao, Ying-Chun	4,342,524	1.75	-	-	-	-			
Cathay Life Insurance Co.,Ltd. Representative: Hong-Tu Tsai	10,323,000	4.15	-	-	-	-	None	None	
The New Labor Pension Fund	6,534,000	2.63					None	None	
Chang, Wen-I	5,090,831	2.05	825,035	0.33	-	-	Chang, Chun-Jen	Second cousins	
							Chang, Wen-Ling	Second cousins	
The Old Labor Pension Fund	5,017,000	2.02					None	None	
City of New York Group Trust	5,007,376	2.01	-	-	-	-	None	None	
Chang, Wen-Ling	4,656,960	1.87	-	-	-	-	Chang, Chun-Jen	Second cousins	
							Chang, Wen-I	Second cousins	

Name（Note1）	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remark
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
Mercuries Life Insurance Co., Ltd. Representative: Chen, Hsiang-Chieh	4,617,000	1.86	-	-	-	-	None	None	
Hsiao, Ying-Chun	4,342,524	1.75	-	-	-	-	Dawan Technology Company Limited.	Chairman	
Chang, Chun-Jen	4,156,420	1.67	3,277,280	1.32	-	-	Chang, Wen-I	Second cousins	
							Chang, Wen-Ling	Second cousins	

Note 1: Name of the top-10 shareholders must be listed respectively. For institutional shareholders, the title of such institutional shareholder and the name of the representative(s) shall be listed respectively.

Note 2: The percentage of shareholding shall be calculated by taking into account the shares held by the shareholder, his/her spouse, children of minor age, and other persons holding shares in his/her name.

Note 3: For the shareholders referred to above including legal person and natural person, shall have the relationship disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

9. The Number of Shares Held by The Company, The Company's Directors, Managers and Its Directly or Indirectly Controlled Business Toward the Same Investment Businesses, as well as the Combined Calculated Shareholding Percentage

April 30, 2017(Unit: Share)

Reinvested Companies (Note1)	Investment of the Company		Investment of the directors, managers, and companies that are directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Xudonghaipu International Company Limited (Cayman)	25,000,000	100.00%	0	0	25,000,000	100.00%
American Taiwan Biopharm Company Limited	380,000	40.00%	0	0	380,000	40.00%
PharmaEngine, Inc.	23,639,939	19.30%	3,000	0.00%	23,642,939	19.30%
American Taiwan Biopharma Philippines Inc.	481,168	87.00%	0	0	481,168	87.00%
Worldco International Limited(HK)	39,600,000	100.00%	0	0	39,600,000	100.00%
Gligio International Limited(HK)	620,427	40.00%	0	0	620,427	40.00%
TSH Biopharm Company Limited	21,687,177	56.48%	1,080,894	2.81%	22,768,071	59.29%
CY Biotech Company Limited	6,326,465	27.54%	210,346	0.92%	6,536,811	28.46%

Note: This is the Company’s investment adopting equity method.

IV. Company Shares And Fund Raising

1. Company Capital and Shares

(1) Source of Stock Capital

Unit：Share Thousand, Unit: NT$ Thousand

Year Month	Par Value	Authorized Capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
1998.07	10	23,990	239,900	23,990	239,900	Capital Increase by Cash	None	Note 1
2001.07	10	38,000	380,000	27,643	276,434	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 2
2002.07	10	50,000	500,000	36,486	364,864	Surplus Transferred to Common Share	None	Note 3
2002.10	10	50,000	500,000	37,087	370,870	New Shares from Conversion of Convertible Bond	None	Note 4
2003.03	10	50,000	500,000	37,644	376,440	New Shares from Conversion of Convertible Bond	None	Note 5
2003.06	10	50,000	500,000	37,721	377,212	New Shares from Conversion of Convertible Bond	None	Note 6
2003.07	10	80,000	800,000	49,980	499,795	Surplus Transferred to Common Share	None	Note 7
2003.11	10	80,000	800,000	50,371	503,706	New Shares from Conversion of Convertible Bond	None	Note 8
2004.01	10	80,000	800,000	50,782	507,817	New Shares from Conversion of Convertible Bond	None	Note 9
2004.04	10	80,000	800,000	51,086	510,861	New Shares from Conversion of Convertible Bond	None	Note 10
2004.07	10	57,500	575,000	51,404	514,039	New Shares from Conversion of Convertible Bond	None	Note 11
2004.09	10	95,000	950,000	62,359	623,591	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 12
2004.10	10	95,000	950,000	63,108	631,083	New Shares from Conversion of Convertible Bond	None	Note 13
2005.01	10	95,000	950,000	63,154	631,540	New Shares from Conversion of Convertible Bond	None	Note 14
2005.04	10	95,000	950,000	65,921	659,208	New Shares from Conversion of Convertible Bond	None	Note 15
2005.07	10	95,000	950,000	67,421	674,208	New Shares from Conversion of Convertible Bond	None	Note 16
2005.09	10	95,000	950,000	70,565	705,653	Surplus Transferred to	None	Note 17

Year Month	Par Value	Authorized Capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
						Common Share		
2005.10	10	95,000	950,000	71,130	711,298	New Shares from Conversion of Convertible Bond	None	Note 18
2006.01	10	95,000	950,000	71,400	713,996	New Shares from Conversion of Convertible Bond	None	Note 19
2006.04	10	95,000	950,000	71,412	714,120	New Shares from Conversion of Convertible Bond	None	Note 20
2006.09	10	95,000	950,000	78,191	781,907	Capital Surplus Transferred to Common Share	None	Note 21
2007.07	10	95,000	950,000	81,964	819,643	New Shares from Conversion of Convertible Bond	None	Note 22
2007.09	10	95,000	950,000	89,421	894,209	Capital Surplus Transferred to Common Share	None	Note 23
2007.10	10	95,000	950,000	93,792	937,919	New Shares from Conversion of Convertible Bond	None	Note 24
2007.11	10	95,000	950,000	92,932	929,319	Decrease in Treasury Stock	None	Note 25
2008.09	10	135,000	1,350,000	109,660	1,096,597	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 26
2009.09	10	135,000	1,350,000	128,302	1,283,018	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note27
2010.10	10	200,000	2,000,000	139,849	1,398,490	Capital Surplus Transferred to Common Share	None	Note 28
2011.09	10	200,000	2,000,000	172,574	1,725,736	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 29
2012.09	10	350,000	3,500,000	213,991	2,139,913	Surplus Transferred to Common Share	None	Note 30
2013.09	10	350,000	3,500,000	233,037	2,330,365	Surplus Transferred to Common Share	None	Note 31
2014.09	10	350,000	3,500,000	248,650	2,486,500	Surplus Transferred to Common Share	None	Note 32

Note 1: Approved by (87) Tai-Cai-Zheng Yi Tze No. 59490 dated July 21, 1998.
Note 2: Approved by (90) Tai-Cai-Zheng Yi Tze No. 142192 dated July 2, 2001.
Note 3: Approved by (91) Tai-Cai-Zheng Yi Tze No. 0910134566 dated June 25, 2002.
Note 4: Approved by Jin Shou Shang Tze No. 09101426020 dated October 29, 2002.
Note 5: Approved by Jin Shou Shang Tze No. 09201030710 dated January 30, 2003.
Note 6: Approved by Jin Shou Shang Tze No. 09212978710 dated July 28, 2003.
Note 7: Approved by Tai-Cai-Zheng Yi Tze No. 0920124705 dated June 9, 2003.
Note 8: Approved by Jin Shou Shang Tze No. 09201323550 dated November 26, 2003.
Note 9: Approved by Jin Shou Shang Tze No. 09301009960 dated January 20, 2004.
Note 10: Approved by Jin Shou Shang Tze No. 09301086530 dated May 20, 2004.
Note 11: Approved by Jin Shou Shang Tze No. 09301131330 dated July 29, 2004.
Note 12: Approved by Jin Shou Shang Tze No. 09301181990 dated September 22, 2004.
Note 13: Approved by Jin Shou Shang Tze No. 09301199330 dated October 27, 2004.

Year Month	Par Value	Authorized Capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other

Note 14: Approved by Jin Shou Shang Tze No. 09401009920 dated January 19, 2005.
Note 15: Approved by Jin Shou Shang Tze No. 09401066540 dated April 28, 2005.
Note 16: Approved by Jin Shou Shang Tze No. 09401138890 dated July 22, 2005.
Note 17: Approved by Jin Shou Shang Tze No. 09401181080 dated September 13, 2005.
Note 18: Approved by Jin Shou Shang Tze No. 09401206980 dated October 20, 2005.
Note 19: Approved by Jin Shou Shang Tze No. 09501010730 dated January 28, 2006.
Note 20: Approved by Jin Shou Shang Tze No. 0950107550 dated April 26, 2006.
Note 21: Approved by Jin Shou Shang Tze No. 09501199130 dated September 8 2006.
Note 22: Approved by Jin Shou Shang Tze No. 09601173790 dated July 20, 2007.
Note 23: Approved by Jin Shou Shang Tze No. 09601234620 dated September 29, 2007.
Note 24: Approved by Jin Shou Shang Tze No. 09601263450 dated October 26, 2007.
Note 25: Approved by Jin Shou Shang Tze No. 09601280570 dated November 16, 2007.
Note 26: Approved by Jin Shou Shang Tze No. 09701244740 dated September 22, 2008.
Note 27: Approved by Jin Shou Shang Tze No. 09801199890 dated September 1, 2009.
Note 28: Approved by Jin Shou Shang Tze No. 09901230540 dated October 14, 2010.
Note 29: Approved by Jin Shou Shang Tze No. 10001205420 dated September 6, 2011.
Note 30: Approved by Jin Shou Shang Tze No. 10101189490 dated September 17, 2012.
Note 31: Approved by Jin Shou Shang Tze No. 10201185540 dated September 10, 2013.
Note 32: Approved by Jin Shou Shang Tze No. 10301181010 dated September 5, 2014.

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares (Note 1)	Unissued Shares	Total
Registered Common Share	248,649,959	101,350,041	350,000,000

Note 1: Over-the-Counter Company Stock

Note 2: Shelf Registration Related Information: None.

(2) Structure of Shareholders

April 18, 2017(Unit: Number, Share)

Structure of Shareholders	Governmental Institution	Financial Institution	Other Legal Persons	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	5	37	118	193	26,725	27,078
Shareholding (shares)	14,904,000	26,652,782	37,893,359	59,766,268	109,433,550	248,649,959
Shareholding Ratio (%)	5.99%	10.72%	15.24%	24.04%	44.01%	100.00%

(3) Status of Ownership Dispersion

April 18, 2017

Shareholding class	Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1 to 999	13,809	1,623,172	0.65
1,000 to 5,000	10,699	20,524,597	8.25
5,001 to 10,000	1,200	9,140,580	3.68
10,001 to 15,000	409	5,092,870	2.05
15,001 to 20,000	217	3,947,027	1.59
20,001 to 30,000	230	5,858,401	2.36
30,001 to 40,000	111	3,972,021	1.60
40,001 to 50,000	75	3,435,723	1.38
50,001 to 100,000	125	8,827,150	3.55
100,001 to 200,000	73	10,511,547	4.23
200,001 to 400,000	46	12,860,939	5.17
400,001 to 600,000	18	8,464,748	3.40
600,001 to 800,000	12	8,476,166	3.41
800,001 to 1,000,000	10	9,248,538	3.72
More than 1,000,001	44	136,666,480	54.96
Total	27,078	248,649,959	100.00

Note: No preferred stock issued.

(4) List of Major Shareholders

April 18, 2017

Top 10 Shareholders	Shareholding (shares)	Shareholding Ratio(%)
Dawan Technology Company Limited	20,552,732	8.27
Cathay Life Insurance Co., Ltd.	10,323,000	4.15
The New Labor Pension Fund	6,534,000	2.63
Chang, Wen-I	5,090,831	2.05
The Old Labor Pension Fund	5,017,000	2.02
City of NewYork Group Trust	5,007,376	2.01
Chang, Wen-Ling	4,656,960	1.87
Mercurles Life Insurance Co., Ltd.	4,617,000	1.86
Hsiao, Ying-Chun	4,342,524	1.75
Chang, Chun-Jen	4,156,420	1.67

(5) Data on Market Price, Net Value, Earning, and Dividend per Share in the Last Two Years

Unit: NT$; share

Item			2015	2016	As of March 31,2017
Market Value Per Share	Highest		129	137	120.5
	Lowest		63.6	92.8	96.2
	Average		90.63	111.17	108.56
Net Value Per Share	Before Distribution		20.52	21.63	22.07
	After Distribution		17.02	-	-
EPS (Earning Per Share)	Weighted Average Number Of Shares		248,650	248,650	248,650
	EPS (Earning Per Share)		4.87	4.80	0.89
Dividend Per Share	Cash Dividend		3.50	3.80(Note 1)	-
	Stock Dividend	Stock Dividend from Retained Earnings	0	0	-
		Stock Dividend from Capital Reserve	0	0	-
	Cumulative Un-paid Dividend		None	None	None
Analysis on ROI (Return on Investment)	Price-Earnings (P/E) Ratio		18.61	23.16	-
	Price-Dividend Ratio		25.90	29.25	-
	Dividend Yield(%)		3.86	3.42	-

Note 1: Yet to be resolved by shareholders' meeting.

(6) Dividend Policy and Execution Status

① The Company’s Dividend Policy

The Company’s dividend policy is implemented in accordance with Company Act the Company’s Articles of Incorporation for the purpose of ensuring the Company’s normal operation as well as protecting investors’ rights. Under the Company’s Articles of Incorporation:

(i) In the event of surplus after annual final account, the Company shall, in accordance with laws, first pay taxes and duties and compensate for losses incurred from previous years before appropriating 10% to serve as legal reserve. However, the Company is not bound by this restriction if the Company’s legal reserve has already reached its paid-in capital amount. Furthermore, special reserve shall be appropriated subject to operation demand and laws and orders. In the event of surplus after aforementioned measures, the Board of Directors shall prepare a surplus distribution proposal over such surplus and undistributed surplus from the beginning of the period and submit the proposal to shareholders’ meeting for distribution resolution.

(ii) With respect to dividend distribution process, the Board of Directors shall, at the end of each business year, consider such factors as the Company’s profitability status, capital and finance structure, future operation needs, accumulated surplus and legal reserve as well as market competition and prepare a surplus distribution proposal and submit the proposal to shareholders’ meeting for resolution before implementing the proposal.

(iii) For the purpose of enhancing the Company’s financial structure as well as taking care of investors’ rights, the Company adopts a dividend balance policy which, in principle, distributes surplus not less than 50% of distributable earnings of that year while distributing more than 10% of dividend distributed of that year in cash dividend.

② The proposal to this Shareholders Meeting for dividend distribution is as follows:

2017 Proposed Dividend Distribution from the Company’s Shareholders’ Meeting (Proposed by the Board of Directors dated March 10, 2017)）

Type of Dividend	Dividend for Each Share (NTD)	Source
Cash Dividend	3.80	Undistributed Surplus

(7) The Impact of the Distribution of Stock Dividend as Proposed in This Shareholders Meeting On Operation Performance and Earning Per Share: N/A

(8) Employee, Directors and Supervisors Remuneration

① The percentage or limit for employee, directors and supervisors remuneration set forth in the Articles of Incorporation:

Based on the Company's articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 1% to 8% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

② For current period, estimate basis for estimated employee, directors and supervisors remuneration, share calculation basis for distributed share bonus as well as accounting processing for discrepancy, if any, between actual distributed amount and estimated amount:

(i) On March 10, 2017, the Company's Board of Directors approved that estimate basis for distribution of the Company's 2016 employee, directors and supervisors remuneration will be the Company's pre-tax net profit for the period deducted by employee, directors and supervisors pre-remuneration amounts before being multiplied by employee, directors and supervisors remuneration distribution percentages prescribed in the Company's Articles of Incorporation. Such distribution will be listed as 2016 business expense. In the event of discrepancy between actual distribution amount and estimated amount, it will be processed in accordance with changes of accounting estimate and recognized as profit or loss for 2017.

(ii) The Company does not plan to distribute employee share bonus for current period. As such, estimate for related amounts has not been conducted.

③ Distribution of remuneration Approved by the Board of Directors:

(i) Employee compensation and compensations for director and supervisor will be distributed in cash or stock. In the event of discrepancy between distributed compensation and appropriated expense of annual estimated amount, discrepancy amount, reason and processing status shall be disclosed accordingly:

On March 10, 2017, the Company's Board of Directors approved distribution of the Company's 2016 employee remuneration totaled NTD22,048 thousand and director and supervisor remuneration totaled NTD15,786 thousand, both of which are distributed in cash. There is no discrepancy between distributed amounts and appropriated expense of annual estimated amount.

(ii) Employee bonus amount to be distributed in stock, and percentage of such amount as opposed to the sum of current individual entity or respective financial statement after tax net profit and employee compensation total amount.

This is not applicable because the Company did not plan to distribute employee share bonus in 2016.

④ Employee bonus amount to be distributed in stock, and percentage of such amount as opposed to the sum of current individual entity or respective financial statement after tax net profit and employee compensation total amount:

For 2015, the Company's actual distributed amount for employee bonus is NTD22,373 thousand, and actual distributed amount for director and supervisor compensation is NTD21,468 thousand. There is no discrepancy between actual distribution amounts for employee bonus and director and supervisor compensations and estimated amounts on the Company's 2015 financial statement.

(9) Cases of the Company's Buy-back of the Company's Shares: None.

2. Section on Corporate Bonds, Preferred Shares, Global Depository Receipts, Subscription of Warrants for Employees and Subscription of New Shares for Employee Restricted Stocks

(1) Corporate Bonds Issued：None.

(2) Preferred Stock Issued：None.

(3) Global Depositary Receipts Issued：None.

(4) Subscription of Warrants for Employees：None.

(5) Subscription of New Shares for Employee Restricted Stocks：None.

3. Issuance of New Shares for Merging and Transferring the Stocks of Other Companies: None.

4. Implementation of Fund Usage Plan

This is not applicable because, as of the quarter prior to the publication date of annual report, the Company does not have any incompletion of previous respective securities issuance or private placement, or cases of no significant plan benefits for those already completed within the last 3 years.

V. Operational Highlights

1. Business Activities

(1) Business Scope

① Major Business

(i) C801010 Basic Industrial Chemical Manufacturing
(ii) C802041 Drugs and Medicines Manufacturing
(iii) F108021 Wholesale of Drugs and Medicines。
(iv) F208021 Retail Sale of Drugs and Medicines
(v) F108031 Wholesale of Drugs, Medical Goods。
(vi) F208031 Retail sale of Medical Equipment
(vii) C802060 Animal Use Medicine Manufacturing
(viii) C802070 Herbicides Manufacturing。
(ix) C802080 Pesticides Manufacturing
(x) C802100 Cosmetics Manufacturing
(xi) C804020 Industrial Rubber Products Manufacturing
(xii) C804990 Other Rubber Products Manufacturing
(xiii) C901020 Glass and glass made products manufacturing
(xiv) CF01011Medical Materials and Equipment Manufacturing
(xv) F102170 Wholesale of Food and Grocery
(xvi) F203010 Retail sale of Food and Grocery
(xvii) IG01010 Biotechnology Services
(xviii) ZZ99999 All business items that are not prohibited or restricted by law

② Business Percentage (2016)

Unit: NT$ Thousand

Source of Major Revenue	Business Revenue	Business Percentage (%)
Oral	1,575,763	42
Injection	1,969,378	52
Ointment	99,513	3
Others	116,063	3
Total	3,760,717	100

③ Products and Services

Our company offers a variety of contract services, including CRO, CMO and CDMO, and our product portfolio mainly consists of oncology, anti-infection drugs and medical & healthcare medicine, which are listed below：

Type	Function	Key products
Oncology	Anti-cancer	Lipo-Dox、UFUR、Thado、Oxalip、Asadin、Gemmis、Epicin、Tynen、TS-1、Irino、Anazo、Zobonic、Temazo、Otril、Tynen、Painkyl、Ivic、Pexeda
Anti-infection	Cephalosporin, Macrolides, Sulfonamides, Antitubercular Agent, lipopeptide	Cubicin、 Colimycin、Exacin、Maxtam、C.P.Z. Flusine、Metacin、Brosym 、Lipo AB
Medical & Healthcare Medicine	Gastro-Intestinal Health, Bone Health	Algitab、Alginos、Bio-Cal Plus

④ New Product (Service) Development Projects

(i) To specialize in new drug development in the anti-cancer, biologic areas and anti-infection.

(ii) To endeavor in the development and manufacturing of special drug formulation for high efficacy targeted liposomal drugs.

(iii) To continuously produce CMC files in CTD format.

(2) Industry Profile

① Current Status and General Prospect

Pharmaceutical industry is one of the high-tech sectors, which is high value-added, environmental friendly and low energy consuming with the characteristics of long product development time, long product life cycle and regulated under extensive laws. Products are mainly utilized in treating or alleviating human diseases and they are closely related to healthiness of nationals' lives and their living quality. Therefore, their safety and efficacy are specifically emphasized. It can also be seen that the country with higher GNI is well developed in its pharmaceutical industry, such as US, Europe and Japan.

Global pharmaceutical industry outlook:

i. An incessant increase in R&D budget for new drug development, longer leading time and less research results will be expected, due to stricter regulation environment.

ii. Under competition pressures, more and more pharmaceutical companies choose to adopt strategy of developing niche medicine which are sold in different markets, or they choose to focus on developing medicines for specific diseases for the purpose of enhancing medicine values or opportunities to be listed in the market.

iii. Innovation efforts are increasingly tied to globalization and collaborative research. Efforts to advance drug development have greatly increased the frequency and value of strategic partnerships of different functional organizations.

② Industry's Value Chain

Upstream and midstream are the preparation and manufacturing of raw materials (Active Pharmaceutical Ingredients, or API).；Downstream: Drug manufacturing and marketing.

- **Upstream:** Raw material supplier, pharmaceutical ingredients or raw materials used to manufacture drugs are extracted from many different sources, such as synthetic chemicals, botanical and animal extract, mineral and microbial organisms. For conventional medicine, synthetic chemical is the major source of raw material, and for herbal medicine, animal and botanical extract are the major source, and due to the breakthrough in transgene technology, genetically modified animal and plant will become the popular source of raw material in the future.
- **Midstream:** Two main sectors are API manufacture and botanical ingredient processor companies.API manufacture includes organic synthesis, natural product extraction, microbial fermentation or synthesis post fermentation as well genetic engineering which generates purification and concentration from modified cell fermentation.
- **Downstream:** Pharmaceutical companies are mainly responsible for the manufacturing of easy-to-use end tablets by using API together with pharmaceutical adjuvant such as excipients, disintegrating agents, adhesive and lubricant. Production is this phase needs to comply with cGMP (Current Good Manufacturing Practice) requirements. End products are then distributed through hospitals, clinics and drugstores to meet with patients' needs.

Pharmaceutical companies in our country can be simply categorized into (a) companies of original products; (b) import agents and companies producing Non-BE generics; and (c) companies producing BE generic drug.Though most of the pharmaceutical companies in Taiwan focus on Generics manufacturing, more and more companies are starting to invest in new drug development.

③ Industry Outlook

According to QuintilesIMS report, new drugs for cancer treatment, autoimmune disorder and diabetes are expected to continue to enter developed country market. Together with the growth of emerging countries' demand on drugs, global overall drug expenditure within the future 5 years will increase at an annual rate of 4-7%, with global drug total expenditure in 2016 expected to USD1,104.6 billion dollars and USD1.5 trillion dollars in 2021. Judging from the previous 5 years, average annual growth rate for emerging countries is 7%, as compared with 2% of growth for other markets. This is mainly because population accepting treatment is getting large with the development of national economy, increase in income and improvement in medical diagnosis. Nations are also engaged in promoting and enhancing national medical care plan. Growth in drug expenditure from developed countries mainly comes from development of original drugs. While 91% of drug used in emerging countries comes from non-original drugs and this accounts for 78% of drug expenditure. As for China, it had become the world's No. 2 drug consumption market since 2012. Expected drug expenditure for 2016 is USD116.7 billion dollars and USD140 TO USD 170 billion dollars for the year of 2021.

Analysis highlights:

i. With congregation of global population in cities, urban lifestyles, delicate diets, aggravation of environment quality as well as dramatic increase in global elder population, diseases of hyper tension, high cholesterol, diabetes, depressions and cancer have increased dramatically. This has also stimulated market's demands on chronic disease, autoimmune disorder, cancer drug and biologics. A substantial increase in the number of new oncology drugs will be expected in the next 5 years.

ii. Under the effect of globalization, the threat of pandemic influenza, such as Avian flu, Ebola, has become a great concern globally, and more research and development in anti-infection drugs will be seen in the coming years.

iii. Research and development in genetic therapy and biological drugs still remains the main focus for most of companies as it is anticipated to result in large revenue gains.

iv. In recent years, major pharmaceutical companies explore treatments on Asia specific disease such as viral hepatitis or development of botanic drug's treatment on specific diseases. Additionally, there are also continued developments on exploration of Central Nervous System disease, personalized precision medical care as well as current drug's new mechanisms on indications.。

v. Due to the growth of economy and drug regulation change, a huge increase of drug demand will occur in pharemging markets, like China, Cuba, Russia, India and Mexico.

④ Competitive Environment

The impact of implementing PIC/S GMP and imposing new drug regulations to meet developed countries' standards have increased the manufacturing cost and lowered drug prices in Taiwan, which in turn, makes Taiwan one of the countries with the lowest drug prices in the world.

With overall difficult operation environment and insufficient economies of scale in the market, Taiwan pharmaceutical industry will face globalization in developing new drugs if it wants to be engaged in new drug development, and globalization must challenge "Standard treatment" and invest in high amount of clinical trial expenses, and comprehensive patent protection design is also needed in order to create business opportunities.Only new-formulation drug with pharmacoeconomics can compete with the global pharmaceutical company in the new-formulation drug market.

All TTY's oncology drugs are manufactured under conditions that comply with PIC/S GMP; and to remain competitive in the market, many applications of drug licenses in different countries have been filed for marketing authorization. Furthermore, many TTY's technology platforms have maturely developed, such as injectable liposomal formulation, lyophilization processing and drug encapsulation system. Our factories are built with exceptional qualities in compliance with PIC/S GMP and have been inspected by numerous regulatory agencies including the US FDA, EU EMA, Japan PMDA, Arabian officials, German officials, ANVISA (Brazil) and Taiwan FDA. Our expertise ensures products manufactured here adhere to the highest standards of quality and safety. Our unparalleled experience and well-established reputation in the field of liposomes has been proven by our partnerships with several of the world's leading pharmaceutical companies.

TTY will continue its effort in new drug development. To continuously improve the health of patients in Taiwan and to maintain substantial revenue for the company, several new niche buster drugs have been launched into the market. Furthermore, to strengthen our new drug portfolio, TTY continuously in-license either completed or ongoing phase 3 trial drugs to encompass all major therapeutic areas.

(3) Research & Development Status

① R&D Expense Disbursement for 2016 and 1st Quarter of 2017

Unit: NT$ Thousand

Item	2016	2017Q1
Research & Development Expense	341,685	77,950

② Technology or Product Successfully Developed
In addition to continuous improvement in liposome technologies and long-acting depo-provera injection technologies, this company also conducts researches on new compound medicines as well as new indications for existing products. Important products successfully developed are as follows:

Product Name	Indications
Lipo-Dox	Metastatic breast cancer, AIDS-induced Kaposi's sarcoma, multiple myeloma, ovarian cancer
UFUR	Gastric cancer, colorectal (colon) cancer, breast cancer, Cisplatin combined treatment of metastatic and advanced lung cancer, head and neck cancer, for the first stage of pathological stage T2 B lung adenocarcinoma patients after surgery adjuvant therapy
Thado	Multiple myeloma, leprosy nodular erythema
Lipo-AB	Leishmaniasis (kala-azar), nephrotoxic invasive bacterial infection complicated by bone marrow transplantation, AIDS patients with meningitis, renal insufficiency of the bacterial from renal deficiency
Brosym C+S	Treatment of the following infections caused by susceptible bacteria: upper and lower respiratory tract infections, upper and lower urinary tract infections, peritonitis, cholecystitis, cholangitis and other intraperitoneal infections, pelvic inflammatory disease, endometritis and other genital tract infections, and Traumatic burns, secondary infection after surgery.

(4) Business Objective: Long-term & Short-term

① Short-term

(i) Marketing
Become a global specialty pharmaceutical company and the best CRO/CMO strategic partner (Key service concepts：Speed and Value chain integration).

(ii) R&D
a. Achieve short-term revenue objective by ensuring that the products launch in a timely fashion to create stable product capacity with long life cycles.
b. Achieve economic of scale by completing the development of specialty drug portfolio on the basis of TTY's high barrier-product platform.
c. Targets for new drug development are selected carefully and development is conducted jointly with international marketing companies. External authorization will be extended in due time and rights in certain emerging target countries will be reserved in order to increase potential direct sale product quantities during life cycle, lower R&D expenses assumed and obtain royalties and sales profits.

(iii) Manufacture

a. New drug regulations will be reviewed continuously and inspection by regulatory agencies both domestic and offshore shall be passed in order to maintain steady and high quality production bases.
b. Ensure that the organization has enough capacity to meet all demands through adequate product-line planning and supply management.
c. Develop functional excipient, raw material and special packaging’s production capability for our core products.

(iv) Management

a. Set up new subsidiary and invest in product development by the current domestic sales income.
b. Sustain and grow manufacturing capacity through CMO model in specialty drug area for international companies.
c. Create positive cash flow by out-licensing TTY’s product to global market and investing in R&D for the future.
d. Maximize revenue and seize mid-term and long-term growth opportunities by observing global health care market and the investment opportunities.
e. Acquire and cultivate talents with entrepreneurship comprehensively by fostering his/her knowledge in science, RA and management, and prepare each department with enough resources for globalization.

② Long-term

(i) Marketing

a. Focus on product life cycle management through market segmentation and product localization in our targeted markets.
b. Enhance TTY’s international marketing through the stable CDMO business model in the area of self-developed and co-developed specialty drugs.
c. Increase mid to long-term revenue and the rate of globalization of the business through proper distributor management and raising the number of foreign subsidiaries.

(ii) Manufacture

a. Construct, maintain and renovate manufacturing plants that are in compliance with international quality assurance system (PIC/s GMP).
b. Amplify manufacturing capacity and R&D through M&A and strategic partnership.
c. Achieve international scale of mass production and lower cost advantage through improving process manufacturing and productivity.

(iii) R&D

a. Improve product portfolio (specialty drugs, generic drugs and new drugs) by carefully evaluating drug development projects and manufacturing capacity.
b. Collaborate with international partners to develop high barrier and high profitable specialty pharma and new medical entities to meet the unmet needs of the market.

(iv) Management

Vision: To improve the quality of human life with scientific innovation.

Mission:

a. Commit to development and manufacture Specialty pharma (patentable or high-barrier products), Biologics and new Medical Entities
b. Specialize in oncology and anti-infection product development and business development in global market
c. Be one of the world’s most innovative biopharmaceutical companies and the best partner for globally innovative pharmaceutical companies to develop and market drug portfolios internationally.

2. Production and Sales Status

(1) Market Analysis

① Markets for our major products
TTY's major sales comes from domestic market, which accounts for 72.56% of the net sales, and export sales majorly comes from the European market, accounting for 23.01%; Major distribution channels are hospitals and clinics, which accounts for 60% of the total net sales.

② Outlook
Pharmaceutical industry is still steadily growing in prospect, owing to aging population, improved health care and growing population. According to IMS, global drug spending is going to hit US$1.5 trillion in 2021, a 30% increase comparing to the number in 2016.

③ Competitive niche

(i) In terms of TTY's core competitiveness

a. Precise market positioning

b. Complete value chain

c. Continuously developing competitive products

d. Pharmaceutical factory inspections by competent authorities in respective major countries shall be passed continuously. ◦

(ii) In terms of TTY's competiveness in Asian market

a. Knowledge and understanding of Chinese cancer types

b. Advantage in clinical study and marketing in the Chinese market

④ SWOT analysis/Measure

(i) Opportunity/Strength

a. Opportunities for Taiwan pharmaceutical industry
-New policy favoring new drug development
-Up-to-date industry knowledge and the growing number of cross functional talents
-Cooperation in clinical trials between Taiwan and China
-Improving assessment system of regulatory affairs in MOH, which will benefit and encourage more new drug developments

b. Excellent R&D and integration capability
TTY possesses a completely developed value chain, and has much experience in in-house preparation of Modules 2 and 3 (CMC) drafts of the Common Technical Document (CTD)

(ii) Threat and measures

a. Drug reimbursement policy change
Global Budget System was implemented starting from July of 2001. Up until now, drug prices have been adjusted multiple times. Domestic drug prices and quantities have been under control through Global Budget System. As such, prices and sales of certain drugs have been affected and product offshore sale prices have also been affected. This has resulted in the squeeze of pharmaceutical companies' revenue and profits.
Measures:
To continue being competitive in the market, TTY takes measures to improve its service productivity and its brand reputation through establishing

comprehensive distribution channels throughout the country to provide immediate assistance to healthcare professions and through continuously enhancing the quality of buster niche drugs. To minimize the negative impact on profitability from the new drug pricing system, TTY will create more profit by in-licensing marketable new drugs by obtaining NDA in a timely fashion.

b. PIC/S GMP compliance for small companies

The majority of the pharmaceutical companies in Taiwan are small and medium sized companies in manufacturing generic drugs and distributing in-licensing drugs. In exporting, domestic companies are limited by the lack of experience in international marketing and the knowledge in foreign legislation. Other than that, the domestic companies were affected by the foreign companies with their competitive pricing after Taiwan joined WTO. To prepare for such impact, all the pharmaceutical companies in Taiwan, according to the legislation, will be shut down unless it is PIC/S GMP certified.

Measures:

TTY BioPharm has transformed from a production and sales-oriented traditional generic drug pharmaceutical factory into development and marketing of branded generic drugs, and all our manufacturing plants are in compliance with PIC/S GMP. In addition to continue to develop business through core channels (medical center, regional hospital and district hospitals with development potentials) in Taiwan area, TTY Biopharm is dedicated to becoming a bio-tech pharmacy company of special dosage drug development and international market promotion for the purpose of better exploiting drug development values. With respect to selection of disease fields, this company will specialize in international developments in the fields of anti-cancer and anti-infection, as well as developing high-tech obstacle special dosage generic drug. That is, through the development of high obstacle and confirmed treatment effectiveness innovative drugs, products will be able to enter international market via major international companies' commissioned design and production. Going forward, sales partners with multiple country sales capabilities will be explored continuously for the purpose of entering America, Central and South America, Middle East region, Asia and EU. With the support of establishing marketing teams in target countries to explore business, this company aims to become the best collaboration partner for drug business marketing companies in target countries. On the other hand, local strength will be cultivated through development of the greater China market (including Taiwan and China). In the event that international bio-tech innovation companies are unable to master market conditions for profit making when entering Taiwan and China, TTY Biopharm shall then serve as the best collaborating partner in drug development and marketing for international companies in the fields of anti-cancer and anti-infection. With the long time investment and experience in these fields, TTY Biopharm's existence shall assist international partners to develop drugs effectively, generate profits in market, and therefore create win-win situations.

(2) Important Purpose for Major Products

Important purposes for the Company's major products can be categorized as follows:

① Oncology Medicine: Antineoplastic Drug

② Anti-Infective Drug: lipopeptide, Cephalosporins, Macrolides, Sulfonamides, Antitubercular Agent

③ Medical & Healthcare Medicine:Gastro-Intestinal Health, Bone Health

(3) Major Raw Material Supply Status

Sources of the Company's raw materials come from both domestic and offshore vendors. To ensure stable source of raw materials, the Company always maintains close collaboration relationship with domestic vendors. The Company also works aggressively in exploring collaboration with offshore raw materials suppliers for the purpose of ensuring the Company's product development is free from raw material restrictions.

Major Purchase Item	Medical Purpose
Docetaxel、Gemcitabine、Anastrogole	Raw Material for Antineoplastic Drug
Benazepril、Mosapride、Calcium Folinate、C+S	Cardiac-Vascular Drug, Gastroenterology Drug, Raw Materials for Antibiotic and Antineoplastic Drug
Thalidomide Pemetrexed、 Amphotericin B、Colistimethate	Raw Materials for Antibiotic and Antineoplastic Drug
Irinotecan	Raw Materials for Antibiotic and Antineoplastic Drug
Petrolatum	Raw Materials for Dermatology Drug
Tegafur、Squalane	Raw Materials for Dermatology and Antineoplastic Drug
Oxaliplatin	Raw Materials for Antineoplastic Drug
Uracil	Raw Materials for Antineoplastic Drug

(4) The Name of the Customers Accounted for Over 10% of the Total Purchase (Sale) in One of the Last Two Years

① List of Major Suppliers

List of Major Suppliers in the Last 2 Years

Unit: NT$ Thousand

Item	2015				2016				2017Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Company A	71,791	11.05	None	Company A	49,687	6.82	None	Company B	44,817	21.02	None
	Other	577,985	88.95		Other	678,926	93.18		Other	168,350	78.98	
	Net Purchase Amount	649,776	100.00		Net Purchase Amount	728,613	100.00		Net Purchase Amount	213,167	100.00	

Note: List the name of the suppliers with more than 10% of the total purchase amount, purchase amount, and purchase ratio in the last 2 years; however, it can also be identified with I.D. Number if the limitation of disclosure is stated in the signed contract or the counterparty of the transaction is an unrelated individual.

② List of Major Clients

List of Major Clients in the Last 2 Years

Unit: NT$ Thousand

Item	2015				2016				2017Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Company A	458,561	14.67	None	Company A	864,563	23.38	None	Company A	174,935	18.71	None
	Other	2,666,297	85.33		Other	2,832,709	76.62		Other	760,124	81.29	
	Net Sale Amount	3,124,858	100.00		Net Sale Amount	3,697,272	100.00		Net Sale Amount	935,059	100.00	

Note: List the name of the clients with more than 10% of the total sale amount, sale amount, and sale ratio in the last 2 years; however, it can also be identified with I.D. Number if the limitation of disclosure is stated in the signed contract or the counterparty of the transaction is an unrelated individual.

(5) Production Volume and Value of Recent Two Years

Table of Production Volume and Value of Recent Two Years

Unit: Granule Thousand; Pill Thousand; NT$ Thousand

Year / Production Capacity / Main Product	2015			2016		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Ointment	Note 1	2,235	75,767	Note 1	3,323	95,336
Oral	Note 1	350,480	316,062	Note 1	358,759	359,921
Injection	Note 1	2,728	424,854	Note 1	4,110	513,154
Others	Note 1	—	—	Note 1	—	—
Total	—	Note 2	816,683	—	Note 2	968,411

Note 1: This is excluded because of different production package capacity.
Note 2: This is excluded because different units for production quantity.
Note 3: This table does not included products purchased externally.

(6) Sales Volume and Value of Recent Two Years

Table of Sales Volume and Value of Recent Two Years

Unit: Granule Thousand; Pc Thousand; NT$ Thousand

Year / Selling Volume/value / Main Products	2015				2016			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	2,298	94,300	—	—	3,228	99,513	—	—
Oral	375,816	1,515,044	12,045	42,784	366,795	1,529,875	4,790	45,889
Injection	2,748	881,903	1,036	542,933	3,380	1,022,160	579	947,217
Others	4,247	47,894	—	—	366	52,618	—	—
Total	—	2,539,141	—	585,717	—	2,704,166	—	993,106

Note: Summing can’t be conducted because units for sales are different.

3. Employees

Employee Data for the Last 2 Years and As of Annual Report Publication Date

Year		2015	2016	March 31, 2017
No. of Employee	Management Staff	78	83	86
	R&D Staff	102	98	100
	Other Staff	309	327	333
	Total	489	508	519
Average age		38.25	38.30	38.39
Average years of service		6.18	6.44	6.56
Academy Ratio (%)	Doctor	4.70	4.33	4.24
	Master	35.99	37.60	37.38
	College	50.31	49.21	49.71
	Senior High School	7.77	7.48	7.32
	Below Senior High School	1.23	1.38	1.35

4. Information on Environmental Protection Costs

For the latest year and as of annual report publication date, losses (including compensation) incurred & total penalty amount received from environment contamination, and explanation of future responding strategy and potential expenditure: None.

5. Labor Relations

(1) The Company's Various Benefit Measures, Education, Training, Retirement System and Implementation Status As well As Agreements between Labor and Management and Various Employee Benefit Protection Measures Are Listed as Follows

① Employee Benefit Measures

For the purpose of enhancing the "on the same boat" relationship between the Company and its employees, encouraging colleague's contribution, creating even more benefits, taking care of colleague's life as well as establishing excellent company culture and spirit, the Company specifically established an Employee Benefit Association which is in accordance with Employee Benefit Fund Act and Benefit Association Organization Guidelines promulgated by competent authority and which was approved by competent authority via Pei-Shi-Lao-Yi-Tze No. 8720781200 dated March 19th, 1998. The Company appropriates benefit funds to this Association in accordance with laws for implementation of various benefit measures which are prescribed as follows:

Subsidy Item	Explanation	Note
Birthday Cash Gift	Member of the Association will receive birthday cash gift of NTD1, 000 in the month of his/her birthday. Cash gift will be delivered on the 15th of each month.	Employees on leave without pay or contracted employees transferred to full time duty will all be treated as newly recruited staff.

Subsidy Item	Explanation	Note
Wedding Cash Gift	i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD 3,600 will be forwarded accordingly. ii. For colleague with spouse also working in the Company, payment is limited to one payment only. iii. Calculation of each subsidy payment amount is based on the number of new born baby.	i. Application: Submission of child birth certificate or doctor's statement or one copy of household registry together with a hard copy of cash gift application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: It will be within 3 months starting from child's birthday. For miscarriage from pregnancy over 20 weeks, deadline will be 3 months starting from occurrence and a doctor's proof shall also be provided
Birth Cash Gift (including miscarriage for pregnancy over 20 weeks)	i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD3, 600 will be forwarded accordingly. ii. For colleague with spouse also working in the Company, payment is limited to one payment only. iii. Calculation of each subsidy payment amount is based on the number of new born baby.	i. Application: Submission of child birth certificate or doctor's statement or one copy of household registry together with a hard copy of cash gift application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: It will be within 3 months starting from child's birthday. For miscarriage from pregnancy over 20 weeks, deadline will be 3 months starting from occurrence and a doctor's proof shall also be provided
Holiday Cash Gift	Cash Gift of NTD1,000	Dragon Boat Festival and Mid-Autumn Festival for each year
Illness Hospitalization Solarium	i. A Solarium of NTD 3,000 will be forwarded but this is limited to one Solarium each year. ii. (Based on Discharge Date)	i. Application: Submission of wedding invitation or marriage certificate or one copy of household registry together with a

Subsidy Item	Explanation	Note
	Visiting gift is limited to NTD1,000	hard copy of application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: within 3 months starting from the date of occurrence.
Funeral Solarium	i. For death of parents, children, spouse or spouse' parents of colleague of this Association: NTD 3,100 of Solarium and a basket of flowers worth NTD2, 000 will be delivered accordingly. ii. For death of grandparents, grandparents on mother's side, sibling, grandchildren, grandchildren on daughter's side, great grandparents, great grandparents on mother's side of colleague of this Association: NTD1,500 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly (select 1 out of the 2).	i. Application: Submission of obituary together with hard copy application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: within 3 months after date of occurrence.
Disaster Relief Fund	i. This subsidy item is stipulated by this Association for the purpose of relieving colleague's need for fund when encountering disaster. ii. Definition of Disaster ● Natural force disaster of flood, wind disaster and earthquake. ● Fire: Cause of fire is not from suicide or is not inflicted from others after competent authority's investigation. iii. Explanation of scope of application and Solarium are listed in appendix 1 as follows.	i. Definition of Spouse ● Spouse and Children ● Association Colleague's Parents ● Association Colleague's Grandparents ii. Self-Use Residence: Association colleague's actual place of residence. iii. Disaster Relief Fund: Regardless of cause of disaster, combined amount from category I to category V shall not exceed NTD 100,000 for each person during each disaster. iv. Application Deadline: within 3 months after the

<table>
<tr><th>Subsidy Item</th><th>Explanation</th><th>Note</th></tr>
<tr><td></td><td></td><td>date of disaster occurrence.</td></tr>
<tr><td>Education Fee Subsidy</td><td>i. Scope of Application: To encourage Association colleague and their children’s education, education subsidy is categorized into “education subsidy” (submission with ID copy or household registry) and “scholarship.”
ii. Scholarship:
● Application Terms for Domestic Universities: Schools must be public or private legitimate education schools registered in government (e.g., high school and its affiliated school, university, and so on) and public open university, open business college and open administration college, with academic GPA over 80 points for high school, university or graduate school.
● Application Terms for Offshore Universities: GPA(Grade Point Average) 3.5 (included) above, or GPA A(including A-) above
iii. Education Subsidy: Application is allowed for those recognized by local competent authority as low income families and those qualify for scholarship academic performance requirements.
iv. Education subsidy application from those studying in schools while receiving public funds (including military school) is not allowed. However, scholarship can be awarded following equivalent school standards.</td><td>i. Application Deadline: within 30 days after the starting of a semester (applications are limited to one application for each of the first and second semester).
ii. Scholarship Application: Submission of domestic (offshore) transcript of academic performance together with a hard copy application is needed. Application shall be signed off by supervisor accordingly.
iii. Education Subsidy Application: After the opening of school, applicant shall submit registration payment receipt or student ID card with school stamp together with proof of low income family recognized by local competent authority and a transcript of last semester’s academic performance report.
※During application, copies shall be submitted for verification. Original copy will be returned subsequently.</td></tr>
</table>

Subsidy Item	Explanation	Note
	v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.	
Travel Subsidy	i. Applicant: Official employee after passing probation period ii. Current year new staff will participate in subsidy plan on a proportion basis. However, for those terminating employment after participation in this plan, a proportionate reduction will be imposed accordingly to both new and old employees. iii. Employees not participating in annual employee travel scheme will be regarded as waiving their rights. iv. Travel subsidy calculation period: January 1 to December 31 of a specific year. v. Subsidy amount shall be in line with Benefit Association's announcement of a specific year. Application is limited to one application only.	i. Application: Applicant shall fill in an employee travel subsidy application form, leave request and submit materials announced by Benefit Association. ii. Subsidy Calculation Method: Offshore travel subsidy for 2006 is NTD20, 000.New employee A reports to the Company on March 1st, 2006. His/her travel subsidy will therefore be NTD16, 666 (20,000X10/12). If he/she terminates employment on October 31st, the amount deducted back will therefore be NTD3, 333 (20,000x2/12).

Appendix 1

Type	Scope of Application	Relief Fund (NTD)	Subsequent Supplement of Certificate
1	Member of this association staying in hospital for more than 3 days of treatment from occurrence of disaster	6,000	Certificate of Hospitalization
2	Family members of association member staying in hospital for more than 3 days of treatment from occurrence of disaster	5,000	Certificate of Hospitalization
3	Death of association member from disaster	30,000	Death Certificate
4	Death of association member's family member from disaster	15,000	Death Certificate
5	Damage to house or furniture in association member's self-residence from natural forces of fire, wind disaster, flood and earthquake	Limited to 10,000	Applicant shall submit proof documents issued by local government in specific year – pictures of damaged items and copies of invoice for replacement item.

Appendix 2

Category	Education Subsidy (NTD)	Scholarship (NTD)
Senior High School (including schools with equivalent level)	4,000	1,000
University (including schools with equivalent level)	6,000	2,000
Graduate School	10,000	4,000

② Employee Education and Training

To fulfill the Company's vision and to enhance employee career development, various training development activities have been implemented on current employees in order to strengthen employee's expertise and skills as well as to achieve organization common goal and create individual's self-achievement. The Company provides employees with various education and training. For internal training, there are trainings for newly-recruited staff, professional classes offered by various departments as well as e-learning. As for external trainings, they are offered based on needs assessment. The Company also offers subsidy to allow employees more career growth opportunities and enhance employee quality and their loyalty towards the Company.

2016 Employee Education and Training Status

Item		Number of Classes	Total Hours	Total Man-Times	Total Amount (NTD)
Internal Training	Freshmen Training	4	60	88	47,585
	General Knowledge School	8	35	178	13,813
	Marketing School	3	14	60	6,925
	R&D School	6	32	150	15,918
	Business School	4	26	94	9,630
	Manufacturing School	8	37.5	190	17,162
	Leadership Management School	2	15	46	5,699
External Training		160	2,101	160	1,300,940(Note)
Total		195	2,320.5	966	1,417,672

Note: Expense amounts exclude amounts paid by employees themselves.

③ Work Environment and Protection Measures for Employee Safety

The Company is located in the 2nd phase zone of Nankang Software Park in Nankang District of Taipei City. There is a green atrium located in the Park. Furthermore, post office/bank/restaurant/sports center/daily-life square/convenience store/Zhongxiao Hospital Nankang Software Clinical Division are also located in the Park. Daily life function and traffic are both very convenient.

The Company complies with the following guidelines prescribed by the Management Commission of Nankang Software Park in Nankang District of Taipei City for the purpose of ensuring that there are no major threats to the safety of the Company and employees:

(i) Guidelines for Nankang Software Park 2nd Phase Access Control Application and Management

(ii) Nankang Software Park 2nd Phase Air Pollution Prevention Operation Guidelines

(iii) Nankang Software Park 2nd Phase Biotechnology Museum Industrial Waste Management Guidelines

(iv) Nankang Software Park 2nd Phase Biotechnology Museum Environment and Health and Safety Management Guidelines

Furthermore, for the protection of employee’s safety, the Company also provides insurance items such as group insurance, accident insurance, cancer insurance in addition to labor and health insurance for all employees. Each year, the Company also conducts employee health check to ensure employees’ health.

With respect to factory, the Company complies with laws in reporting its building and fire-fighting equipment public safety equipment inspection to competent authority. The Company also selects its employees to obtain qualified fire-fighting management personnel certificate, drafts fire-fighting plan for work place and maintains safety of work place fire-fighting equipment. All of the Company’s work places are insured with public accident liability insurance to safeguard client’s rights. The Company also purchases occupational disaster insurance to safeguard employee’s rights.

To prevent occupational disaster and protect employee’s safety and health, “Work Rules for Health and Safety” is drafted in accordance with Labor Health and Safety Law as well as related laws. Each one of the Company’s factories is equipped with labor health and safety management staff and first aid staff in accordance with laws, and conducts health and safety education training each year.

Given protection measure’s importance over work environment and personal safety, the Company conducts related education training in factories and imposes “labor health and safety education series” education training to employees. Such training includes: average health and safety education training, how to provide safety consciousness, promotion of work place health and class on how to use facial mask accurately. During education training process, learning assessment is also utilized to verify employee learning direction’s accuracy for the purpose of ensuring implementation of protection measure concept on work environment and personal safety.

④ With respect to standards for employee retirement qualification and pension payment, the Company’s employee retirement rule is as follows

(i) The Company allows voluntary retirement if an employee meets with the one of the followings:

a. Working for over 15 years with 55 years old (as per household registry record);

b. Working for over 25 years;

c. Working for over 10 years with 60 years old;

d. Employee’s working years is limited to the years working in the Company, starting from the date of employment. However, working years for employees dispatched by the Company, or employees retained after negotiation with new company during the Company’s reorganization or transfer, shall be calculated together with the previous ones.

(ii) The Company is entitled to enforce mandatory retirement to employees with one of the followings:

a. Aged 65 years old (as per household registry record);

b. Incapable of duty performance from mental insanity or physical disability;

c. With respect to aforementioned rule on aged 65 years old, the Company may request competent authority for adjustment approval over employees embarking on special tasks such as dangerous task or task which requires vigor physical strength. Nevertheless, it shall not be younger than 55 years old.

(iii) Employee Pension Payment Standard

a. Pension payment standards for working years after application of Labor Standards Act are as follows:

- Two base points are given for every year of working years. For working years more than 15 years, only one base point is given for every one year, with the maximum number limited to 45 base points. Working year less than half a year will be calculated as half a year, while working year of half a year will be calculated as one year.
- For labor forced to retire due to mental insanity or physical inability, a payment 20% more than the one prescribed in aforementioned a rule will be granted if such mental insanity or physical inability is caused from duty performance.
- Standard for pension base points shall mean one month average salary at the time when retirement is approved.

b. Pension payment standards for working years before application of Labor Standards Act shall be calculated in accordance with applicable laws at that time. In the event that there are no applicable laws, calculation shall therefore be conducted in accordance with the Company's rule or agreement between employee and the Company.

c. Starting from July 1, 2005 and in response to implementation of "Labor Pension Act," pension payment standards are as follows:

- For labors selecting to continue to apply pension regulations prescribed in "Labor Standards Act," pension payment will be delivered in accordance with rules prescribed in aforementioned "①Pension payment standards for working years after application of Labor Standards Act."
- For labors selecting to apply "Labor Pension Act" to their working years, "Personal Pension Designated Account System" will be adopted and methods for pension payment and calculation are as follows:
  - Monthly Pension: With respect to principal and accrued yield from labor's personal pension account, installment of pension payment is calculated in accordance with pension life chart as well as basis of average remaining life and interest rate.

- ➢ Lump-Sum Pension: One-time receiving of principal and accrued yield from labor’s personal pension account.
- ➢ Pension Insurance System: Amount received shall be in line with terms prescribed in insurance agreement.

⑤ Labor/Management Agreements and Various Employee Rights Protection Measures Implementation

All of the Company’s any newly added or modified measures on labor/management relationship are finalized after thorough negotiation and communication by both parties. As such, there isn’t any occurrence of such dispute.

(2) For the Latest Year and as of Annual Report Publication Date, Losses Incurred from Labor/Management Dispute and Disclosure of Current and Future Potential Estimated Expenditure and Responding Strategy:

The Company enjoys a harmonious labor/management relationship. There are no losses incurred as a result of labor/management dispute in the latest year and as of annual report publication date.

6. Material Contracts

Contract	Counter party	Period	Highlights of Provisions	Restrictive Terms
Contract Manufacturing	Mentholatum Taiwan Limited	2014.03~ 2016.12	Contract manufacturing rights for Mentholatum product is obtained.	None
Licensing	Phytoceutica, Inc.	2006.09~ 2018.09	Sole licensing rights is obtained over joint development and sales rights in Taiwan area as well as priority rights to develop prescription drug in Asia countries.	None
Licensing	YM BioScience	2006.11~ 2026.11	Sole licensing rights are obtained over development, utilization and sales rights in Taiwan area.	None
Sales	Towa Pharmaceutical Company Limited	Starting from 2012.05.15	Product Development, Manufacturing and Sales	None
Agency	Shanghai Xudonghaipu Pharmaceutical Company Limited.	2012.03.01~ 2017.02.28	Product Distribution with Agency Nature	None
Licensing	Lotus Pharmaceutical Company Limited.	2013.08.22~ 2018.08.21	Product exclusive distribution rights in Taiwan area are obtained.	None
Licensing	Lotus Pharmaceutical Company Limited.	2013.02.04~ 2018.02.03	Product exclusive distribution rights in Taiwan area are obtained.	None
Contract Manufacturing	Savior Lifetec Corporation	2013.05.01~ 2019.04.30	Contract Product Manufacturing	None
Contract Manufacturing	United Biomedical Inc., Asia	2013.03.11~ 2017.3.10	Contract Product Manufacturing	None
Authorized Distributorship	Taiwan Otsuka Pharmaceutical Company Limited.	2015.01.01~ 2016.12.31	Product exclusive distribution rights in Taiwan area are obtained through licensing.	None
Equipment Purchase	Air Clean Deviser Taiwan Corp.	2015.01.20~ 2016.01.20	Equipment purchase for Liudu microsphere plant project	None
Contract Manufacturing	TSH Biopharm Company Limited	2015.01.01~ 2017.12.31	Contract Product Manufacturing	None
Buy/Sell Transaction	Global Biopharm Corp.	2015.08.01	Drug Transaction	None
Authorized Distributorship	Pharma Mar S.A.	2015.07.20	Licensed product is expected to be launched in Taiwan.	None
Equipment Purchase	Sang Yuh Machine Company Limited.	2015.08.31~ 2016.08.31	Equipment purchase for Lioudu micro-sphere plant project	None

VI. Financial Standing

1. Most Recent 5-Year Condensed Financial Information

(1) Condensed Balance Sheet and Comprehensive Income Statement – IFRS

① Consolidated Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in the most recent 5-years					Financial Data up to March 31, 2017 (Note)
		2012	2013	2014	2015	2016	
Current Assets		3,516,629	2,861,399	2,652,811	4,301,026	4,668,280	4,631,154
Property, plant, and equipment		1,966,911	1,880,444	2,302,285	2,295,527	2.585,575	2,566,156
Intangible assets		66,376	87,790	64,550	50,780	29,648	27,989
Other assets		461,279	263,893	419,891	522,117	237,233	238,877
Total assets		6,986,916	6,930,369	7,374,034	8,824,940	9,290,305	9,197,049
Current liabilities	Before distribution	2,365,994	2,358,219	2,492,302	2,068,934	2,280,658	2,079,981
	After distribution	—	2,824,292	3,113,927	2,939,209	—	—
Noncurrent liabilities		207,880	244,433	249,292	1,061,056	999,335	999,753
Total liabilities	Before distribution	2,573,874	2,602,652	2,741,594	3,129,990	3,279,993	3,079,734
	After distribution	—	3,068,725	3,363,219	4,000,265	—	—
Shareholder's equity attributable to parent company		3,480,281	3,876,614	4,194,878	5,101,301	5,378,528	5,488,540
Capital stock		2,139,913	2,330,365	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		326,380	390,153	378,007	373,985	405,368	407,671
Retailed earnings	Before distribution	1,040,647	1,138,030	1,295,468	1,880,805	2,201,572	2,422,778
	After distribution	—	555,439	595,879	889,428	—	—
Other equity		(26,659)	18,066	34,903	360,011	285,088	171,591
Treasury stock		—	—	—	—	—	—
Non-controlling interest		932,761	451,103	437,562	593,649	631,784	628,775
Total equity	Before distribution	4,413,042	4,327,717	4,632,440	5,694,950	6,010,312	6,117,315
	After distribution	—	3,861,644	4,010,815	4,824,675	—	—

Note: Financial data of 2017Q1 is reviewed by the CPA. The rest are audited by the CPA.

② Individual Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in the most recent 5-years				
		2012	2013	2014	2015	2016
Current Assets		1,312,959	1,442,226	1,409,214	1,922,763	1,913,536
Property, plant, and equipment		1,658,275	1,855,836	2,277,105	2,271,907	2,536,258
Intangible assets		43,521	42,701	28,443	22,935	13,936
Other assets		182,513	252,493	410,328	483,803	227,178
Total assets		4,381,409	6,857,527	6,837,018	8,447,999	8,550,049
Current liabilities	Before distribution	2,037,796	2,736,480	2,392,313	2,285,107	2,171,564
	After distribution	2,337,383	3,202,553	3,013,938	3,155,382	—
Noncurrent liabilities		176,291	244,433	249,827	1,061,591	999,957
Total liabilities	Before distribution	2,214,087	2,980,913	2,642,140	3,346,698	3,171,521
	After distribution	2,513,674	3,446,986	3,263,765	4,216,973	—
Shareholder's equity attributable to parent company		3,480,281	3,876,614	4,194,878	5,101,301	5,378,528
Capital stock		2,139,913	2,330,365	2,486,500	2,486,500	2,486,500
Additional paid-in capital		326,380	390,153	378,007	373,985	405,368
Retailed earnings	Before distribution	1,040,647	1,138,030	1,295,468	1,880,805	2,201,572
	After distribution	550,608	515,823	673,843	1,010,530	—
Other equity		(26,659)	18,066	34,903	360,011	285,088
Treasury stock		—	—	—	—	—
Total equity	Before distribution	3,480,281	3,876,614	4,194,878	5,101,301	5,378,528
	After distribution	3,180,694	3,410,542	3,573,253	4,231,026	—

③ Consolidated Condensed Comprehensive Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Data in the most recent 5-years					Financial Data up to March 31, 2017 (Note)
	2012	2013	2014	2015	2016	
Operating income	4,016,022	3,110,092	2,979,902	3,195,218	3,760,717	946,406
Gross Profit - net	2,517,157	2,054,576	1,891,999	2,188,349	2,556,944	648,225
Operating profit or loss	653,141	339,862	338,095	789,787	1,179,687	302,122
Non-Operating income and expense	216,352	496,394	571,745	735,808	332,372	(31,971)
Net income before tax	869,493	836,256	909,840	1,525,595	1,512,059	270,151
Net income of continuing operations	869,493	836,256	909,840	1,525,595	1,512,059	270,151
Loss of discontinued operation	–	–	–	–	–	–
Net income (loss)	676,260	644,530	811,695	1,246,592	1,254,724	226,350
Other comprehensive profit and loss (net)	(97,476)	54,115	16,870	474,189	(65,377)	(121,650)
Total current comprehensive profit and loss	578,784	698,645	828,565	1,720,781	1,189,347	104,700
Net income attributable to parent company’s shareholders	536,697	587,440	779,645	1,211,018	1,193,324	221,206
Net income attributable to unrestrictive equity	139,563	57,090	32,050	35,574	61,400	5,144
Total comprehensive profit and loss attributable to parent company’s shareholders	453,296	632,147	796,482	1,532,070	1,116,119	107,709
Total comprehensive profit and loss attributable to Non-controlling interest	125,488	66,498	32,083	188,711	73,228	(3,009)
Earnings per share	2.51	2.52	3.14	4.87	4.80	0.89

Note: Financial data of 2017Q1 is reviewed by the CPA. The rest are audited by the CPA

④ Individual Condensed Comprehensive Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2012	2013	2014	2015	2016
Operating income	2,158,525	2,292,163	2,384,207	2,738,956	3,344,262
Gross Profit - net	1,365,055	1,404,003	1,411,875	1,777,941	2,217,286
Operating profit or loss	200,714	282,455	267,475	742,529	1,154,182
Non-Operating income and expense	429,833	413,685	596,585	705,211	277,855
Net income before tax	630,547	696,140	864,060	1,447,740	1,432,037
Net income of continuing operations	536,697	587,440	779,645	1,211,018	1,193,324
Loss of discontinued operation	–	–	–	–	–
Net income (loss)	536,697	587,440	779,645	1,211,018	1,193,324
Other comprehensive profit and loss (net)	(83,401)	44,707	16,837	321,052	(77,205)
Total current comprehensive profit and loss	453,296	632,147	796,482	1,532,070	1,116,119
Earnings per share	2.51	2.52	3.14	4.87	4.80

(2) Condensed Balance Sheet And Income Statement – the R.O.C. Financial Accounting Standards

① Consolidated Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in recent 5 years (Note)				
		2012	2013	2014	2015	2016
Current Assets		3,531,602	—	—	—	—
Fund and investment		1,095,006	—	—	—	—
Property, plant, and equipment		2,091,679	—	—	—	—
Intangible assets		41,711	—	—	—	—
Other assets		238,034	—	—	—	—
Total assets		6,998,032	—	—	—	—
Current liabilities	Before distribution	2,350,927	—	—	—	—
	After distribution	2,650,515	—	—	—	—
Long-term liabilities		—	—	—	—	—
Other liabilities		150,449	—	—	—	—
Total liabilities	Before distribution	2,562,247	—	—	—	—
	After distribution	2,861,835	—	—	—	—
Capital stock		2,139,913	—	—	—	—
Additional paid-in capital		440,156	—	—	—	—
Retained earnings	Before distribution	837,936	—	—	—	—
	After distribution	347,896	—	—	—	—
Treasury stock		—	—	—	—	—
Unrealized gains/losses on financial instruments		—	—	—	—	—
Cumulative translation adjustment		57,098	—	—	—	—
Unrealized revaluation increments		27,725	—	—	—	—
Total equity	Before distribution	4,435,785	—	—	—	—
	After distribution	4,136,197	—	—	—	—

Note : Financial data have been audited by the CPA.

② Individual Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in recent 5 years (Note)				
		2012	2013	2014	2015	2016
Current Assets		1,321,065	—	—	—	—
Fund and investment		2,538,748	—	—	—	—
Property, plant, and equipment		1,604,704	—	—	—	—
Intangible assets		18,930	—	—	—	—
Other assets		244,465	—	—	—	—
Total assets		5,727,912	—	—	—	—
Current liabilities	Before distribution	2,024,825	—	—	—	—
	After distribution	2,324,412	—	—	—	—
Long-term liabilities		—	—	—	—	—
Other liabilities		200,259	—	—	—	—
Total liabilities	Before distribution	2,225,084	—	—	—	—
	After distribution	2,524,671	—	—	—	—
Capital stock		2,139,913	—	—	—	—
Additional paid-in capital		440,156	—	—	—	—
Retained earnings	Before distribution	837,936	—	—	—	—
	After distribution	538,349	—	—	—	—
Treasury stock		—	—	—	—	—
Unrealized gains/losses on financial instruments		—	—	—	—	—
Cumulative translation adjustment		57,098	—	—	—	—
Unrealized revaluation increments		27,725	—	—	—	—
Total equity	Before distribution	3,502,828	—	—	—	—
	After distribution	3,203,241	—	—	—	—

Note : Financial data have been audited by the CPA.

③ Consolidated Condensed Income Statement

Unit: NT$ Thousand

Item / Year	Financial Data in the most recent 5-years (Note 1)				
	2012	2013	2014	2015	2016
Operating income	4,016,022	—	—	—	—
Gross Profit - net	2,517,283	—	—	—	—
Operating profit or loss	652,629	—	—	—	—
Non-Operating income and expense	297,334	—	—	—	—
Non-Operating Expense and loss	74,892	—	—	—	—
Income from continuing operations before income taxes	875,071	—	—	—	—
Net income for continuing operations	681,951	—	—	—	—
Income from Discontinued operations(Note 5)	—	—	—	—	—
Extraordinary gain (loss)	—	—	—	—	—
Cumulative Effect of Changes in Accounting Principle (Note 4)	—	—	—	—	—
Net income	681,951	—	—	—	—
Earnings per share (NT$)(Note 2)	542,322	—	—	—	—
Earnings per share (NT$)(Note 3)	2.53	—	—	—	—
Operating income	2.30	—	—	—	—

Note 1: The most recent 5-year financial data have been audited by the CPA.

Note 2: The calculation is based on the weighted-average number of shares.

Note 3: EPS calculations are based on retroactively adjusted weighted-average number of shares.

Note 4: Cumulative Effect net of tax calculated is based on the adoption of Statement of Financial Accounting Standards No. 34"Financial Instruments: Recognition and Measurement."

Note 5: It is net income of division department.

④ Individual Condensed Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Data in the most recent 5-years (Note 1)				
	2012	2013	2014	2015	2016
Operating income	2,158,525	—	—	—	—
Gross Profit - net	1,364,846	—	—	—	—
Operating profit or loss	200,204	—	—	—	—
Non-Operating income and expense	454,308	—	—	—	—
Non-Operating Expense and loss	18,453	—	—	—	—
Income from continuing operations before income taxes	636,059	—	—	—	—
Net income for continuing operations	542,322	—	—	—	—
Income from Discontinued operations(Note 5)	—	—	—	—	—
Extraordinary gain (loss)	—	—	—	—	—
Cumulative Effect of Changes in Accounting Principle (Note 4)	—	—	—	—	—
Net income	542,322	—	—	—	—
Earnings per share (NT$)(Note 2)	2.53	—	—	—	—
Earnings per share (NT$)(Note 3)	2.30	—	—	—	—

Note 1: The most recent 5-year financial data have been audited by the CPA.

Note 2: The calculation is based on the weighted-average number of shares.

Note 3: EPS calculations are based on retroactively adjusted weighted-average number of shares.

Note 4: Cumulative Effect net of tax calculated is based on the adoption of Statement of Financial Accounting Standards No. 34“Financial Instruments: Recognition and Measurement.”

Note 5: It is net income of division department.

(3) The Name and Opinion of the Independent Auditor in the Most Recent 5-Years

Year	CPA (Certified public accountant)	Audit opinions
2012	Wu, Chin-Te, Tai, Wei-Liang	Modified Unqualified Opinion
2013	Wu, Chin-Te, Tai, Wei-Liang	Modified Unqualified Opinion
2014	Tseng, Kuo-Yang,Chi, Shi-Qin	Modified Unqualified Opinion
2015	Tseng, Kuo-Yang,Chi, Shi-Qin	Modified Unqualified Opinion
2016	Tseng, Kuo-Yang,Chi, Shi-Qin	Modified Unqualified Opinion

Note: Modified unqualified opinion issued is based on the adoption of the other auditors’ report of the investments accounted for using equity method.

2. Most Recent 5-Year Financial Analysis

(1) Financial Ratio Analysis Complying with IFRS

① Financial Ratio Analysis－Consolidated

Analysis item（Note） \ Year		Financial analysis in the most recent 5-years					up to March 31, 2017
		2012	2013	2014	2015	2016	
Finance structure%	Debt to assets ratio	36.60	37.55	37.18	35.47	35.31	33.49
	Long term funds to property, plant, and equipment ratio	221.98	243.14	212.04	294.31	271.11	277.34
Solvency%	Current ratio	148.63	121.34	106.44	207.89	204.69	222.65
	Quick ratio	120.65	96.87	85.57	180.00	178.71	191.18
	Interest coverage ratio	54.48	64.97	48.30	61.15	66.80	46.50
Operating ability	Receivables turnover (times)	3.36	3.14	3.92	3.67	4.04	4.59
	Average accounts receivable turnover days	108	116	93	99	90	80
	Inventory turnover (times)	2.52	1.85	2.13	2.00	2.19	2.06
	Payables turnover (times)	7.28	5.94	6.77	6.08	8.74	13.67
	Average inventory turnover on sale	145	197	171	183	167	177
	Property, plant, and property turnover (times)	1.99	1.57	1.42	1.39	1.54	1.47
	Total asset turnover (times)	0.61	0.45	0.42	0.39	0.42	0.41
Profitability	Return on assets (%)	10.56	9.44	11.57	15.65	14.06	2.50
	Return on shareholder’s equity (%)	17.21	14.75	18.12	24.14	21.44	3.73
	Net income before tax to paid-in capital ratio (%)	40.63	35.89	36.59	61.36	60.81	10.86
	Profit margin (%)	16.84	20.72	27.24	39.01	33.36	23.92
	Earnings Per Share (NT$)	2.51	2.52	3.14	4.87	4.80	0.89
Cash flow	Cash flow from operations ratio (%)	5.24	22.68	23.19	30.90	31.16	9.34
	Cash Flow Adequacy Ratio (%)	62.90	58.82	53.98	56.94	58.63	80.47
	Cash Flow Re-investment Ratio (%)	-	3.96	2.17	0.27	-	11.03
Leverage	Operating leverage	1.19	1.31	1.35	1.16	1.10	1.12
	Financial leverage	1.03	1.04	1.06	1.03	1.02	1.02

Please explain the reasons for the changes in financial ratios in the last two years (change more than 20%):

1. Payables turnover (times): due to 2016 increase in business costs and reduce in year-end account payables.
2. Cash Flow Re-investment Ratio: mainly due to an increase of 2016 cash dividend.

② Financial Ratio Analysis－Individual

Analysis item（Note） \ Year		Financial analysis in the most recent 5-years				
		2012	2013	2014	2015	2016
Finance structure%	Debt to assets ratio	38.88	43.47	38.64	39.62	37.09
	Long term funds to property, plant, and equipment ratio	209.87	208.89	195.19	271.27	251.49
Solvency%	Current ratio	64.43	52.70	58.91	84.14	88.12
	Quick ratio	44.33	35.49	39.85	60.75	62.75
	Interest coverage ratio	39.78	48.49	44.57	57.85	57.46
Operating ability	Receivables turnover (times)	3.80	3.97	4.26	3.96	4.29
	Average accounts receivable turnover days	96	92	86	92	85
	Inventory turnover (times)	1.92	2.02	2.16	2.04	2.22
	Payables turnover (times)	5.69	6.89	7.68	7.22	10.09
	Average inventory turnover on sale	190	180	169	179	164
	Property, plant, and property turnover (times)	1.33	1.30	1.15	1.20	1.39
	Total asset turnover (times)	0.40	0.37	0.35	0.36	0.39
Profitability	Return on assets (%)	10.31	9.36	11.63	16.12	14.29
	Return on shareholder’s equity (%)	17.43	15.97	19.32	26.05	22.77
	Net income before tax to paid-in capital ratio (%)	29.47	29.87	34.75	58.22	57.59
	Profit margin (%)	25.12	25.63	32.70	44.21	35.68
	Earnings Per Share (NT$)	2.51	2.52	3.14	4.87	4.80
Cash flow	Cash flow from operations ratio (%)	16.70	11.64	19.62	26.18	61.11
	Cash Flow Adequacy Ratio (%)	54.02	46.01	42.11	48.39	73.22
	Cash Flow Re-investment Ratio (%)	7.30	0.43	0.07	0.27	6.77
Leverage	Operating leverage	1.39	1.34	1.39	1.15	1.09
	Financial leverage	1.09	1.05	1.08	1.04	1.02

Please explain the reasons for the changes in financial ratios in the last two years (change more than 20%):

1. Payables turnover (times): due to 2016 increase in business costs and reduce in year-end account payables.
2. Cash flow from operations ratio& Cash Flow Re-investment Ratio: Net cash provided by operating activities due to an increase of net income to make net cash provided by operating activities increased.

(2) Financial Ratio Analysis Complying with the Financial Accounting Standards of the R.O.C.

① Financial Ratio Analysis－Consolidated

Analysis item	Year	Financial analysis in the most recent 5-years				
		2012	2013	2014	2015	2016
Finance Structure%	Debt To Assets Ratio	36.61	─	─	─	─
	Long Term Funds To Property, Plant, And Equipment Ratio	222.17	─	─	─	─
Solvency%	Current Ratio	150.22	─	─	─	─
	Quick Ratio	124.85	─	─	─	─
	Interest Coverage Ratio	54.82	─	─	─	─
Operating Ability	Receivables Turnover (Times)	3.38	─	─	─	─
	Average Accounts Receivable Turnover Days	108	─	─	─	─
	Inventory Turnover (Times)	2.52	─	─	─	─
	Payables Turnover (Times)	7.28	─	─	─	─
	Average Inventory Turnover On Sale	145	─	─	─	─
	Property, Plant, And Property Turnover (Times)	1.99	─	─	─	─
	Total Asset Turnover (Times)	0.61	─	─	─	─
Profitability	Return On Assets (%)	10.63	─	─	─	─
	Return On Shareholders' Equity (%)	17.38	─	─	─	─
	Percentage To Paid-In Capital: Operating Income	30.50	─	─	─	
	Percentage To Paid-In Capital: Net Income Before Tax	40.89	─	─	─	
	Profit Margin (%)	16.98	─	─	─	─
	Earnings Per Share (Nt$)	2.53	─	─	─	─
Cash Flow	Cash Flow From Operations Ratio (%)	19.74	─	─	─	─
	Cash Flow Adequacy Ratio (%)	73.76	─	─	─	─
	Cash Flow Re-Investment Ratio (%)	6.12	─	─	─	─
Leverage	Operating Leverage	1.19	─	─	─	─
	Financial Leverage	1.03	─	─	─	─

② Financial Ratio Analysis－Individual

Analysis item		Year	Financial analysis in the most recent 5-years				
			2012	2013	2014	2015	2016
Finance Structure%	Debt To Assets Ratio		38.85	—	—	—	—
	Long Term Funds To Property, Plant, And Equipment Ratio		218.28	—	—	—	—
Solvency%	Current Ratio		65.24	—	—	—	—
	Quick Ratio		45.01	—	—	—	—
	Interest Coverage Ratio		40.12	—	—	—	—
Operating Ability	Receivables Turnover (Times)		3.83	—	—	—	—
	Average Accounts Receivable Turnover Days		95	—	—	—	—
	Inventory Turnover (Times)		1.92	—	—	—	—
	Payables Turnover (Times)		5.73	—	—	—	—
	Average Inventory Turnover On Sale		190	—	—	—	—
	Property, Plant, And Property Turnover (Times)		1.41	—	—	—	—
	Total Asset Turnover (Times)		0.40	—	—	—	—
Profitability	Return On Assets (%)		10.30	—	—	—	—
	Return On Shareholders' Equity (%)		17.43	—	—	—	—
	Percentage To Paid-In Capital	Operating Income	9.36	—	—	—	
		Net Income Before Tax	29.72	—	—	—	
	Profit Margin (%)		25.12	—	—	—	—
	Earnings Per Share (Nt$)		2.53	—	—	—	—
Cash Flow	Cash Flow From Operations Ratio (%)		16.81	—	—	—	—
	Cash Flow Adequacy Ratio (%)		54.02	—	—	—	—
	Cash Flow Re-Investment Ratio (%)		7.06	—	—	—	—
Leverage	Operating Leverage		1.39	—	—	—	—
	Financial Leverage		1.09	—	—	—	—

Note: The following equations should be included in the end of the annual report:

1. Finance structure
   (1) Debt to assets ratio =Total liabilities/total assets.
   (2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + long-term liabilities)/net property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/current liabilities
   (2) Quick ratio = (Current assets - inventory - prepaid expenses)/current liabilities
   (3) Interest coverage ratio = Net income before tax and interest expense/current interest expense
3. Operating ability
   (1) Receivables (including Account Receivable and Note Receivable from operating) turnover = Net sales/average accounts receivable (including Account Receivable and Note Receivable from operating)
   (2) Average accounts receivable turnover days = 365 days/average receivable turnover
   (3) Inventory turnover (times) = Cost of goods sold/average inventory
   (4) Payables (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)
   (5) Average inventory turnover days = 365 days/average inventory turnover
   (6) Property, plant, and equipment turnover (times) = Net sales/net average property, plant, and equipment
   (7) Total asset turnover = Net sales/average total assets
4. Profitability
   (1) Return on assets = [net income + interest expense x (1-tax ratio)]/average total assets
   (2) Return on shareholder's equity = Net income/net average shareholder's equity
   (3) Profit Ratio = Net income/net sales
   (4) Earnings per Share = (Net income - preferred stock dividend)/weighted average number of shares issued.(Note 2)
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities/current liabilities
   (2) Net Cash flow adequacy ratio = Net cash flow from operating activities of recent five fiscal years/recent five fiscal years'(capital expenditure + increase in inventory + cash dividend)
   (3) Cash re-investment ratio = (Net cash flow from operating activities - cash dividend)/ (gross property, plant, and equipment + long-term investment + other asset + operating fund)(Note 3)

6. Leverage

(1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income

(2) Financial leverage = Operating income/ (operating income - interest expense)(Note 4)

Note 2: The calculation of earnings per share referred to above should be with the following matters included for consideration:

1. It is based on the weighted average number of common stock shares rather than the outstanding shares at yearend.
2. Where there is a cash capital increase or treasury stock transaction conducted, the circulation period should be included for the calculation of the weighted average number of shares.
3. Where there is a capitalization from earnings or additional paid-in capital conducted, when calculating earnings per share for the prior years and every interim, adjustment should be made proportionally to the capitalization ratio but without considering the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the annual dividend (whether distributed or not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 3: The measurement of cash flow analysis should be with the following matters included for consideration:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. Inventories increase is included for calculation only when the ending balance is greater than the beginning balance. If inventory is decreased at the yearend, it is counted as zero.
4. Cash dividend includes cash dividend of common stock and preferred stock.
5. Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 4: The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, should pay attention to its rationality and consistency

3. Most Recent Review Report by Audit Committee

TTY BIOPHARM COMPANY LIMITED
Audit Committee's Review Report on the 2016 Financial Statements

The Board of Directors delivered the 2016 Business Report, Financial Statement (including the consolidated financial statement), and the surplus distribution proposal. The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.
Submitted to: 2017 Annual General Shareholders' Meeting of the Company

Hsueh, Ming-Ling

Chairman of the Audit Committee

April 5, 2017

4. 2016 Consolidated Financial Statements with Subsidiaries Audited by CPA：

Please refer to pages 122-197

5. 2016 Financial Statements Audited by CPA：

Please refer to pages 198-268

6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliated Companies Have Incurred Any Financial or Cash Flow Difficulties in 2016 and the Publication Date of the Annual Report: None.

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited :

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the consolidated financial statements are stated as follows:

1. Revenue recognition

   Please refer to Notes 4(r) and 6(r) of the financial statements for the accounting principles on the recognition and explanation of revenue.

   Key audit matters:

   The main activities of the Group are the production and processing of pharmaceutical and chemical drugs. The operating performance of the Group has an effect on the distribution to their shareholders and stock price. Their financial performance will have an impact on the users of financial statements. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

Auditing procedures performed:

Our principal audit procedures included: assessing and testing the design, as well as the effectiveness of the operation on the sales and payment collection control, manual control, and system control; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; conducting substantive analytical procedure, reviewing external documents with records on ledger to confirm whether the sales transactions really exist, and the propriety of the timing for the recognition of revenue and cost is accurate; performing comparison analysis on sales of the current period to last period and the last quarter, and performing trend analysis on operating income from each top ten customer to assess the significant exceptions to further identify and analyze the reason, if any; and conducting test of details for sales and collection.

2. Impairment of accounts receivable

Please refer to Notes 4(g), 5(a) and 6(c) of the consolidated financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Group judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating the impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Group’s internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

3. Inventory valuation

Please refer to Notes 4(h), 5(b) and 6(d) of the consolidated financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Group’s revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between sales price and market price, and evaluating the reasonableness of net realizable price and the current selling price; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 7.89% and 6.93% of the related consolidated total assets as of December 31, 2016 and 2015, respectively, and the related investment gains represented 8.80% and 4.99% of the consolidated profit before tax for the years ended December 31, 2016 and 2015, respectively.

We also audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2016 and 2015 and have issued an unqualified and a modified unqualified audit report, respectively, thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (v))	$ 2,108,713	23	1,710,524	19
1150	Notes receivable, net (note 6(c) and (v))	62,278	1	48,669	1
1161	Notes receivable due from related parties (note 6(c), (v) and 7)	-	-	461	-
1170	Accounts receivable, net (note 6(c) and (v))	783,373	8	932,627	11
1180	Accounts receivable due from related parties, net (note 6(c), (v) and 7)	13,668	-	22,839	-
1200	Other receivables, net (note 6(c), (v) and 7)	46,309	-	488,470	6
130X	Inventories (note 6 (d))	565,683	7	532,137	6
1410	Prepayments	26,884	-	44,828	1
1460	Non-current assets classified as held for sale, net (note 6(e))	-	-	27,791	-
1476	Other current financial assets (note 6(a), (v) and 8)	1,057,186	12	492,075	6
1470	Other current assets	4,186	-	605	-
		4,668,280	51	4,301,026	50
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (note 6(b) and (v))	539,205	6	562,733	6
1550	Investments accounted for using equity method, net (note 6(f))	1,007,758	11	873,484	10
1600	Property, plant and equipment (note 6(h))	2,585,575	28	2,295,527	26
1760	Investment property, net (note (i) and 8)	77,999	1	78,354	1
1780	Intangible assets (note 6(j))	29,648	-	50,780	1
1840	Deferred tax assets (note 6(o))	31,760	-	26,841	-
1915	Prepayments for equipment	181,472	2	471,291	5
1920	Refundable deposits paid (note 6(v) and 7)	24,001	-	23,985	-
1981	Cash surrender value of life insurance (note 6(v) and 8)	5,198	-	8,505	-
1984	Other non-current financial assets (note 6(a), (v) and 8)	126,816	1	125,737	1
1990	Other non-current assets	12,593	-	6,677	-
		4,622,025	49	4,523,914	50
	Total assets	**$ 9,290,305**	**100**	**8,824,940**	**100**

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (note 6(k) and (v))	$ 1,249,010	13	1,200,000	14
2150	Notes payable (note 6(v))	16,572	-	20,768	-
2170	Accounts payable (note 6(v))	84,671	1	148,498	2
2180	Accounts payable to related parties (note 6(v) and 7)	-	-	4,814	-
2230	Current tax liabilities (note 6(o))	193,201	2	198,378	2
2250	Current provisions	5,327	-	5,327	-
2200	Other payables (note 6(v) and 7)	483,329	6	459,919	5
2300	Other current liabilities (note 7)	48,548	1	31,230	-
2320	Long-term liabilities, current portion (note 6(l))	200,000	3	-	-
		2,280,658	26	2,068,934	23
	Non-Current liabilities:				
2540	Long-term loans (note 6(l) and (v))	630,000	7	700,000	8
2570	Deferred tax liabilities (note 6(o))	314,729	3	316,485	3
2640	Net defined benefit liability, non-current (note 6(n))	44,621	-	42,475	1
2645	Guarantee deposits received (note 6(v))	9,985	-	2,096	-
		999,335	10	1,061,056	12
	Total liabilities	3,279,993	36	3,129,990	35
	Equity attributable to owners of parent (note 6(p)):				
	Share capital:				
3100	Share capital	2,486,500	27	2,486,500	28
	Capital surplus:				
3200	Capital surplus	405,368	4	373,985	4
	Retained earnings:				
3310	Legal reserve	603,613	6	482,511	6
3320	Special reserve	110,154	1	110,154	1
3350	Total unappropriated retained earnings	1,487,805	16	1,288,140	15
3400	Other equity interest	285,088	3	360,011	4
	Equity attributable to the parent company:	5,378,528	57	5,101,301	58
36XX	Non-controlling interests (note 6(p))	631,784	7	593,649	7
	Total equity	6,010,312	64	5,694,950	65
	Total liabilities and equity	**$ 9,290,305**	**100**	**8,824,940**	**100**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(r) and 7)**	$ 3,760,717	100	3,195,218	100
5000	**Cost of sales (note 6(d) and 7)**	1,203,773	32	1,006,869	32
	Gross profit	2,556,944	68	2,188,349	68
5910	Less:Unrealized profit (loss) from sales	4,132	-	6,408	-
5920	Add:Realized (profit) loss on from sales	6,408	-	1,203	-
	Gross profit, net	2,559,220	68	2,183,144	68
6000	**Operating expenses (note 7):**				
6100	Selling expenses	726,935	19	771,557	24
6200	General and administrative expenses	310,913	8	281,511	9
6300	Research and development expenses	341,685	9	340,289	11
		1,379,533	36	1,393,357	44
	Net operating income	1,179,687	32	789,787	24
	Non-operating income and expenses (note 6(t) and 7):				
7010	Other income	26,310	1	21,403	1
7020	Other gains and losses, net	168,648	4	740,151	23
7050	Finance costs, net	(22,979)	(1)	(25,362)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	160,393	4	(384)	-
		332,372	8	735,808	23
	Profit before tax	1,512,059	40	1,525,595	47
7950	Less: Income tax expense (note 6(o))	257,335	7	279,003	9
	Profit of the year	1,254,724	33	1,246,592	38
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements effects of defined benefit plans	(2,282)	-	(4,056)	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,282)	-	(4,056)	-
8360	**Other components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(22,249)	(1)	(10,260)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(36,279)	(1)	476,184	15
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(u))	(8,361)	-	6,266	-
8399	Less:Other components of other comprehensive income that may be reclassified to profit or loss	(3,794)	-	(6,055)	-
	Components of other comprehensive income that may be reclassified to profit or loss	(63,095)	(2)	478,245	15
8300	**Other comprehensive income for the year, net of tax**	(65,377)	(2)	474,189	15
	Total comprehensive income for the year	**$ 1,189,347**	**31**	**1,720,781**	**53**
	Profit attributable to:				
	Owners of parent	$ 1,193,324	31	1,211,018	37
	Non-controlling interests	61,400	2	35,574	1
		$ 1,254,724	**33**	**1,246,592**	**38**
	Comprehensive income attributable to:				
	Owners of parent	$ 1,116,119	29	1,532,070	47
	Non-controlling interests	73,228	2	188,711	6
		$ 1,189,347	**31**	1,720,781	53
	Earnings per share, net of tax (note 6(q))				
	Basic earnings per share	**$**	**4.80**		**4.87**
	Diluted earnings per share	**$**	**4.79**		**4.86**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital		Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Owners of parent company	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 2,486,500	378,007	404,547	110,154	780,767	45,724	(10,821)	34,903	4,194,878	437,562	4,632,440
Profit for the year	-	-	-	-	1,211,018	-	-	-	1,211,018	35,574	1,246,592
Other comprehensive income for the year	-	-	-	-	(4,056)	(29,564)	354,672	325,108	321,052	153,137	474,189
Total comprehensive income for the year	-	-	-	-	1,206,962	(29,564)	354,672	325,108	1,532,070	188,711	1,720,781
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	77,964	-	(77,964)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(621,625)	-	-	-	(621,625)	(33,422)	(655,047)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	(4,022)	-	-	-	-	-	-	(4,022)	-	(4,022)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	798	798
Balance at December 31, 2015	2,486,500	373,985	482,511	110,154	1,288,140	16,160	343,851	360,011	5,101,301	593,649	5,694,950
Profit for the year	-	-	-	-	1,193,324	-	-	-	1,193,324	61,400	1,254,724
Other comprehensive income for the year	-	-	-	-	(2,282)	(18,522)	(56,401)	(74,923)	(77,205)	11,828	(65,377)
Total comprehensive income for the year	-	-	-	-	1,191,042	(18,522)	(56,401)	(74,923)	1,116,119	73,228	1,189,347
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	121,102	-	(121,102)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(870,275)	-	-	-	(870,275)	(35,093)	(905,368)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	31,383	-	-	-	-	-	-	31,383	-	31,383
Balance at December 31, 2016	$ 2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	287,450	285,088	5,378,528	631,784	6,010,312

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from operating activities:			
Profit before tax	$	1,512,059	1,525,595
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		100,691	96,776
Amortization expense		22,355	21,853
Provision (reversal of allowance) for uncollectable accounts		(13,300)	13,319
Interest expense		22,979	25,362
Interest income		(14,190)	(9,660)
Allowance for inventory market decline and obsolescence		38,191	(7,547)
Share of loss (profit) of associates and joint ventures accounted for using equity method		(160,393)	384
Loss on disposal of property, plant and equipment		121	59
Allocation of deferred income		(1,010)	(1,010)
Gain on disposal of investments		(104,924)	(655,796)
Unrealized profit (loss) from sales		4,132	6,408
Realized loss (profit) from sales		(6,408)	(1,203)
Total adjustments to reconcile profit (loss)		(111,756)	(511,055)
Changes in operating assets and liabilities:			
Notes receivable		(13,148)	1,272
Accounts receivable		170,778	(284,464)
Other receivable		(16,607)	15,638
Inventories		(71,902)	(47,857)
Other current assets		13,483	291
Oher financial assets		(515,768)	(1,593)
Total changes in operating assets		(433,164)	(316,713)
Notes payable		(4,196)	5,650
Accounts payable		(68,016)	11,519
Oher payable		25,788	14,181
Other current liabilities		17,374	(5,257)
Net defined benefit liability		(136)	(350)
Total changes in operating liabilities		(29,186)	25,743
Net changes in operating assets and liabilities		(462,350)	(290,970)
Total adjustments		(574,106)	(802,025)
Cash provided by operating activities		937,953	723,570
Interest received		14,190	9,721
Dividends received		47,280	25,540
Interest paid		(23,021)	(25,268)
Income taxes paid		(265,647)	(94,361)
Net cash flows from operating activities		710,755	639,202
Cash flows from (used in) investing activities:			
Proceeds from disposal of available-for-sale financial assets		64,028	60,022
Proceeds from disposal of financial assets at cost		83,748	-
Acquisition of investments accounted for using equity method		(25,059)	-
Proceeds from disposal of investments accounted for using equity method		455,398	959,598
Acquisition of property, plant and equipment		(90,262)	(63,571)
Proceeds from disposal of property, plant and equipment		220	143
Decrease (increase) in refundable deposits		(16)	4,823
Acquisition of intangible assets		(1,437)	(8,224)
Increase in other financial assets		(50,422)	(120,020)
Increase in prepayments for equipment		(12,070)	(113,370)
Increase in other non-current assets		(2,625)	(6,698)
Net cash flows from investing activities		421,503	712,703
Cash flows from (used in) financing activities:			
Increase in short-term loans		6,263,020	8,655,950
Decrease in short-term loans		(6,214,010)	(9,195,950)
Proceeds from long-term debt		630,000	1,000,000
Repayments of long-term debt		(500,000)	(300,000)
Increase in guarantee deposits received		7,889	635
Cash dividends paid		(870,275)	(621,625)
Change in non-controlling interests		-	798
Dividends paid to non-controlling interests		(35,093)	(33,422)
Net cash flows used in financing activities		(718,469)	(493,614)
Effect of exchange rate changes on cash and cash equivalents		(15,600)	(1,995)
Net increase in cash and cash equivalents		398,189	856,296
Cash and cash equivalents at beginning of period		1,710,524	854,228
Cash and cash equivalents at end of period	$	2,108,713	1,710,524

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TTY Biopharm Company Limited (the "Company").was established on July 22, 1960. The Company's registered office address is 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan. The main activities of the Company and its subsidiaries (the "Group") are producing a variety of pharmaceuticals and chemical drugs. Please refer to Note 14.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments 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
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on its consolidated financial statements:

(i) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Group expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group’s financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicate, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Available-for-sale financial assets are measured at fair value; and

2) The net defined benefit liability is recognized as the present value of the defined benefit less the fair value of plan assets and the effect of the asset ceiling with reference to Note 4(s).

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operates. The Group consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group has control over an investee if and only if it has exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of its returns.

(Continued)

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the controlling interests in a subsidiary are allocated to the ownership of the parent company and non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Adjustments for financial statements of subsidiaries have been made, and their accounting policies are in accord with the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between adjustment for the non-controlling interest and the fair value of consideration received or paid is directly recognized in equity attributable to the owner.

(ii) List of subsidiaries included in the consolidated financial statements:

			Shareholding ratio	
Investor	**Subsidiary**	**Nature of business**	**December 31, 2016**	**December 31, 2015**
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00%	100.00%
The Company	American Taiwan Biopharma Phils Inc.	Selling Western medicine	87.00%	87.00%
The Company	TSH Biopharm Co., Ltd.	Selling Western medicine	56.48%	56.48%
The Company	Worldco International Co., Ltd.	Investing activities and selling Western medicine	100.00%	100.00%
Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding Western medicine	100.00%	100.00%
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling Western medicine	100.00%	100.00%

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

(Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(e) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

(i) It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash balances and call deposits with maturities within three months. Cash equivalents are assets that are readily convertible into cash and are subject to an insignificant risk of changes in their fair value. Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

Bank overdrafts which are repayable immediately and are a part of the Group's overall cash management are considered to be a component of cash and cash equivalents in the statement of cash flows.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest revenue calculated by the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

Interest income arising from debt investment is recognized in profit or loss, and is included in non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt securities with no active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting. Interest income is recognized in profit or loss, under other income of non-operating income and expenses.

3) Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

(Continued)

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If in a subsequent period, the fair value of an impaired available-for-sale debt security increase and the increase can be related objectively to an event occurring after the impairment was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

(Continued)

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets in profit or loss is included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

(Continued)

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Noncurrent assets held for sale

A noncurrent asset (or disposal group comprising assets and liabilities) is classified as held for sale or distribution to owners when the entity is committed to sell or distribute the asset (or disposal group) to the owners to recover its carrying amount. For this to be the case, the asset must be available for immediate distribution in its present condition and the distribution must be highly probable, and actions to complete the distribution should be expected to be within one year from the date of classification. Before classification as held for sale or distribution, the asset or components of a disposal group are re-assessed in accordance with the Group's accounting policies. Thereafter, generally the asset or disposal group is measured at the lower of its carrying amount and fair value, less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then the remaining balance of impairment loss is apportioned to assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 "Impairment of Assets". Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification of noncurrent assets held for sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(Continued)

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in capital reserves in proportion to its ownership.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(Continued)

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimate useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

(Continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	10-55 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Office and other equipment	5-10 years

The significant components of buildings are the main building, mechanical and electrical equipment, engineering systems, etc. They are amortized over their useful lives of 30-50 years, 10-25 years, and 10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimate, the changes are accounted for as a changes in accounting estimate.

(iv) Reclassification as investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(m) Lease

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Group's consolidated balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

If an asset is sold and leased back, then the recognition of gain (loss) on sale of assets depends on the type of leaseback. If a leaseback transaction is classified as a capital lease, the Group defers and amortizes the amount by which the price exceeds its carrying amount during the leasing period. If a leaseback transaction is classified as an operating lease and the asset's price is equal to or less than its fair value, the gain (loss) on sale of assets shall be recognized when it occurs, except the loss could be compensated by future lease payments at below market price, and be deferred and amortized during the expected useful life. If an asset's price is higher than its fair value, the gain (loss) on sale of assets shall be deferred and amortized during the expected useful life.

When a sale-leaseback transaction is classified as an operating lease, the Group recognizes the amount by which its fair value is less than carrying amount as loss on sale of assets.

The Group shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of a specific asset or the shift of the use of an asset, such an arrangement is or contains a lease. The Group determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

If an arrangement contains both a lease and other elements, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made, and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

(Continued)

If, on the other hand, the Group concludes for an operating lease that it is impractical to separate the payment reliably, then it treats all payments under the arrangement as lease payments, and discloses the situation accordingly.

(n) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patent 3.25-6 years

2) Computer software cost 3-10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least on the annual reporting date. Any change shall be accounted for as a change in accounting estimate.

(o) Impairment of non-financial assets

The Group assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. Such is deemed as an impairment loss, which shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset shall be increased to its recoverable amount by reversing an impairment loss.

(p) Cash surrender value of life insurance

The savings portion of a life insurance policy shall be recognized as a contra item of insurance expense, and increase the carrying amount of the cash surrender value of the life insurance.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an it is probable that outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(r) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Service

The Group provides consulting and management services for customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Commission

When the Group plays the role of an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(iv) Lease revenue

Lease revenue which arises from investment property is recognized on a straight-line basis over the lease term. Lease incentives are considered to be a part of the whole lease revenue and treated as a reduction of lease revenue on a straight-line basis over the lease term. The income from subleasing is recognized as lease revenue, under “non-operating income and expenses”.

(Continued)

(s) Employee benefits

(i) Defined contribution plan

Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high-quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Re-measurement of a net defined benefit liability (asset) (including actuarial gains or losses, the return on plan assets or liabilities, and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of the defined benefit obligation.

(Continued)

(iii) Other long-term employee benefits

The net obligations are calculated using the projected unit credit method. The amount of future benefit that employees have earned in return for their service in the current or prior period is discounted to determine its fair value. The discount rate is determined based on the market interest rate of high-quality bonds with similar conditions or government bonds.

All the actuarial gains and losses are recognized in profit or loss in the current period.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transactions.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred taxes assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

(Continued)

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary shareholders of the Group. The basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6(c) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2016	December 31, 2015
Cash on hand	$	4,155	6,695
Cash in banks		1,687,420	1,658,241
Time deposits		417,138	45,588
	$	**2,108,713**	**1,710,524**

(i) The above cash and cash equivalents were not pledged as collateral.

(ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current and noncurrent.

(iii) Refer to Note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

(b) Available-for-sale financial assets

		December 31, 2016	December 31, 2015
Investment:			
Lumosa Therapeutics Co., Ltd.	$	256,650	562,733
Pharmira Laboratories, Inc.		282,555	-
	$	539,205	562,733

(i) 31.82% of Pharmira Laboratories, Inc. owned by TSH Biopharm Co., Ltd. was accounted for using the equity method. Pharmira Laboratories, Inc. was launched cash capital increase in February 2016, the Group's shareholding ratio in Pharmira Laboratories, Inc. was reduced to 5.93%, resulting in the Group's lost in its significant influence over the investments. Therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets classified as held for sale to financial assets carried at cost. TSH Biopharm Co., Ltd. sold half of its ownership of Pharmira Laboratories, Inc. in June 2016, and recognized a gain of disposal of investments of $57,498. Pharmira Laboratories, Inc. shares were listed on the emerging market in 28 December 2016, so the investments were reclassified from financial assets carried at cost to available-for-sale financial assets. Please refer to Note 6(e) and 6(f) details.

(ii) Please refer to Notes 6(p) and 6(u) for recognition in other comprehensive income due to changes in fair value and further discussion on reclassification from equity to profit or loss.

(iii) Please refer to Note 6(u) for gains on disposal of the investments in Lumosa Therapeutics Co., Ltd. of $50,528.

(iv) As of December 31, 2016 and 2015, the aforesaid available-for-sale financial assets were not pledged as collateral.

(v) If the stock price changes at the reporting date, the changes in other comprehensive income of the Group are estimated as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant, and any impact on forecasted sales and purchases was ignored.):

	For the years ended December 31				
	2016			2015	
Stock Price		**Other comprehensive income, net of tax**	**Profit, net of tax**	**Other comprehensive income, net of tax**	**Profit, net of tax**
Increase by 10%	$	53,921	-	56,273	-
Decrease by 10%	$	(53,921)	-	(56,273)	-

(Continued)

(c) Notes receivable, accounts receivable, and other receivables (including related parties)

	December 31, 2016	December 31, 2015
Notes receivables	$ 62,278	49,130
Accounts receivables	835,380	1,007,273
Other receivables	46,309	488,470
Less: Allowance for impairment	(38,339)	(51,807)
	$ 905,628	1,493,066

The aging analysis of notes receivables, accounts receivables and other receivables which were overdue but not impaired was as follows:

	December 31, 2016	December 31, 2015
Past due less than 90 days	$ 2,783	4,591
Past due 91-180 days	1,487	234
Past due 181-365 days	10	170
Past due more than 366 days	-	170
	$ 4,280	5,165

The movements in the allowance for impairment with respect to the receivables during the period were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2016	$ 20,539	31,268	51,807
Amounts written off	(145)	(23)	(168)
Impairment loss reversed	-	(13,300)	(13,300)
Balance as of December 31, 2016	$ 20,394	17,945	38,339
Balance as of January 1, 2015	$ 17,558	22,635	40,193
Impairment loss recognized	2,981	10,338	13,319
Amounts written off	-	(1,705)	(1,705)
Balance as of December 31, 2015	$ 20,539	31,268	51,807

(Continued)

(i) The average credit terms granted for notes and accounts receivable pertaining to sales transactions ranged from one to six months. To determine the probability of collection, the Group considers any change in the credit quality from origination date to reporting date. Past experience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days, an allowance account is recognized after analyzing the payment history of customer accounts and the evaluating the uncollectible amounts.

(ii) As of December 31, 2016 and 2015, notes receivable and accounts receivable were not pledged as collateral.

(d) Inventories

	December 31, 2016	December 31, 2015
Merchandise	$ 151,452	93,789
Finished goods	114,986	99,423
Work in process	102,487	112,586
Raw materials	207,832	202,377
Materials	31,064	33,776
Subtotal	607,821	541,951
Goods in transit	16,689	10,822
Total	624,510	552,773
Less: Allowance for inventory market decline and obsolescence	(58,827)	(20,636)
Net amount	**$ 565,683**	**532,137**

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2016 and 2015, amounted to $1,165,582 and $1,014,416, respectively. The main item was the costs arising from selling goods. For the years ended December 31, 2016 and 2015, the inventory write-down to net realizable value or reversal of gain from valuation of inventories at net realizable value was recognized as an increase (decrease) in cost of goods sold of $38,191 and $(7,547), respectively.

As of December 31, 2016 and 2015, the aforesaid inventories were not pledged as collateral.

(Continued)

(e) Noncurrent assets classified as held for sale

On October 20, 2015, the Board of directors meeting resolved to sold half of its ownership of Pharmira Laboratories, Inc. totaling 2,625 thousand shares, and signed a share sales agreement on December 7, 2015. The book value of these investments amounted to $27,791 for the years ended December 31, 2015. The aforesaid investments which were previously classified as held for sale were reclassified to noncurrent assets. The investment was sold in June 2016. Please refer to Notes 6(b) and 6(f) for details.

(f) Investments accounted for using equity method

The Group's financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2016	December 31, 2015
Associates	$ 1,007,758	873,484

(i) Associates

1) As of December 31, 2016 and 2015, the carrying value of associates which had a quoted market price amounted to $792,619 and $610,352, respectively, while fair value amounted to $4,545,226 and $4,737,763, respectively.

2) Chuang Yi Biotech Co., Ltd.'s shares were listed on the emerging market in January 2016. For the years ended December 31, 2016 and 2015, Chuang Yi Biotech Co., Ltd. launched a cash capital increase. The Group invested $25,059 for 626,465 shares in 2016, resulting in a decrease in ratio from 27.84% to 27.54%, and the Group did not subscribe on the initial shareholding basis in 2015, such ratio decreased from 29.27% to 27.84%. As the Group did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2016 and 2015, such increase was credited to capital surplus of $2,068 and $8,352, respectively.

3) In the years ended December 31, 2016 and 2015, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased treasury shares, which led to a change in the shareholding ratio, and such change was (charged) credited to capital surplus of $29,315 and $(12,374), respectively. As the Group did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2016 and 2015, such ratio decreased from 19.32% to19.30% and 19.35% to 19.32%, respectively.

4) In the years ended December 31, 2015, CY Biotech Co., Ltd. launched a cash capital increase. The Group did not subscribe on the initial shareholding basis. Such increase was credited to capital surplus of $8,352, respectively.

(Continued)

(ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2016	Equity ownership December 31, 2015
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	19.30%	19.32%

1) Summary financial information on significant associates

The following is a summary of financial information on the Company's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information.

- Summary financial information on PharmaEngine, Inc.

	December 31, 2016	December 31, 2015
Current assets	$ 3,935,733	3,163,588
Noncurrent assets	23,528	74,994
Current liabilities	(150,038)	(66,340)
Noncurrent liabilities	(10,445)	(13,071)
Net assets	$ 3,798,778	3,159,171
Net assets attributable to non-controlling interests	$ 733,329	610,352
Net assets attributable to investee owners	$ 3,065,449	2,548,819

	For the years ended December 31 2016	2015
Revenue	$ 1,134,782	507,244
Profit for the year	$ 689,625	394,022
Other comprehensive income	(253)	(42)
Comprehensive income	$ 689,372	393,980
Comprehensive income attributable to non-controlling interests	$ 133,049	76,145
Comprehensive income attributable to investee owners	$ 556,323	317,835

(Continued)

	For the years ended December 31	
	2016	**2015**
Net assets attributable to the Company, January 1	$ 610,352	566,282
Recognition of capital surplus due to change in associates	29,315	(12,374)
Comprehensive income attributable to the Company	133,049	76,145
Share dividends received from associates	(39,387)	(19,701)
Assets attributable to the Company, December 31	733,329	610,352
Carrying amount of interest in associates, December 31	$ 733,329	610,352

2) Summary financial information on individually insignificant associates

The following is the summary financial information on individually insignificant associates that were accounted for under the equity method:

	December 31, 2016	**December 31, 2015**
Carrying amount of interest in individually insignificant associates, December 31	$ 274,429	235,340

	For the years ended December 31	
	2016	**2015**
Attributable to the Company:		
Profit for the year	$ 27,276	21,937
Other comprehensive income	(10,707)	24,917
Comprehensive income	$ 16,569	46,854

(iii) TSH Biopharm Co., Ltd. paid $70,000 for the capital increase of Pharmira Laboratories, Inc. and acquired 31.82% of ownership in June 2014. Based on the evaluation of significant influence, such investment was accounted for using the equity method. The Group’s shareholding ratio in Pharmira Laboratories, Inc. dropped to 5.93%, and the Group lost its significant influence over the investments because of a cash capital increase in February 2016 launched by Pharmira Laboratories, Inc. Therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets classified as held for sale to financial assets carried at cost. The fair value of investments was re-measured during the reclassification. The difference between the fair value and the carrying amount of $3,102 was recognized as disposal loss under other income and loss in the statement of comprehensive income.

(iv) Collateral

As of December 31, 2016 and 2015, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(Continued)

(g) Subsidiary with significant non-controlling interest

Subsidiary with significant non-controlling interest were as follows:

Subsidiary	Country of registration	Ownership and voting rights ratio December 31, 2016	December 31, 2015
TSH Biopharm Co., Ltd.	Taiwan	56.48%	56.48%

The financial information below is prepared in accordance with IFRSs and reflects the adjustments for fair value on the acquisition date and difference in accounting policies. The amounts have not yet been eliminated from intra-group transactions. Information on the aforementioned subsidiary is as follows:

(i) Summary financial information on TSH Biopharm Co., Ltd.

	December 31, 2016	December 31, 2015
Current assets	$ 1,053,086	955,275
Non-current assets	514,148	505,955
Current liabilities	(116,872)	(98,741)
Net assets	$ 1,450,362	1,362,489
Non-controlling interest	$ 631,189	592,948

	For the years ended December 31 2016	2015
Operating revenue	$ 492,465	513,651
Net income for the period	$ 141,203	82,890
Other comprehensive loss	27,306	351,849
Comprehensive income	$ 168,509	434,739
Net income attribute to non-controlling interest	$ 61,452	36,074
Comprehensive income attribute to non-controlling interest	$ 73,336	189,199

	For the years ended December 31 2016	2015
Cash flows from operating activities	$ 42,848	75,701
Cash flows from investing activities	95,617	57,026
Cash flows from financing activities	(80,636)	(76,796)
Net increase in cash	$ 57,829	55,931
Dividends paid to non-controlling interests	$ 35,093	33,422

(Continued)

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2016 and 2015, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost::								
Balance on January 1, 2016	$ 816,169	783,796	403,143	4,371	358,038	6,298	546,098	2,917,913
Additions	-	32,277	15,790	-	11,709	686	29,800	90,262
Disposals	-	(5,346)	(635)	(1,200)	(4,509)	-	-	(11,690)
Reclassifications	-	463,923	246,388	-	40,488	-	(448,941)	301,858
Effect of changes in foreign exchange rate	-	(1,372)	-	-	(169)	(9)	-	(1,550)
Balance on December 31, 2016	$ 816,169	1,273,278	664,686	3,171	405,557	6,975	126,957	3,296,793
Balance on January 1, 2015	$ 816,169	780,691	398,911	4,408	342,194	6,298	486,231	2,834,902
Additions	-	2,874	7,016	-	10,231	-	43,450	63,571
Disposals	-	(1,614)	(3,005)	(37)	(2,178)	-	-	(6,834)
Reclassifications	-	1,845	221	-	7,820	-	16,417	26,303
Effect of changes in foreign exchange rate	-	-	-	-	(29)	-	-	(29)
Balance on December 31, 2015	$ 816,169	783,796	403,143	4,371	358,038	6,298	546,098	2,917,913
Depreciation:								
Balance on January 1, 2016	$ -	173,723	207,709	1,838	237,055	2,061	-	622,386
Depreciation for the year	-	36,641	33,153	396	29,497	649	-	100,336
Disposals	-	(5,343)	(628)	(1,000)	(4,378)	-	-	(11,349)
Reclassifications	-	-	-	-	(3)	-	-	(3)
Effect of changes in foreign exchange rate	-	(6)	-	-	(137)	(9)	-	(152)
Balance on December 31, 2016	$ -	205,015	240,234	1,234	262,034	2,701	-	711,218
Balance on January 1, 2015	$ -	142,897	177,800	1,478	208,955	1,487	-	532,617
Depreciation for the year	-	32,440	32,895	397	30,115	574	-	96,421
Disposals	-	(1,614)	(2,986)	(37)	(1,995)	-	-	(6,632)
Effect of changes in foreign exchange rate	-	-	-	-	(20)	-	-	(20)
Balance on December 31, 2015	$ -	173,723	207,709	1,838	237,055	2,061	-	622,386
Carrying amounts:								
Balance on December 31, 2016	$ 816,169	1,068,263	424,452	1,937	143,523	4,274	126,957	2,585,575
Balance on January 1, 2015	$ 816,169	637,794	221,111	2,930	133,239	4,811	486,231	2,302,285
Balance on December 31, 2015	$ 816,169	610,073	195,434	2,533	120,983	4,237	546,098	2,295,527

(i) Collateral

As of December 31, 2016 and 2015, the property, plant and equipment were not pledged as collateral.

(Continued)

(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $126,957, including capitalized loan cost.

(i) Investment property

		Land	Building and construction	Total
Cost or deemed cost:				
Balance on January 1, 2016	$	69,152	15,526	84,678
Balance on December 31, 2016	$	69,152	15,526	84,678
Balance on January 1, 2015	$	69,152	15,526	84,678
Balance on December 31, 2015	$	69,152	15,526	84,678
Depreciation and impairment loss:				
Balance on January 1, 2016	$	-	6,324	6,324
Depreciation		-	355	355
Balance on December 31, 2016	$	-	6,679	6,679
Balance on January 1, 2015	$	-	5,969	5,969
Depreciation		-	355	355
Balance on December 31, 2015	$	-	6,324	6,324
Carrying amount:				
Balance on December 31, 2016	$	69,152	8,847	77,999
Balance on January 1, 2015	$	69,152	9,557	78,709
Balance on December 31, 2015	$	69,152	9,202	78,354
Fair value:				
Balance on December 31, 2016				$ 129,395
Balance on December 31, 2015				$ 126,947

(i) The fair value of investment property was evaluated based on the recent market transactions on arm’s-length terms.

(ii) As of December 31, 2016, investment properties were not pledged as collateral. The Group’s investment properties were pledged as collateral for the years ended December 31, 2015. Please refer to Note 8 for details.

(Continued)

(j) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2016 and 2015, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
Balance on January 1, 2016	$	37,099	87,392	124,491
Additions		1,437	-	1,437
Disposals		(2,077)	(44,552)	(46,629)
Reclassifications		31	-	31
Effect of changes in foreign exchange rate		(1)	(454)	(455)
Balance on December 31, 2016	$	36,489	42,386	78,875
Balance on January 1, 2015	$	37,790	101,047	138,837
Additions		8,224	-	8,224
Disposals		(8,915)	(13,424)	(22,339)
Effect of changes in foreign exchange rate		-	(231)	(231)
Balance on December 31, 2015	$	37,099	87,392	124,491
Amortization and impairment loss:				
Balance on January 1, 2016	$	18,463	55,248	73,711
Amortization for the year		5,956	16,399	22,355
Disposals		(2,077)	(44,552)	(46,629)
Reclassifications		3	-	3
Effect of changes in foreign exchange rate		(1)	(212)	(213)
Balance on December 31, 2016	$	22,344	26,883	49,227
Balance on January 1, 2015	$	21,211	53,076	74,287
Amortization for the year		6,167	15,686	21,853
Disposals		(8,915)	(13,424)	(22,339)
Effect of changes in foreign exchange rate		-	(90)	(90)
Balance on December 31, 2015	$	18,463	55,248	73,711
Carrying amount:				
Balance on December 31, 2016	$	14,145	15,503	29,648
Balance on January 1, 2015	$	16,579	47,971	64,550
Balance on December 31, 2015	$	18,636	32,144	50,780

(Continued)

Amortization expenses for intangible assets for the years ended December 31, 2016 and 2015 were recorded as operating expenses and operating costs, respectively, were as follows:

	For the years ended December 31	
	2016	**2015**
Operating costs	$ 347	29
Operating expenses	22,008	21,824
	$ 22,355	**21,853**

As of December 31, 2016 and 2015, the aforementioned intangible assets were not pledged as collateral.

(k) Short-term loans

	December 31, 2016	**December 31, 2015**
Secured bank loans	**$ 1,249,010**	**1,200,000**
Unused credit line	**$ 1,455,990**	**1,635,000**
Range of interests rotes	**0.85%~1.05%**	**0.98%~1.15%**

Please refer to Note 6(v) for relevant information about exposure to interest rate risk and liquidity risk.

(l) Long-term loans

	December 31, 2016			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.135%~1.298%	2018	$ 830,000
Less: Current portion				(200,000)
Total				**$ 630,000**
Unused credit line				**$ -**

	December 31, 2015			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.21%~1.44%	2017	$ 700,000
Less: Current portion				-
Total				**$ 700,000**
Unused credit line				**$ -**

(Continued)

(m) Operating leases

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 3,710	3,175
Between one and five years	8,530	656
	$ 12,240	3,831

(ii) Leases as lessor

The Group leases out its investment properties (see Note 6(i)). The future minimum leases payments under non-cancellable leases are as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 7,894	4,240
Between one and five years	20,360	308
More than five year	110	-
	$ 28,364	4,548

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at and fair value are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$ 115,353	113,021
Fair value of plan assets	(70,732)	(70,546)
Net defined benefit liabilities (assets)	$ 44,621	42,475

The Group's emlpoyee benefit liabilities were as below:

	December 31, 2016	December 31, 2015
Vacation liability	$ 13,880	11,921

(Continued)

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $70,732 as of December 31, 2016. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in the present value of the defined benefit obligations for the Group, were as follows:

	For the years ended December 31	
	2016	**2015**
Defined benefit obligation, January 1	$ 113,021	103,894
Current service costs and interest	3,019	2,777
Re-measurement of the net defined benefit liability (asset)		
—Return on plan assets excluding interest income	1,704	6,350
Benefits paid	(2,391)	-
Defined benefit obligation, December 31	**$ 115,353**	**113,021**

(Continued)

3) Movements in the fair value of plan assets

The movements in the present value of the defined benefit plan assets for the Group, were as follows:

	For the years ended December 31	
	2016	**2015**
Fair value of plan assets, January 1	$ 70,546	66,523
Re-measurement of the net defined benefit liability (asset)		
－Return on plan assets excluding interest income	499	1,762
Contributions made	2,078	2,261
Benefits paid	(2,391)	-
Fair value of plan assets, December 31	**$ 70,732**	**70,546**

4) Expenses recognized in profit or loss

The Group’s pension expenses recognized in profit or loss for the years ended December 31, 2016 and 2015, were as follows:

	For the years ended December 31	
	2016	**2015**
Current service cost	$ 1,289	1,246
Net interest of net liabilities for defined benefit obligation	1,730	1,531
Curtailment or settlement gains	(1,077)	(866)
	$ 1,942	**1,911**
Operating costs	$ 764	704
Selling expenses	394	439
Administrative expenses	470	481
Research and development expenses	314	287
	$ 1,942	**1,911**

(Continued)

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

	For the years ended December 31	
	2016	**2015**
Accumulated amount, January 1	$ (5,346)	(10,800)
Recognized during the period	2,282	5,454
Accumulated amount, December 31	**$ (3,064)**	**(5,346)**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2016.12.31	**2015.12.31**
Discount rate	1.30%	1.58%
Future salary increases	3.00%	3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $2,095.

The weighted-average duration of the defined benefit plan is 5 year.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influence of defined defined benefit obligation	
	Increase by 0.50%	**Decrease by 0.50%**
December 31, 2016		
Discount rate	$ (5,447)	5,858
Future salary increase	5,179	(4,885)
December 31, 2015		
Discount rate	(5,533)	5,961
Future salary increase	5,306	(4,995)

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The Group has made monthly contributions equal to 6% of each employee's monthly salary to employee's pension accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $23,819 and $22,529 for the years ended December 31, 2016 and 2015, respectively.

(o) Taxes

(i) Income tax expense (benefit)

The components of income tax in 2016 and 2015, were as follows:

		For the years ended December 31	
		2016	**2015**
Current tax expense			
Current period incurred	$	254,420	187,330
Adjustment for prior periods		6,026	(1,802)
Deferred tax expense			
Origination and reversal of temporary difference		(3,111)	93,475
Income tax expense	**$**	**257,335**	**279,003**

The following are details of the income tax (expense) benefit recognized under other comprehensive income:

		For the years ended December 31	
		2016	**2015**
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation difference-foreign operations	$	3,773	1,746
Share of other comprehensive income of associates and joint ventures accounted for under equity method		21	4,309
Balance of December 31	**$**	**3,794**	**6,055**

(Continued)

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2016 and 2015, as follows:

	For the years ended December 31	
	2016	**2015**
Profit before income tax	$ 1,512,059	1,525,595
Income tax using the company's domestic tax rate	$ 270,406	290,472
Non-deductible expenses	5,951	6,341
Gains derived from securities transactions	(17,837)	(7,909)
Tax incentives	(7,248)	(8,370)
Change in provision in prior periods	6,026	1,802
Undistributed earnings additional tax at 10%	21,964	8,006
Basic income tax	9,930	2,812
Others	(31,857)	(14,151)
	$ 257,335	**279,003**

(ii) Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:			
Balance, January 1, 2016	$ 255,614	60,871	316,485
Recognized in profit or loss	2,038	-	2,038
Recognized in other comprehensive income	(3,794)	-	(3,794)
Balance as of December 31, 2016	**$ 253,858**	**60,871**	**314,729**
Balance, January 1, 2015	$ 169,127	60,871	229,998
Recognized in profit or loss	92,542	-	92,542
Recognized in other comprehensive income	(6,055)	-	(6,055)
Balance as of December 31, 2015	**$ 255,614**	**60,871**	**316,485**

(Continued)

	Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance, January 1, 2016	$ 5,856	3,507	17,478	26,841
Recognized in profit or loss	(23)	6,493	(1,321)	5,149
Foreign currency translation differences for foreign operation	-	-	(230)	(230)
Balance as of December 31, 2016	$ 5,833	10,000	15,927	31,760
Balance, January 1, 2015	$ 5,915	4,791	17,088	27,794
Recognized in profit or loss	(59)	(1,284)	410	(933)
Foreign currency translation differences for foreign operation	-	-	(20)	(20)
Balance as of December 31, 2015	$ 5,856	3,507	17,478	26,841

(iii) Examination and approval

The Company’s income tax returns through 2012 have been examined and approved by the Tax Authority.

(iv) Stockholders’ imputation tax credit account and tax rate

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	$ 1,487,805	1,288,140
Balance of imputation credit account	$ 110,856	54,959

	For the years ended December 31	
	2016 (Estimated)	2015 (Actual)
Creditable ratio for earnings distribution to R.O.C. residents	19.15%	12.93%

The above stated information was prepared in accordance with information letter No.10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

(p) Capital and other equity

As of December 31, 2016 and 2015, the authorized capital of the Company amounting to $3,500,000 consisted of 350,000 thousand shares, with par value of $10 per share. The paid-in capital was $2,486,500. The outstanding shares consisted of 248,650 thousand common shares.

(Continued)

(i) Capital surplus

The components of capital surplus were as follows:

		December 31, 2016	December 31, 2015
Share capital	$	484	484
Long term investment		404,884	373,501
	$	**405,368**	**373,985**

According to the R.O.C. Company Act amended in 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the board of directors.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 10% of the distribution

1) Legal reserve

In accordance with the Company Act amended in 2012, 10 percent of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25 percent of the actual share capital.

(Continued)

2) Special reserve

The Company has elected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of $82,429 and unrealized revaluation increments of $27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of December 31, 2016 and 2015, the special reserve appropriated from the undistributed earnings amounted to $110,154 and $110,154, respectively.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall quality for additional distributions.

3) Earnings distribution

Earnings distribution for 2015 and 2014 was decided via the general meeting of shareholders held on 24 June 2016 and 16 June 2015, respectively. The relevant dividend distributions to shareholders were as follows:

	2015		2014	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.50	870,275	2.50	621,625

(iii) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	**Available-for-sale investments**	**Total**
Balance, January 1, 2016	$ 16,160	343,851	360,011
Share of exchange differences of subsidiaries and associates accounted for using equity method	(18,522)	-	(18,522)
Unrealized gains (losses) on available-for-sale financial assets	-	(48,162)	(48,162)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	(8,239)	(8,239)
Balance, December 31, 2016	$ (2,362)	287,450	285,088

(Continued)

	Exchange differences on translation of foreign financial statements	Available-for-sale investments	Total
Balance, January 1, 2015	$ 45,724	(10,821)	34,903
Share of exchange differences of subsidiaries and associates accounted for using equity method	(29,564)	-	(29,564)
Unrealized gains (losses) on available-for-sale financial assets	-	323,060	323,060
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	31,612	31,612
Balance, December 31, 2015	$ 16,160	343,851	360,011

(iv) Non-controlling interests

	For the years ended December 31	
	2016	2015
Balance, January 1	$ 593,649	437,562
Attributable to non-controlling interests:		
Profit for the year	61,400	35,574
Foreign currency translation differences-foreign operations	(55)	13
Unrealized (loss) gain on available-for-sale financial assets	11,883	153,124
Issuance of common stock for cash	-	798
Cash dividends received	(35,093)	(33,422)
Balance, December 31	$ 631,784	593,649

(q) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders	$ 1,193,324	1,211,018
Weighted-average number of ordinary shares	248,650	248,650
	$ 4.80	4.87
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 1,193,324	1,211,018
Weighted-average number of ordinary shares	248,650	248,650
Employee stock bonus	259	281
Weighted-average number of ordinary shares (diluted)	248,909	248,931
	$ 4.79	4.86

(Continued)

(r) Revenue

The details of revenue of the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Sale of goods	$ 3,697,272	3,124,858
Rendering of service	63,445	70,360
	$ 3,760,717	**3,195,218**

(s) Remuneration of employees and of directors and supervisors

Based on the Company’s articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 1% to 8% and no more than 2%, respectively, of profit before tax. The Company should offset prior years’ accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the year ended December 31, 2016 and 2015, remuneration of employees of $22,048 and $22,373, respectively, and of directors' and supervisors' of $15,786 and $21,468, respectively, was estimated and recognized as current expense. These amounts were calculated using the Company’s profit before tax before remuneration of employees and of directors and supervisors for the year ended December 31, 2016. These benefits were charged to profit or loss under operating expenses for the year ended December 31, 2016. The differences, if any, between the amounts which are yet to be approved in the shareholders’ meeting and those recognized in the financial statements will be treated as changes in accounting estimates and charged to profit or loss.

(t) Non-operating income and expenses

(i) Other income

The details of other income for the year ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Interest income	$ 14,190	9,660
Rental income	12,120	11,743
	$ 26,310	**21,403**

(Continued)

(ii) Other gains and losses

The details of other gains and losses for the year ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Foreign exchange gains (losses)	$ (23,349)	27,568
Gain on disposal of investment	104,924	655,796
Losses on disposal of property, plant and equipment	(121)	(59)
Gain on reversal of uncollectable account	13,300	-
Other	73,894	56,846
	$ 168,648	740,151

(iii) Finance costs

The details of finance costs for the year ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Interest expenses	$ 22,979	25,362

(u) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31	
	2016	**2015**
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method:		
Profit (loss) for the year	$ (8,361)	31,577
Less: adjustment for gains recognized in profit	-	(25,311)
Net profit (loss) recognized in other comprehensive income	$ (8,361)	6,266
Net fair value change in available-for-sale financial assets recognized in:		
Other comprehensive income	$ 14,249	522,706
Profit or loss	(50,528)	(46,522)
Net fair value change recognized in other comprehensive income	$ (36,279)	476,184

(Continued)

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group's maximum credit exposure. Such maximum credit exposure on December 31, 2016 and 2015, amounted to $4,766,747 and $4,416,625, respectively.

2) Credit risk concentrations

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2016 and 2015, the accounts receivable from the Group's top ten customers represented 35% and 60%, respectively, of accounts receivable.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2016					
Non-derivative financial liabilities					
Unsecured bank loans	$ 2,079,010	2,105,184	1,467,918	637,266	-
Non-interest-bearing liabilities (including related parties)	584,572	584,572	584,572	-	-
	$ 2,663,582	2,689,756	2,052,490	637,266	-
December 31, 2015					
Unsecured bank loans	$ 1,900,000	1,925,437	1,218,061	707,376	-
Non-interest-bearing liabilities (including related parties)	633,999	633,999	633,999	-	-
	$ 2,533,999	2,559,436	1,852,060	707,376	-

The Group does not expect the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's exposure to significant currency risk was from its foreign currency- denominated financial assets and liabilities as follows:

	December 31, 2016			December 31, 2015		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 57,608	32.250	1,857,851	43,238	32.83	1,419,501
CNY	5,275	4.617	24,353	22,626	5.00	113,017
JPY	66,488	0.276	18,324	42,891	0.27	11,696
PHP	16,532	0.67	11,050	11,058	0.72	7,931
EUR	3,350	33.90	113,567	-	-	-
Nonmonetary items						
USD	750	32.250	24,173	556	32.83	18,259
CNY	52,206	4.617	241,037	50,550	5.00	252,497
THB	216,982	0.905	196,368	199,805	0.92	182,742
Financial liabilities						
Monetary items						
PHP	7,219	0.67	4,825	21,257	0.72	15,305

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and loans and accounts payable that are denominated in foreign currency. Net investments in a foreign operation are strategic investments, so the Group does not treat them as a hedge.

A 1% of appreciation of each major foreign currency against the Group's functional currency as of December 31, 2016 and 2015, would have increased or decreased the after-tax net income by $20,600 and $16,520, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2016 and 2015, the foreign exchange gain, including both realized and unrealized, amounted to $(23,349) and $27,568, respectively.

(Continued)

(iv) Interest rate analysis

The exposure to interest rate risk on financial assets and liabilities is disclosed in the note on liquidity risk management.

The Group mainly borrows capital at floating interest rates, so the cash flow risk arises from changes in interest rates. The Group's main source of borrowed capital is bank loans.

The following sensitivity analysis is based on the exposure to interest rate risk on derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by $3,422 and $2,170 for the years ended December 31, 2016 and 2015, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

1) Categories of financial instruments

	December 31, 2016				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	$ 539,205	539,205	-	-	539,205
Loans and receivables					
Cash and cash equivalents	2,108,713	-	-	-	-
Notes receivable and accounts receivable (including related party)	859,319	-	-	-	-
Other receivables (including related party)	46,309	-	-	-	-
Other financial assets	1,184,002	-	-	-	-
Cash surrender value of life insurance	5,198	-	-	-	-
Refundable deposits	24,001	-	-	-	-
Total	**$ 4,766,747**	**539,205**	**-**	**-**	**539,205**

(Continued)

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	$ 2,079,010	-	-	-	-
Notes payable and accounts payable (including related party)	101,243	-	-	-	-
Other payables (including related party)	483,329	-	-	-	-
Guarantee deposit received	9,985	-	-	-	-
Total	$ 2,673,567	-	-	-	-

	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 562,733	562,733	-	-	562,733
Loans and receivables					
Cash and cash equivalents	1,710,524	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,004,596	-	-	-	-
Other receivables (including related party)	488,470	-	-	-	-
Other financial assets	617,812	-	-	-	-
Cash surrender value of life insurance	8,505	-	-	-	-
Refundable deposits	23,985	-	-	-	-
Total	$ 4,416,625	562,733	-	-	562,733
Financial liabilities measured at amortized cost					
Bank loans	$ 1,900,000	-	-	-	-
Notes payable and accounts payable (including related party)	174,080	-	-	-	-
Other payables (including related party)	459,919	-	-	-	-
Guarantee deposit received	2,096	-	-	-	-
Total	$ 2,536,095	-	-	-	-

(Continued)

2) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: 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).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Valuation techniques for financial instruments which are not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The expiry date of financial instruments, such as cash and cash equivalents, receivables, other financial assets, cash surrender value of life insurance, refundable deposits, bank loans, payables, and guarantee deposit received, is very close or their future price is close to carrying value. Financial instruments' fair value is estimated on the basis of their carrying value.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices.

The market prices from the main exchanges and government bond exchanges are the basis of the fair value of OTC equity instruments and debt instruments which have a quoted market price in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, only small volumes are traded, or bid-ask spreads are very wide.

If financial instruments the Group obtained are traded in active markets and meet the criteria, their fair value is determined on the basis of market quotation.

(Continued)

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended in December 31, 2016 and 2015, so there was no transfer between levels.

(w) Financial risk management

(i) Overview

The nature and the extent of the Group's risks arising from financial instruments, which include credit risk, liquidity risk, and market risk, are discussed below. Also, the Group's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes to the consolidated financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

1) Accounts receivable and other receivables

The Group's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Group transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group uses other publicly available financial information and the records of transactions with its customers. The Group continues to monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review by the finance department to manage the credit exposure.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

(Continued)

2) Investment

The exposure to credit risk related to bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, management believes that the Group does not have compliance issues or significant credit risk.

3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2016 and 2015.

(iv) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(x) Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Group manages capital by the debt-to-equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

The Group monitors capital by regularly reviewing the asset-to-liability ratio. "Total equity" on the balance sheet represents the Group's capital, which also represents total assets less total liabilities.

(Continued)

The Group's debt-to-equity ratios at the balance sheet date were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 3,279,993	3,129,990
Less: cash and cash equivalents	(2,108,713)	(1,710,524)
Net debt	1,171,280	1,419,466
Total capital	6,010,312	5,694,950
Adjusted capital	$ 7,181,592	7,114,416
Debt to equity ratio	16.31%	19.95%

(7) Related-party transactions:

(a) Ultimate parent company

The Company is the ultimate parent company.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	For the years ended December 31	
	2016	2015
Associates	$ 44,252	61,331
Other related parties	4,548	9,425
	$ 48,800	70,756

1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

2) There were no significant differences between the terms and pricing of sales transactions with related parties and those with distributors. The collection period was ninety days. If paid within one month, a cash discount of 1% was offered.

3) The Group sold products to other related parties and pledged $5,000 of the certificates of deposit from those companies as collateral as of December 31, 2016.

(Continued)

(ii) Service revenue

Recognized item	Category	December 31, 2016	December 31, 2015
Service revenue	Other related parties	$ 3,815	6,990

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties and the outstanding balances were as follows:

Recognized item	Category	December 31, 2016	December 31, 2015
Purchases	Other related parties	$ 20,743	32,703
Processing costs	Other related parties	$ -	3,168

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions was sixty days or one month, which is similar to that of other vendors.

(iv) Rental revenue

		For the years ended December 31	
Recognized item	Category	2016	2015
Rental revenue	Associates	$ 2,645	1,924
	Other related parties	172	2,038
		$ 2,817	3,962

Rent was based on recent market transactions on arm's-length terms.

(v) Rent expense

		For the years ended December 31	
Recognized item	Category	2016	2015
Rental expense	Other related parties	$ 2,628	3,131

The rental was based on recent market transactions on arm's-length terms.

(Continued)

(vi) Other income

Recognized item	Category	For the years ended December 31 2016	2015
Other income	Associates	$ 14,350	7,845
	Other related parties	22,599	357
		$ 36,949	8,202

1) Based on management services agreements, the associates should pay the Company for information services, daily accounting tasks, development in the Pharmaceutical Industry or registration of new pharmaceutical products.

2) The credit term for revenue from daily accounting tasks is three months.

(vii) Operating expense

Recognized item	Category	For the years ended December 31 2016	2015
Research expense	Other related parties	$ 18,004	19,972

There was no significant differences between the terms with related partied and those with other research providers.

(viii) Other transactions

The Group sold investment in associates accounted for under the equity method of 3,600 thousand shares to other related parties, with total price amounting to $118,348. As of December 31, 2015, the amount of $59,174 of the total price which had not yet been received was recognized under other receivables.

(c) Liabilities with related parties

Recognized item	Category	December 31, 2016	December 31, 2015
Notes receivable	Other related parties	$ -	461
Accounts receivable	Associates	$ 13,668	22,529
	Other related parties	-	310
		$ 13,668	22,839
Other receivables	Associates	$ 1,573	18,101
	Other related parties	17,126	60,089
		$ 18,699	78,190

(Continued)

Recognized item	Category	December 31, 2016	December 31, 2015
Refundable deposits paid	Other related parties	$ 582	4,708
Accounts payable	Other related parties	$ -	4,814
Other payables	Associates	$ -	3,240
	Other related parties	6,150	1,577
		$ 6,150	4,817

(d) Key management personnel compensation

	For the years ended December 31	
	2016	2015
Salaries and other short-term employee benefits	$ 79,821	72,179
Post-employment benefits	1,010	1,122
	$ 80,831	73,301

(8) Pledged assets:

As of December 31, 2016 and 2015, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2016	December 31, 2015
Investment property	Bank loans, letters of credit	$ -	60,881
Other financial asset—current	Grants for research and development project	635	1,525
Other financial asset—noncurrent	Provisional guarantee	120,010	120,010
		$ 120,645	182,416

(9) Commitments and contingencies:

(a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to $36,361 and $33,922 for the years ended December 31, 2016 and 2015, respectively.

(b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $678,455 and $906,331, and the unpaid amount was $320,534 and $188,084 as of December 31, 2016 and 2015, respectively.

(Continued)

(c) As of December 31, 2016 and 2015, performance bonds from financial institutions for the sale of medicine amounted to $17,659 and $31,106, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman, Rong-Jin Lin, for the offense of breach of trust under the Securities and Exchange Act. This lawsuit is being heard by the Taipei District Court. The Company cannot predict the result of the lawsuit.

(e) On January 19, 2016, the Securities and Futures Investors Protection Center filed a suit to discharge the Company’s ex-chairman, Rong-Jin Lin, in accordance with Paragraph 1 of Article 10-1 of the Securities Investor and Futures Trader Protection Act. The lawsuit was withdrawn by the Securities and Futures Investors Protection Center in August 2016.

(f) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

(g) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company’s request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.

(h) On July 1, 2016, Center Laboratories, Inc. filed a lawsuit against the Company in the Taipei District Court to confirm the validity of the agreement it had entered into with the Company regarding a generic drug called Risperidone. The Company cannot predict the result of the lawsuit.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

	For the years ended December 31					
	2016			2015		
By item	**Operating Cost**	**Operating expense**	**Total**	**Operating Cost**	**Operating expense**	**Total**
Employee benefit						
Salary	$ 217,411	486,122	703,533	188,486	433,981	622,467
Health and labor insurance	15,525	29,383	44,908	13,580	29,754	43,334
Pension	8,392	17,369	25,761	7,239	17,228	24,467
Others	15,366	73,305	88,671	5,821	68,263	74,084
Depreciation	66,379	34,312	100,691	59,418	37,358	96,776
Amortization	347	22,008	22,355	29	21,824	21,853

(Continued)

(b) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

(c) Others

(i) The Group donated $34,128 and $51,446 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage in the years ended December 31, 2016 and 2015, respectively.

(ii) TSH Biopharm Co., Ltd. signed a grant agreement, “Industrial Technology Development Program-TUNEX Phase III Clinical Trial Program”, with the Institute for Information Industry in September 2013. The total budget for the program amounted to $81,867, and the period was from May 1, 2013, to April 30, 2016. The grant for the program amounted to $16,373. Grant funds of $14,324 had been received, and the actual expenditure amounted to $14,324 as of December 31, 2016.

(iii) TSH Biopharm Co., Ltd. signed a grant agreement, “TRIA11 Osteoporosis Treatment Biopharmaceutical Program”, with the Institute for Information Industry in October 2014. The total budget for the program amounted to $90,000, and the period was from May 1, 2014, to January 31, 2017. The grant for the program amounted to $22,500. Grant funds of $22,498 had been received, and the actual expenditure amounted to $21,866, as of December 31, 2016.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	Yes	91,239 CNY 7,887 USD 1,700	54,825 USD 1,700	54,825 USD 1,700	0.5%	2	-	Operating capital	-	-	-	241,035 CNY52,206	241,035 CNY52,206
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	96,750 USD 3,000	80,625 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	96,412 CNY 20,220	96,412 CNY 20,220
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	548,250 USD 17,000	548,250 USD 17,000	-	0.9%	2	-	Operating capital	-		-	599,322	599,322

The exchange rate of USD to NTD as of the reporting date is 1:32.25, and the average exchange rate of USD to NTD as of the reporting date is 1:32.254.

(Continued)

The exchange rate of CNY to NTD as of the reporting date is 1:4.617, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.85.

Note 1): Nature of financing activities is as follows:

1.Trading partner, the number is “1”.

2.Short-term financing, the number is “2”.

Note 2): The total amount for lending to a company shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2016.

Note 5): The amounts were approved by the board of directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:None

(Continued)

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd.	Note	Available-for-sale financial assets – noncurrent	1,600	70,800	1.90%	70,800	1.90%	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd.	Note	〃	4,200	185,850	4.46%	185,850	4.46%	
〃	Pharmira Laboratories, Inc.	-	〃	2,625	282,555	2.51%	282,555	2.51%	

Note：A director of the Group is its chairman, who resigned on March 24, 2016.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	124,159	3.71%	30 days	-		14,143	1.93%	

(Continued)

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Xudong Haipu International Co., Ltd.	1	Interest expense	1,976	By contract	0.05%
0	〃	Worldco International Co., Ltd.	1	Other receivables	12,062	〃	0.13%
0	〃	〃	1	Commission revenue	23,848	〃	0.63%
0	〃	TSH Biopharm Co., Ltd.	1	Sale	124,159	〃	3.30%
0	〃	〃	1	Service revenue	4,386	〃	0.12%
0	〃	〃	1	Other receivables	3,763	〃	0.04%
0	〃	〃	1	Rental revenue	3,651	〃	0.10%
0	〃	〃	1	Other income	6,883	〃	0.18%
0	〃	〃	1	Accounts receivable	14,143	〃	0.15%
0	〃	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	7,617	〃	0.08%
0	〃	〃	1	Other receivables	4,825	〃	0.05%
0	〃	〃	1	Sale	5,412	〃	0.14%
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	1	Other payables	11,687	〃	0.13%
1	〃	〃	1	Other receivables	54,825	〃	0.59%

Note 1): The numbering is as follows:
1.“0” represents the parent company.
2.Subsidiaries are sequentially numbered from 1 by company.

(Continued)

Note 2): The types of transaction between the parent company and subsidiaries are as follows:
1.Transactions from parent company to subsidiary.
2.Transactions from subsidiary to parent company.
3.Transactions between subsidiaries.

Note 3): The transactions have been eliminated in the consolidated financial statements.

Note 4): The above table only discloses the related-party transactions, with each amounting to at least NT$1,000 thousand; transactions which were more than NT$1,000 thousand were not disclosed.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Highest	Net income	Share of	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value	Percentage of ownership	(losses) of investee	profits/losses of investee	
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,498,304	100.00%	(25,883)	(25,883)	Subsidiary
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	241,037	100.00%	8,034	8,034	Subsidiary
〃	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	459	87.00%	1,893	87.00%	(392)	(341)	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	817,869	56.48%	141,203	79,751	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	371,070	371,070	23,640	19.30%	733,329	19.32%	689,625	133,097	Investments accounted for using equity method
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	192,236	40.00%	60,069	24,027	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	22,903	40.00%	35,100	14,040	Investments accounted for using equity method
〃	CY Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	57,000	6,326	27.54%	59,290	27.84%	(41,047)	(10,791)	Investments accounted for using equity method
TSH Biopharm Co., Ltd.	Pharmira Laboratories, Inc.	Taiwan	Developing biotechnology	-	70,000	-	- %	-	- %	-	20	Note 1

(Continued)

Note 1): The Group lost its significant influence over the Pharmira Laboratories, Inc. in February 2016, the investments were reclassified from investments accounts for using the equity method to financial assets carried at cost-noncurrent. Pharmira Laboratories, Inc. shares were listed on the emerging market in December 28, 2016, these investments were reclassified to available-for-sale financial assets.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	328,950 USD 10,200	(2)	323,433	-	-	323,433	32,592 CNY 6,720	100%	-%	32,592 CNY 6,720	CNY (15,304)	-
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling chemical medicine	54,942 CNY 11,900	(2)	92,940 CNY 20,130	-	-	92,940 CNY 20,130	(664) CNY (137)	100%	-%	(664) CNY (137)	CNY 11,091	-

The exchange rate of USD to NTD as of the reporting date is 1:32.25, and the average exchange rate of USD to NTD as of the reporting date is 1:32.254.

The exchange rate of CNY to NTD as of the reporting date is 1:4.617, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.85.

(Continued)

Note 1): There are three ways to invest in Mainland China, and only the categories are identified.

1.Remittance from third-region companies to invest in Mainland China.

2.Through the establishment of third-region companies, then investing in Mainland China.

3.Through transfer of investment to third-region existing companies, then investing in Mainland China.

4.Other method.

Note 2): The investment income (loss) is recognized on the following basis, and should be specified:

1.The financial report was audited by an international accounting firm in cooperation with an accounting firm registered in the R.O.C.

2.The financial report was audited by the CPA of the parent company in Taiwan.

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
423,982	1,506,978 （USD 46,728 ）	3,227,117

(iii) Significant transactions:

Please refer to Note 7.

(14) Segment information:

(a) General information

The Group's operating segments required to be disclosed are categorized as Oncology Business Unit, TTP, Anti-Infection Business Unit, Domestic Cardiovascular and Gastrointestinal Drugs Business Unit, China Medicine Business Unit, etc. The Group has other operating segments that are below the quantitative criteria located in the Philippines.

The segments' profit is measured at profit before tax. The Group assesses performance of the segments based on the segments' profit. The operating segments' accounting policies are similar to those described in Note 4 "significant accounting policies".

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group's operating segment information and reconciliation were as follows:

For the Year Ended December 31, 2016	**Oncology Business Unit**	**TTP**	**Anti-Infection Business Unit**	**Domestic Cardiovascular and Gastrointestinal Drugs Business Unit**	**China Medicine Business Unit**	**Other Segment**	**Adjustment and elimination**	**Total**
Revenue:								
Revenue from external customers	$ 2,473,183	205,162	508,113	492,465	64,703	17,091	-	3,760,717
Intersegment revenues	154,676	3,128	-	-	-	-	(157,804)	-
Interest revenue	563	1,945	-	4,900	9,166	6	(2,390)	14,190
Total revenue	$ 2,628,422	210,235	508,113	497,365	73,869	17,097	(160,194)	3,774,907
Interest expense	$ 25,361	-	-	-	-	-	(2,382)	22,979
Depreciation and amortization	106,689	839	329	6,731	325	39	8,094	123,046
Share of profit of associates and joint ventures accounted for using equity method	122,306	38,067	-	20	-	-	-	160,393
Reportable segment profit or loss	$ 1,167,414	71,155	193,468	158,591	(16,615)	(392)	(61,562)	1,512,059
Assets:								
Investments accounted for using equity method	$ 792,619	215,139	-	-	-	-	-	1,007,758
Reportable segment assets	$ 7,791,524	553,953	206,643	1,567,234	1,760,966	17,802	(2,607,817)	9,290,305
For the Year Ended December 31, 2015								
Revenue:								
Revenue from external customers	$ 2,082,445	206,574	310,060	513,651	70,573	11,915	-	3,195,218
Intersegment revenues	129,933	4,667	-	-	5,256	-	(139,856)	-
Interest revenue	265	2,502	-	5,725	1,784	5	(621)	9,660
Total revenue	$ 2,212,643	213,743	310,060	519,376	77,613	11,920	(140,477)	3,204,878
Interest expense	$ 25,467	-	-	-	524	-	(629)	25,362
Depreciation and amortization	106,513	801	289	7,599	217	56	3,154	118,629
Share of profit of associates and joint ventures accounted for using equity method	65,904	32,184	-	(10,251)	(88,221)	-	-	(384)
Reportable segment profit or loss	$ 750,837	54,208	77,861	97,204	549,026	(3,541)	-	1,525,595
Assets:								
Investments accounted for using equity method	$ 652,371	193,322	-	27,791	-	-	-	873,484
Reportable segment assets	$ 7,832,901	444,063	171,036	1,461,230	1,912,181	13,767	(3,010,238)	8,824,940

(Continued)

(c) Information

The Group's information about revenue from external customers was as follows:

Product and Service		**2016**	**2015**
Medical and functional food	$	3,697,272	3,124,858
Service revenue		63,445	70,360
Total	$	3,760,717	3,195,218

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

(i) External sales

Region		**2016**	**2015**
Taiwan	$	2,729,908	2,552,682
China		12,784	70,573
Others		1,018,025	571,903
Total	$	3,760,717	3,195,158

(ii) Noncurrent assets

Region		**2016**	**2015**
Taiwan	$	2,689,782	2,448,095
China		27,371	511
Others		70	40
Total	$	2,717,223	2,448,646

The Group's segment revenue is calculated on the basis of the region in which payment is received. Noncurrent assets include property, plant and equipment, investment property, intangible assets, and refundable deposits.

(e) Major customer

The Group has no customer representing more than 10% of revenue in the consolidated income statement for the year ended December 31, 2016 and 2015. The Group's information about the major customer was as follows:

Costumer		**2016**	**2015**
A	$	864,563	458,561

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the financial statements of TTY Biopharm Company Limited("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company financial statements are stated as follows:

1. Revenue recognition

   Please refer to Notes 4(q) and 6(p) of the financial statements for the accounting principles on the recognition and explanation of revenue.

   Key audit matters:

   The main activities of the Company are the production and processing of pharmaceutical and chemical drugs. The operating performance of the Company has an effect on the distribution to their shareholders and stock price. Their financial performance will have an impact on the users of financial statements. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

Auditing procedures performed:

Our principal audit procedures included: assessing and testing the design, as well as the effectiveness of the operation on the sales and payment collection control, manual control, and system control; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; conducting substantive analytical procedure, reviewing external documents with records on ledger to confirm whether the sales transactions really exist, and the propriety of the timing for the recognition of revenue and cost is accurate; performing comparison analysis on sales of the current period to last period and the last quarter, and performing trend analysis on operating income from each top ten customer to assess the significant exceptions to further identify and analyze the reason, if any; and conducting test of details for sales and collection.

2. Impairment of accounts receivable

Please refer to Notes 4(f), 5(a) and 6(c) of the financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Company judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating for impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Company's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

3. Inventory valuation

Please refer to Notes 4(g), 5(b) and 6(d) of the financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Company's revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between sales price and market price, and evaluating the reasonableness of net realizable price and the current selling price; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 8.58% and 7.24% of the related total assets as of December 31, 2016 and 2015, respectively, and the related investment gains represented 9.29% and 5.26% of the profit before tax for the years ended December 31, 2016 and 2015, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2017

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and (t))	$ 562,174	7	490,702	6
1150	Notes receivable, net (notes 6(c) and (t))	32,288	-	26,678	-
1161	Notes receivable due from related parties (notes 6(c), (t) and 7)	-	-	342	-
1170	Accounts receivable, net (notes 6(c) and (t))	666,194	8	796,759	9
1180	Accounts receivable due from related parties, net (notes 6(c), (t) and 7)	35,508	-	32,016	-
1200	Other receivables, net (notes 6(c), (t) and 7)	57,400	1	35,637	-
130X	Inventories (note 6(d))	525,006	7	492,165	6
1410	Prepayments	25,923	-	42,328	1
1476	Other current financial assets	5,550	-	5,550	-
1470	Other current assets	3,493	-	586	-
		1,913,536	23	1,922,763	22
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (notes 6(b) and (t))	70,800	1	134,384	2
1550	Investments accounted for using equity method (note 6(e))	3,566,861	42	3,393,662	40
1600	Property, plant and equipment (note 6(f))	2,536,258	30	2,271,907	27
1760	Investment property, net (notes 6(g) and 8)	77,999	1	78,354	1
1780	Intangible assets (note 6(h))	13,936	-	22,935	-
1915	Prepayments for equipment	181,472	2	443,012	6
1920	Refundable deposits paid (notes 6(t) and 7)	19,945	-	20,565	-
1981	Cash surrender value of life insurance (note 6(t))	5,198	-	8,505	-
1984	Other non-current financial assets, others (notes 6(a), (t) and 8)	125,847	1	125,346	2
1840	Deferred tax assets (note 6(m))	25,761	-	20,226	-
1990	Other non-current assets, others	12,436	-	6,340	-
		6,636,513	77	6,525,236	78
	Total assets	**$ 8,550,049**	**100**	**8,447,999**	**100**

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term loans (notes (i) and (t))	$ 1,249,010	15	1,200,000	14
2150	Notes payable (note 6(t))	16,099	-	19,242	-
2170	Accounts payable (note 6(t))	57,909	1	125,665	1
2180	Accounts payable to related parties (notes 6(t) and 7)	-	-	4,814	-
2230	Current tax liabilities (note 6(m))	183,226	2	112,537	1
2250	Current provisions	3,805	-	3,805	-
2200	Other payables (notes 6(l) and (t))	415,493	5	352,308	4
2300	Other current liabilities(notes 6(t) and 7)	46,022	1	466,736	6
2320	Long-term liabilities, current portion (note 6(j))	200,000	2	-	-
		2,171,564	26	2,285,107	26
	Non-Current liabilities:				
2540	Long-term loans (notes 6(j) and (t))	630,000	7	700,000	8
2570	Deferred tax liabilities (note 6(m))	314,729	4	316,485	5
2640	Net defined benefit liability, non-current (note 6(l))	44,621	1	42,475	1
2645	Guarantee deposits received (note 6(t))	10,607	-	2,631	-
		999,957	12	1,061,591	14
	Total liabilities	3,171,521	38	3,346,698	40
	Equity (note 6(n)):				
3100	Share capital	2,486,500	29	2,486,500	30
	Capital surplus:				
3200	Capital surplus	405,368	5	373,985	4
	Retained earnings:				
3310	Legal reserve	603,613	7	482,511	6
3320	Special reserve	110,154	1	110,154	1
3350	Total unappropriated retained earnings	1,487,805	17	1,288,140	15
3400	Other equity interest	285,088	3	360,011	4
	Total equity	5,378,528	62	5,101,301	60
	Total liabilities and equity	**$ 8,550,049**	**100**	**8,447,999**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(p) and 7)**	$ 3,344,262	100	2,738,956	100
5000	**Cost of sales (notes 6 (d) and 7)**	1,128,745	34	954,054	35
	Gross profit	2,215,517	66	1,784,902	65
5910	Less:Unrealized profit (loss) from sales	7,550	-	9,319	-
5920	Add:Realized (profit) loss from sales	9,319	-	2,358	-
	Gross profit, net	2,217,286	66	1,777,941	65
6000	**Operating expenses (note 7):**				
6100	Selling expenses	594,375	18	578,606	21
6200	General and administrative expenses	238,537	7	220,408	8
6300	Research and development expenses	230,192	7	236,398	9
		1,063,104	32	1,035,412	38
	Net operating income	1,154,182	34	742,529	27
	Non-operating income and expenses (notes 6(r) and 7):				
7010	Other income	18,193	1	17,604	1
7020	Other gains and losses	63,090	2	50,150	2
7050	Finance costs	(25,362)	(1)	(25,467)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method (note 6(e))	221,934	7	662,924	25
		277,855	9	705,211	27
	Profit before tax	1,432,037	43	1,447,740	54
7950	Less: Income tax expense (note 6 (m))	238,713	7	236,722	9
	Profit for the year	1,193,324	36	1,211,018	45
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements effects of defined benefit plans	(2,282)	-	(4,056)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,282)	-	(4,056)	-
8360	**Other components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(22,194)	(1)	(10,273)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(63,584)	(2)	124,336	5
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	7,061	-	204,990	7
8399	Less: Other components of other comprehensive income that may be reclassified to profit or loss	(3,794)	-	(6,055)	-
		(74,923)	(3)	325,108	12
8300	**Other comprehensive income for the year, net of tax**	(77,205)	(3)	321,052	12
	Total comprehensive income for the year	**$ 1,116,119**	**33**	**1,532,070**	**57**
	Earnings per share, net of tax (Note 6(o))				
	Basic earnings per share	**$**	**4.80**		**4.87**
	Diluted earnings per share	**$**	**4.79**		**4.86**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance at January 1, 2015	$ 2,486,500	378,007	404,547	110,154	780,767	45,724	(10,821)	34,903	4,194,878
Profit for the year	-	-	-	-	1,211,018	-	-	-	1,211,018
Other comprehensive income for the year	-	-	-	-	(4,056)	(29,564)	354,672	325,108	321,052
Total comprehensive income for the year	-	-	-	-	1,206,962	(29,564)	354,672	325,108	1,532,070
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	77,964	-	(77,964)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(621,625)	-	-	-	(621,625)
Changes in equity of associates and joint ventures accounted for using equity method	-	(4,022)	-	-	-	-	-	-	(4,022)
Balance at December 31, 2015	2,486,500	373,985	482,511	110,154	1,288,140	16,160	343,851	360,011	5,101,301
Profit for the year	-	-	-	-	1,193,324	-	-	-	1,193,324
Other comprehensive income for the year	-	-	-	-	(2,282)	(18,522)	(56,401)	(74,923)	(77,205)
Total comprehensive income for the year	-	-	-	-	1,191,042	(18,522)	(56,401)	(74,923)	1,116,119
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	121,102	-	(121,102)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(870,275)	-	-	-	(870,275)
Changes in equity of associates and joint ventures accounted for using equity method	-	31,383	-	-	-	-	-	-	31,383
Balance at December 31, 2016	**$ 2,486,500**	**405,368**	**603,613**	**110,154**	**1,487,805**	**(2,362)**	**287,450**	**285,088**	**5,378,528**

Note: The Company's remuneration of directors of $15,786 and $21,468 and remuneration of employees of $22,048 and $22,373 for the years ended December 31, 2016 and 2015, had been deducted from statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from (used in) operating activities:			
Profit before tax	$	1,432,037	1,447,740
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		97,421	93,871
Amortization expense		10,436	13,732
Provision (reversal of allowance) for uncollectable accounts		(13,300)	13,319
Interest expense		25,362	25,467
Interest income		(2,508)	(2,767)
Allowance for inventory market decline and obsolescence		38,763	(7,633)
Share of loss (profit) of subsidiaries,associates and joint ventures accounted for using equity method		(221,934)	(662,924)
Loss (gain) on disposal of property, plant and equipment		117	(33)
Allocation of deferred income		(1,010)	(1,010)
Unrealized profit (loss) from sales		7,550	9,319
Realized loss (profit) from sales		(9,319)	(2,358)
Total adjustments to reconcile profit (loss)		(68,422)	(521,017)
Changes in operating assets and liabilities:			
Notes receivable		(5,268)	(4,409)
Accounts receivable		140,373	(335,929)
Other receivable		(21,763)	25,755
Inventories		(71,604)	(42,617)
Other current assets		13,498	(27,650)
Notes payable		(3,143)	10,499
Accounts payable		(72,570)	24,557
Other payable		79,684	76,335
Other current liabilities		6,011	(20,962)
Net defined benefit liability		(136)	(350)
Net changes in operating assets and liabilities		65,082	(294,771)
Total adjustments		(3,340)	(815,788)
Cash provided by operating activities		1,428,697	631,952
Interest received		2,508	2,767
Dividends received		92,823	68,914
Interest paid		(25,404)	(25,373)
Income taxes paid		(171,521)	(80,047)
Net cash flows from operating activities		1,327,103	598,213
Cash flows from (used in) investing activities:			
Acquisition of investments accounted for using equity method		(25,059)	(5,330)
Acquisition of property, plant and equipment		(88,445)	(62,125)
Proceeds from disposal of property, plant and equipment		220	143
Decrease in refundable deposits		620	5,422
Acquisition of intangible assets		(1,437)	(8,224)
Increase in other financial assets		(501)	(120,837)
Increase in prepayments for equipment		(28,226)	(156,891)
Increase in other non-current assets		(2,789)	(6,361)
Net cash flows used in investing activities		(145,617)	(354,203)
Cash flows from (used in) financing activities:			
Increase in short-term loans		6,263,020	8,579,990
Decrease in short-term loans		(6,214,010)	(9,195,950)
Proceeds from long-term loans		630,000	1,000,000
Repayments of long-term loans		(500,000)	(300,000)
Increase in guarantee deposits received		7,976	635
Increase (decrease) in other non-current liabilities		(426,725)	426,725
Cash dividends paid		(870,275)	(621,625)
Net cash flows used in financing activities		(1,110,014)	(110,225)
Net increase in cash and cash equivalents		71,472	133,785
Cash and cash equivalents at beginning of period		490,702	356,917
Cash and cash equivalents at end of period	$	562,174	490,702

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TTY Biopharm Company Limited (the “Company”).was established on July 22, 1960. The Company’s registered office address is 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan. The main activities of the Company are producing a variety of pharmaceuticals and chemical drugs. Please refer to Note 14.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issue by the Board of Directors on March 10, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments 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
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on its consolidated financial statements:

(i) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Company expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: ・Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. ・Impairment: The expected credit loss model is used to evaluate impairment. ・Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicate, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Available-for-sale financial assets are measured at fair value; and

2) The net defined benefit liability is recognized as the present value of the defined benefit less the fair value of plan assets and the effect of the asset ceiling with reference to Note 4(r).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment, which are recognized in other comprehensive income.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at average rate. Translation differences are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(d) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash balances and call deposits with maturities within three months. Cash equivalents are assets that are readily convertible into cash and are subject to an insignificant risk of changes in their fair value. Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

Bank overdrafts which are repayable immediately and are a part of the Company's overall cash management are considered to be a component of cash and cash equivalents in the statement of cash flows.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are classified into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest revenue calculated by the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

Interest income arising from debt investment is recognized in profit or loss, and is included in non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt securities with no active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting. Interest income is recognized in profit or loss, under other income of non-operating income and expenses.

3) Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

(Continued)

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increase and the increase can be related objectively to an event occurring after the impairment was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

4) Derecognition of financial assets

Financial assets and derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets in profit or loss is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

(Continued)

4) Offsetting of financial assets and liabilities

The Company presents its financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When changes in an associate’s equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes the Company’s share of change in equity of the associate in capital reserves in proportion to its ownership.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company’s share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate.

(Continued)

(i) Subsidiaries

The subsidiaries in which the Company holds a controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income, and equity in the non-consolidated financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transactions.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the as those of another significant part of that same item.

(Continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimate useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	10-55 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Office and other equipment	5-10 years

The significant components of buildings are the main building, mechanical and electrical equipment, engineering systems, etc. They are amortized over their useful lives of 30-50 years, 10-25 years, and 10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimate, the changes are accounted for as a changes in accounting estimate.

(iv) Reclassification as investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

(l) Lease

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(Continued)

If an asset is sold and leased back, then the recognition of gain (loss) on sale of assets depends on the type of leaseback. If a leaseback transaction is classified as a capital lease, the Company defers and amortizes the amount by which the price exceeds its carrying amount during the leasing period. If a leaseback transaction is classified as an operating lease and the asset's price is equal to or less than its fair value, the gain (loss) on sale of assets shall be recognized when it occurs, except the loss could be compensated by future lease payments at below market price, and be deferred and amortized during the expected useful life. If an asset's price is higher than its fair value, the gain (loss) on sale of assets shall be deferred and amortized during the expected useful life.

When a sale-leaseback transaction is classified as an operating lease, the Company recognizes the amount by which its fair value is less than carrying amount as loss on sale of assets.

The Company shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of a specific asset or the shift of the use of an asset, such an arrangement is or contains a lease. The Company determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

If an arrangement contains both a lease and other elements, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made, and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

If, on the other hand, the Company concludes for an operating lease that it is impractical to separate the payment reliably, then it treats all payments under the arrangement as lease payments, and discloses the situation accordingly.

(m) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

(Continued)

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patent 3.25-6 years

2) Computer software cost 3-10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least on the annual reporting date. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non-financial assets

The Company assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

(Continued)

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. Such is deemed as an impairment loss, which shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset shall be increased to its recoverable amount by reversing an impairment loss.

(o) Cash surrender value of life insurance

The savings portion of a life insurance policy shall be recognized as a contra item of insurance expense, and increase the carrying amount of the cash surrender value of the life insurance.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(Continued)

(ii) Service

The Company provides consulting and management services for customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Commissions

When the Company plays the role of an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(iv) Lease revenue

Lease revenue which arises from investment property is recognized on a straight-line basis over the lease term. Lease incentives are considered to be a part of the whole lease revenue and treated as a reduction of lease revenue on a straight-line basis over the lease term. The income from subleasing is recognized as lease revenue, under "non-operating income and expenses".

(r) Employee benefits

(i) Defined contribution plan

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high-quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Re-measurement of a net defined benefit liability (asset) (including actuarial gains or losses, the return on plan assets or liabilities, and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of the defined benefit obligation.

(iii) Other long-term employee benefits

The net obligations are calculated using the projected unit credit method. The amount of future benefit that employees have earned in return for their service in the current or prior period is discounted to determine its fair value. The discount rate is determined based on the market interest rate of high-quality bonds with similar conditions or government bonds.

All the actuarial gains and losses are recognized in profit or loss in the current period.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transactions.

(Continued)

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred taxes assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

Please refer to the consolidated financial report of TTY Biopharm Company Limited for the years ended December 31, 2016 and 2015, for operating segment information.

(Continued)

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Security Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6(c) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 3,302	5,615
Cash in banks	528,872	455,087
Time deposits	30,000	30,000
	$ 562,174	490,702

(Continued)

(i) The above cash and cash equivalents were not pledged as collateral.

(ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current and noncurrent.

(iii) Refer to Note 6(t) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Non-listed investment:		
Lumosa Therapeutics Co., Ltd.	$ 70,800	134,384

(i) As of December 31, 2016 and 2015, the aforesaid available-for-sale financial assets were not pledged as collateral.

(ii) If the stock price changes at the reporting date, the changes in other comprehensive income of the Company are estimated as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant, and any impact on forecasted sales and purchases was ignored.):

	For the years ended December 31			
	2016		2015	
Stock Price	Other comprehensive income, net of tax	Profit, net of tax	Other comprehensive income, net of tax	Profit, net of tax
Increase by 10%	$ 7,080	-	13,438	-
Decrease by 10%	$ (7,080)	-	(13,438)	-

(c) Notes receivable, accounts receivable, and other receivables (including related parties)

	December 31, 2016	December 31, 2015
Notes receivables	$ 32,288	27,020
Accounts receivables	732,986	873,504
Other receivables	57,400	35,637
Less: Allowance for impairment	(31,284)	(44,729)
	$ 791,390	891,432

(Continued)

The aging analysis of notes receivables, accounts receivables and other receivables which were overdue but not impaired was as follows:

	December 31, 2016	December 31, 2015
Past due less than 90 days	$ 1,812	4,164
Past due 91-180 days	1,485	234
Past due 181-365 days	5,422	1,030
Past due more than 366 days	-	170
	$ 8,719	5,598

The movements in the allowance for impairment with respect to the receivables during the period were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2016	$ 20,539	24,190	44,729
Amounts written off	(145)	-	(145)
Impairment loss reversed	-	(13,300)	(13,300)
Balance as of December 31, 2016	$ 20,394	10,890	31,284
Balance as of January 1, 2015	$ 17,558	15,557	33,115
Impairment loss recognized	2,981	10,338	13,319
Amounts written off	-	(1,705)	(1,705)
Balance as of December 31, 2015	$ 20,539	24,190	44,729

(i) The average credit terms granted for notes and accounts receivable pertaining to sales transactions ranged from one to six months. To determine the probability of collection, the Company considers any change in the credit quality from origination date to reporting date. Past experience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days, an allowance account is recognized after analyzing the payment history of customer accounts, and evaluating the uncollectible amounts deriving from OEM, revenues from sales abroad, hospitals, and others.

(ii) As of December 31, 2016 and 2015, notes receivable and accounts receivable were not pledged as collateral.

(Continued)

(d) Inventories

	December 31, 2016	December 31, 2015
Merchandise	$ 109,961	52,844
Finished goods	114,986	99,010
Work in process	102,487	112,586
Raw materials	207,832	202,377
Materials	31,064	33,776
Subtotal	566,330	500,593
Goods in transit	16,689	10,822
Total	583,019	511,415
Less: Allowance for inventory market decline and obsolescence	(58,013)	(19,250)
Net amount	**$ 525,006**	**492,165**

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2016 and 2015, amounted to $1,089,982 and $961,687, respectively. The main item was the costs arising from selling goods. For the years ended December 31, 2016 and 2015, the inventory write-down to net realizable value or reversal of gain from valuation of inventories at net realizable value was recognized as an increase (decrease) in cost of goods sold of $38,763 and $(7,633), respectively.

As of December 31, 2016 and 2015, the aforesaid inventories were not pledged as collateral.

(e) Investments accounted for using equity method

The Company's financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 2,559,103	2,547,969
Associates	1,007,758	845,693
	$ 3,566,861	**3,393,662**

(i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2016 and 2015.

(Continued)

(ii) Associates

1) As of December 31, 2016 and 2015, the carrying value of associates which had a quoted market price amounted to $792,619 and $610,352, respectively, while fair value amounted to $4,545,226 and $4,737,763, respectively.

2) Chuang Yi Biotech Co., Ltd.'s shares were listed on the emerging market in January 2016. For the years ended December 31, 2016 and 2015, Chuang Yi Biotech Co., Ltd. launched a cash capital increase. The Company invested $25,059 for 626,465 shares in 2016, resulting in a decrease in ratio from 27.84%% to 27.54%, and the Company did not subscribe on the initial shareholding basis in 2015. Such ratio decreased from 29.27% to 27.84%. As the Company did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2016 and 2015, such increase was credited to capital surplus of $2,068 and $8,352, respectively.

3) In the years ended December 31, 2016 and 2015, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased treasury shares, which led to a change in the shareholding ratio, and such change was (charged) credited to capital surplus of $29,315 and $(12,374), respectively. As the Company did not subscribe in proportion to the shareholding ratio for the year ended December 31, 2016 and 2015, such ratio decreased from 19.32% to 19.30% and 19.35% to 19.32%, respectively.

(iii) Associates that had materiality were as follows:

			Equity ownership	
Associate	**Nature of relationship**	**Country of registration**	**December 31, 2016**	**December 31, 2015**
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	19.30%	19.32%

1) Summary financial information on significant associates

The following is a summary of financial information on the Company's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information.

(Continued)

- Summary financial information on PharmaEngine, Inc.

	December 31, 2016	December 31, 2015
Current assets	$ 3,935,733	3,163,588
Noncurrent assets	23,528	74,994
Current liabilities	(150,038)	(66,340)
Noncurrent liabilities	(10,445)	(13,071)
Net assets	$ 3,798,778	3,159,171
Net assets attributable to non-controlling interests	$ 733,329	610,352
Net assets attributable to investee owners	$ 3,065,449	2,548,819

	For the years ended December 31	
	2016	2015
Revenue	$ 1,134,782	507,244
Profit for the year	$ 689,625	394,022
Other comprehensive income	(253)	(42)
Comprehensive income	$ 689,372	393,980
Comprehensive income attributable to non-controlling interests	$ 133,049	76,145
Comprehensive income attributable to investee owners	$ 556,323	317,835

	For the years ended December 31	
	2016	2015
Net assets attributable to the Company, January 1	$ 610,352	566,282
Recognition of capital surplus due to change in associates	29,315	(12,374)
Comprehensive income attributable to the Company	133,049	76,145
Share dividends received from associates	(39,387)	(19,701)
Assets attributable to the Company, December 31	733,329	610,352
Carrying amount of interest in associates, December 31	$ 733,329	610,352

(Continued)

2) Summary financial information on individually insignificant associates

The following is the summary financial information on individually insignificant associates that were accounted for under the equity method:

	December 31, 2016	December 31, 2015
Carrying amount of interest in individually insignificant associates, December 31	$ 274,429	235,340

	For the years ended December 31	
	2016	2015
Attributable to the Company:		
Profit for the year	$ 27,276	21,937
Other comprehensive income	(10,707)	24,917
Comprehensive income	$ 16,569	46,854

(iv) Collateral

As of December 31, 2016 and 2015, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015, were as follows:

	Land	Building and construction	Machinery and equipment	Transport ation equipment	Office equipment	Construct ion in progress	Total
Cost::							
Balance on January 1, 2016	$ 810,323	776,651	395,162	4,371	352,660	546,098	2,885,265
Additions	-	32,277	14,848	-	11,520	29,800	88,445
Disposals	-	(5,346)	(635)	(1,200)	(4,494)	-	(11,675)
Reclassifications	-	435,342	246,388	-	40,520	(448,941)	273,309
Balance on December 31, 2016	**$ 810,323**	**1,238,924**	**655,763**	**3,171**	**400,206**	**126,957**	**3,235,344**
Balance on January 1, 2015	$ 810,323	773,546	391,924	4,408	336,289	486,231	2,802,721
Additions	-	2,874	5,611	-	10,190	43,450	62,125
Disposals	-	(1,614)	(2,594)	(37)	(1,639)	-	(5,884)
Reclassifications	-	1,845	221	-	7,820	16,417	26,303
Balance on December 31, 2015	**$ 810,323**	**776,651**	**395,162**	**4,371**	**352,660**	**546,098**	**2,885,265**

(Continued)

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Depreciation:							
Balance on January 1, 2016	$ -	172,949	204,849	1,838	233,722	-	613,358
Depreciation for the year	-	36,165	31,461	396	29,044	-	97,066
Disposals	-	(5,343)	(628)	(1,000)	(4,367)	-	(11,338)
Balance on December 31, 2016	**$ -**	**203,771**	**235,682**	**1,234**	**258,399**	**-**	**699,086**
Balance on January 1, 2015	$ -	142,480	176,011	1,478	205,647	-	525,616
Depreciation for the year	-	32,083	31,413	397	29,623	-	93,516
Disposals	-	(1,614)	(2,575)	(37)	(1,548)	-	(5,774)
Balance on December 31, 2015	**$ -**	**172,949**	**204,849**	**1,838**	**233,722**	**-**	**613,358**
Carrying amounts:							
Balance on December 31, 2016	**$ 810,323**	**1,035,153**	**420,081**	**1,937**	**141,807**	**126,957**	**2,536,258**
Balance on January 1, 2015	**$ 810,323**	**631,066**	**215,913**	**2,930**	**130,642**	**486,231**	**2,277,105**
Balance on December 31, 2015	**$ 810,323**	**603,702**	**190,313**	**2,533**	**118,938**	**546,098**	**2,271,907**

(i) Collateral

As of December 31, 2016 and 2015, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $126,957, including capitalized loan cost. The capitalized loan cost amounted to $0 and $0 for the year ended December 31, 2016 and 2015, respectively.

(g) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2016	**$ 69,152**	**15,526**	**84,678**
Balance on December 31, 2016	**$ 69,152**	**15,526**	**84,678**
Balance on January 1, 2015	**$ 69,152**	**15,526**	**84,678**
Balance on December 31, 2015	**$ 69,152**	**15,526**	**84,678**

(Continued)

	Land	Building and construction	Total
Depreciation and impairment loss:			
Balance on January 1, 2016	$ -	6,324	6,324
Depreciation	-	355	355
Balance on December 31, 2016	$ -	6,679	6,679
Balance on January 1, 2015	$ -	5,969	5,969
Depreciation	-	355	355
Balance on December 31, 2015	$ -	6,324	6,324
Carrying amount:			
Balance on December 31, 2016	$ 69,152	8,847	77,999
Balance on January 1, 2015	$ 69,152	9,557	78,709
Balance on December 31, 2015	$ 69,152	9,202	78,354
Fair value:			
Balance on December 31, 2016			$ 129,395
Balance on December 31, 2015			$ 126,947

(i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.

(ii) As of December 31, 2016, investment properties were not pledged as collateral. The Company's investment properties were pledged as collateral for the years ended December 31, 2015. Please refer to Note 8 for details.

(h) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2016 and 2015, were as follows:

	Computer software	Patent and franchise	Total
Cost:			
Balance on January 1, 2016	$ 35,909	22,556	58,465
Additions	1,437	-	1,437
Disposals	(2,077)	(22,556)	(24,633)
Balance on December 31, 2016	$ 35,269	-	35,269

(Continued)

		Computer software	Patent and franchise	Total
Balance on January 1, 2015	$	36,334	35,980	72,314
Additions		8,224	-	8,224
Disposals		(8,649)	(13,424)	(22,073)
Balance on December 31, 2015	$	35,909	22,556	58,465
Amortization and Impairment Loss:				
Balance on January 1, 2016	$	17,742	17,788	35,530
Amortization for the year		5,668	4,768	10,436
Disposals		(2,077)	(22,556)	(24,633)
Balance on December 31, 2016	$	21,333	-	21,333
Balance on January 1, 2015	$	20,502	23,369	43,871
Amortization for the year		5,890	7,842	13,732
Disposals		(8,650)	(13,423)	(22,073)
Balance on December 31, 2015	$	17,742	17,788	35,530
Carrying amount:				
Balance on December 31, 2016	$	13,936	-	13,936
Balance on January 1, 2015	$	15,832	12,611	28,443
Balance on December 31, 2015	$	18,167	4,768	22,935

Amortization expenses for intangible assets for the years ended December 31, 2016 and 2015, that were recorded as operating expenses and operating costs, respectively, were as follows:

	For the years ended December 31		
		2016	2015
Operating costs	$	347	29
Operating expenses		10,089	13,703
	$	10,436	13,732

As of December 31, 2016 and 2015, the aforementioned intangible assets were not pledged as collateral.

(i) Short-term loans

		December 31, 2016	December 31, 2015
Secured bank loans	$	1,249,010	1,200,000
Unused credit line	$	1,455,990	1,635,000
Range of interest rates		0.85%~1.05%	0.98%~1.15%

(Continued)

(i) Please refer to Note 6(t) for relevant information about exposure to interest rate risk and liquidity risk.

(j) Long-term loans

	December 31, 2016			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.135%~1.298%	2018	$ 830,000
Less: Current portion				(200,000)
Total				$ 630,000
Unused credit line				$ -

	December 31, 2015			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.21%~1.44%	2017	$ 700,000
Less: Current portion				-
Total				$ 700,000
Unused credit line				$ -

(k) Operating leases

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2016	**December 31, 2015**
Less than one year	$ 3,710	3,175
Between one and five years	8,530	656
	$ 12,240	3,831

(ii) Leases as lessor

The Company leases out its investment properties (see Note 6(g)). The future minimum leases payments under non-cancellable leases are as follows:

	December 31, 2016	**December 31, 2015**
Less than one year	$ 7,894	4,240
Between one and five years	20,360	308
More than five years	110	-
	$ 28,364	4,548

(Continued)

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at and fair value are as follows:

		December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$	115,353	113,021
Fair value of plan assets		(70,732)	(70,546)
Net defined benefit liabilities (assets)	**$**	**44,621**	**42,475**

The Company's emlpoyee benefit liabilities were as below:

		December 31, 2016	December 31, 2015
Vacation liability	**$**	**13,183**	**11,224**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company’s Bank of Taiwan labor pension reserve account balance amounted to $70,732 as of December 31, 2016. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	For the years ended December 31	
	2016	**2015**
Defined benefit obligation, January 1	$ 113,021	103,894
Current service costs and interest	3,019	2,777
Re-measurement of the net defined benefit liability (asset)		
—Return on plan assets excluding interest income	1,704	6,350
Benefits paid	(2,391)	-
Defined benefit obligation, December 31	$ 115,353	113,021

3) Movements in the fair value of plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	For the years ended December 31	
	2016	**2015**
Fair value of plan assets, January 1	$ 70,546	66,523
Re-measurement of the net defined benefit liability (asset)		
—Return on plan assets excluding interest income	499	1,762
Contributions made	2,078	2,261
Benefits paid	(2,391)	-
Fair value of plan assets, December 31	$ 70,732	70,546

(Continued)

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2016 and 2015, were as follows:

	For the years ended December 31	
	2016	**2015**
Current service cost	$ 1,289	1,246
Net interest of net liabilities for defined benefit obligations	1,730	1,531
Curtailment or settlement gains	(1,077)	(866)
	$ 1,942	1,911
Operating costs	$ 764	704
Selling expenses	394	439
Administrative expenses	470	481
Research and development expenses	314	287
	$ 1,942	1,911

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

	For the years ended December 31	
	2016	**2015**
Accumulated amount, January 1	$ (5,346)	(10,800)
Recognized during the period	2,282	5,454
Accumulated amount, December 31	$ (3,064)	(5,346)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2016.12.31	**2015.12.31**
Discount rate	1.30%	1.58%
Future salary increases rate	3.00%	3.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,095.

The weighted-average duration of the defined benefit plan is 5 year.

(Continued)

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follow:

		Influence of defined benefit obligation	
		Increase by 0.50%	**Decrease by 0.50%**
December 31, 2016			
Discount rate	$	(5,447)	5,858
Future salary increase		5,179	(4,885)
December 31, 2015			
Discount rate		(5,533)	5,961
Future salary increase		5,306	(4,995)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The Company has made monthly contributions equal to 6% of each employee's monthly salary to employee's pension accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $20,418 and $19,260 for the years ended December 31, 2016 and 2015, respectively.

(Continued)

(m) Taxes

(i) Income tax expense (benefit)

The components of income tax in 2016 and 2015, were as follows:

	For the years ended December 31	
	2016	**2015**
Current tax expense		
Current period	$ 236,260	143,470
Adjustment for prior periods	5,950	-
Deferred tax expense		
Origination and reversal of temporary difference	(3,497)	93,252
Income tax expense	$ 238,713	236,722

The following are details of the income tax (expense) benefit recognized under other comprehensive income:

	For the years ended December 31	
	2016	**2015**
Items that may be reclassified subsequently to profit and loss:		
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income	$ 3,794	6,055
Balance of December 31	$ 3,794	6,055

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2016 and 2015, as follows:

	For the years ended December 31	
	2016	**2015**
Profit before income tax	$ 1,432,037	1,447,740
Income tax using the Company's domestic tax rate	$ 243,446	246,116
Share of profit of investments accounted for using equity method	(36,387)	(111,704)
Non-deductible expenses	5,951	6,341
Tax incentives	(4,250)	(4,250)
Change in provision in prior periods	5,950	-
Undistributed earnings additional tax at 10%	21,964	8,006
Others	2,039	92,213
	$ 238,713	236,722

(Continued)

(ii) Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

		Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:				
Balance, January 1, 2016	$	255,614	60,871	316,485
Recognized in profit or loss		2,038	-	2,038
Recognized in other comprehensive income		(3,794)	-	(3,794)
Balance as of December 31, 2016	$	253,858	60,871	314,729
Balance, January 1, 2015	$	169,127	60,871	229,998
Recognized in profit or loss		92,542	-	92,542
Recognized in other comprehensive income		(6,055)	-	(6,055)
Balance as of December 31, 2015	$	255,614	60,871	316,485

		Defined benefit plans	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:					
Balance, January 1, 2016	$	5,856	3,272	11,098	20,226
Recognized in profit or loss		(23)	6,590	(1,032)	5,535
Balance as of December 31, 2016	$	5,833	9,862	10,066	25,761
Balance, January 1, 2015	$	5,915	4,570	10,451	20,936
Recognized in profit of loss		(59)	(1,298)	647	(710)
Balance as of December 31, 2015	$	5,856	3,272	11,098	20,226

(iii) Examination and Approval

The Company’s income tax returns through 2012 have been examined and approved by the Tax Authority.

(Continued)

(iv) Stockholders' imputation tax credit account and tax rate

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	$ 1,487,805	1,288,140
Stockholders' imputation tax credit account	$ 110,856	54,959

	For the years ended December 31	
	2016 (Estimated)	2015 (Actual)
Creditable ratio for earnings distribution to R.O.C. residents	19.15%	12.93%

The above stated information was prepared in accordance with information letter No.10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013.

(n) Capital and other equity

As of December 31, 2016 and 2015, the authorized capital of the Company amounting to $3,500,000 consisted of 350,000 thousand shares, with par value of $10 per share. The paid-in capital was $2,486,500. The outstanding shares consisted of 248,650 thousand common shares.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2016	December 31, 2015
Share capital	$ 484	484
Long term investment	404,884	373,501
	$ 405,368	373,985

According to the R.O.C. Company Act amended in 2012, capital surplus can only be used to offset a deficit, and the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

(ii) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the board of directors.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividend policy in which earnings distribution cannot be less than 50% of distributable earnings, and dividend payment has to be 10% of the distribution.

1) Legal reserve

In accordance with the Company Act amended in 2012, 10 percent of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25 percent of the actual share capital.

2) Special reserve

The Company has elected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of $82,429 and unrealized revaluation increments of $27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of December 31, 2016 and 2015, the special reserve appropriated from the undistributed earnings amounted to $110,154 and $110,154, respectively.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall quality for additional distributions.

(Continued)

3) Earnings distribution

Earnings distribution for 2015 and 2014 was decided via the general meeting of shareholders held on 24 June 2016 and 16 June 2015, respectively. The relevant dividends distributions to shareholders were as follows:

	2015		2014	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.50	**870,275**	2.50	**621,625**

(iii) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	**Available-for-sale investments**	**Total**
Balance, January 1, 2016	$ 16,160	343,851	360,011
Share of exchange differences of subsidiaries and associates accounted for using equity method	(18,522)	-	(18,522)
Unrealized gains (losses) on available-for-sale financial assets	-	(63,584)	(63,584)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	7,183	7,183
Balance, December 31, 2016	**$ (2,362)**	**287,450**	**285,088**
Balance, January 1, 2015	$ 45,724	(10,821)	34,903
Share of exchange differences of subsidiaries and associates accounted for using equity method	(29,564)	-	(29,564)
Unrealized gains (losses) on available-for-sale financial assets	-	124,336	124,336
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	230,336	230,336
Balance, December 31, 2015	**$ 16,160**	**343,851**	**360,011**

(Continued)

(o) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2016	**2015**
Basic earnings per share		
Profit attributable to ordinary shareholders	$ 1,193,324	1,211,018
Weighted-average number of ordinary shares	248,650	248,650
	$ 4.80	4.87
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 1,193,324	1,211,018
Weighted-average number of ordinary shares	248,650	248,650
Employee stock bonus	259	281
Weighted-average number of ordinary shares (diluted)	248,909	248,931
	$ 4.79	4.86

(p) Revenue

The details of revenue of the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Sale of goods	$ 3,270,853	2,690,357
Rendering of service	73,409	48,599
	$ 3,344,262	2,738,956

(q) Remuneration of employees and of directors and supervisors

Based on the Company’s articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 1% ~ 8% and no more than 2%, respectively, of profit before tax. The Company should offset prior years’ accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

(Continued)

For the year ended December 31, 2016 and 2015, remuneration of employees of $22,048 and $22,373, and directors' and supervisors' remuneration amounting to $15,786 and $21,468, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. There was no difference between the amounts approved in Board of Directors meeting.

(r) Non-operating income and expenses

(i) Other income

The details of other income for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Interest income	$ 2,508	2,767
Rental income	15,685	14,837
	$ 18,193	**17,604**

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Foreign exchange gains (losses)	$ (4,434)	9,498
Gains (losses) on disposal of property, plant and equipment	(117)	33
Gain on reversal of uncollectable account	13,300	-
Other	54,341	40,619
	$ 63,090	**50,150**

(iii) Finance costs

The details of finance costs for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31	
	2016	**2015**
Interest expenses	**$ 25,362**	**25,467**

(Continued)

(s) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31	
	2016	**2015**
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method:		
Profit (loss) for the year	$ 7,061	256,577
Less: adjustment for gains recognized in profit	-	(51,587)
Net profit (loss) recognized in other comprehensive income	$ 7,061	204,990

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum credit exposure. Such maximum credit exposure on December 31, 2016 and 2015, amounted to $1,580,904 and $1,676,484, respectively.

2) Credit risk concentrations

In order to lower the credit risk on accounts receivable, the Company continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2016 and 2015, the accounts receivable from the Company's top ten customers represented 41% and 56%, respectively, of accounts receivable.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	**Contractual cash flows**	**Within 1 year**	**2-3 years**	**4-5 years**
December 31, 2016					
Non-derivative financial liabilities					
Unsecured bank loans	$ 2,079,010	2,105,184	1,467,918	637,266	-
Non-interest-bearing liabilities (including related parties)	489,501	489,501	489,501	-	-
	$ 2,568,511	2,594,685	1,957,419	637,266	-

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2015					
Unsecured bank loans	$ 1,900,000	1,925,437	1,218,061	707,376	-
Non-interest-bearing liabilities (including related parties)	502,029	502,029	502,029	-	-
	$ 2,402,029	2,427,466	1,720,090	707,376	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's exposure to significant currency risk was from its foreign currency- denominated financial assets and liabilities as follows:

	December 31, 2016			December 31, 2015		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 11,248	32.250	362,742	16,867	32.83	553,659
RMB	4,744	4.617	21,904	-	-	-
JPY	66,488	0.276	18,324	42,891	0.27	11,581
EUR	3,350	33.90	113,567	-	-	-
Nonmonetary items						
USD	750	32.250	24,173	556	32.83	18,259
RMB	52,206	4.617	241,037	50,550	5.00	252,497
THB	216,982	0.905	196,368	199,805	0.92	182,742
Financial liabilities						
Monetary items						
USD	-	-	-	13,000	32.83	426,725

(Continued)

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and loans and accounts payable that are denominated in foreign currency. Net investments in a foreign operation are strategic investments, so the Company does not treat them as a hedge.

A 1% of appreciation of each major foreign currency against the Company's functional currency as of December 31, 2016 and 2015, would have increased or decreased the after-tax net income by \$8,118 and \$4,914, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2016 and 2015, the foreign exchange gain, including both realized and unrealized, amounted to \$(4,434) and \$9,498, respectively.

(iv) Interest rate analysis

The exposure to interest rate risk on financial assets and liabilities is disclosed in the note on liquidity risk management.

The Company mainly borrows capital at floating interest rates, so the cash flow risk arises from changes in interest rates. The Company's main source of borrowed capital is bank loans.

The following sensitivity analysis is based on the exposure to interest rate risk on derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Company's after-tax net income would have decreased/increased by \$3,422 and \$2,170 for the years ended December 31, 2016 and 2015, respectively, assuming all other variable factors remained constant.

(Continued)

(v) Fair value of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

1) Categories of financial instruments

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 70,800	70,800	-	-	70,800
Loans and receivables					
Cash and cash equivalents	562,174	-	-	-	-
Notes receivable and accounts receivable (including related party)	733,990	-	-	-	-
Other receivables	57,400	-	-	-	-
Other financial assets	131,397	-	-	-	-
Cash surrender value of life insurance	5,198	-	-	-	-
Refundable deposits	19,945	-	-	-	-
Total	**$ 1,580,904**	**70,800**	**-**	**-**	**70,800**
Financial liabilities measured at amortized cost					
Bank loans	$ 2,079,010	-	-	-	-
Notes payable and accounts payable (including related party)	74,008	-	-	-	-
Other payables	415,493	-	-	-	-
Guarantee deposit received	10,607	-	-	-	-
Total	**$ 2,579,118**	-	-	-	-

(Continued)

	December 31, 2015				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	$ 134,384	134,384	-	-	134,384
Loans and receivables					
Cash and cash equivalents	490,702	-	-	-	-
Notes receivable and accounts receivable (including related party)	855,795	-	-	-	-
Other receivables	35,637	-	-	-	-
Other financial assets	130,896	-	-	-	-
Cash surrender value of life insurance	8,505	-	-	-	-
Refundable deposits	20,565	-	-	-	-
Total	**$ 1,676,484**	**134,384**	**-**	**-**	**134,384**
Financial liabilities measured at amortized cost					
Bank loans	$ 1,900,000	-	-	-	-
Notes payable and accounts payable (including related party)	149,721	-	-	-	-
Other payables	352,308	-	-	-	-
Guarantee deposit received	2,631	-	-	-	-
Total	**$ 2,404,660**	**-**	**-**	**-**	**-**

2) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: 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).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

3) Valuation techniques for financial instruments which are not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The expiry date of financial instruments, such as cash and cash equivalents, receivables, other financial assets, cash surrender value of life insurance, refundable deposits, bank loans, payables, and guarantee deposit received, is very close or their future price is close to carrying value. Financial instruments' fair value is estimated on the basis of their carrying value.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices.

The market prices from the main exchanges and government bond exchanges are the basis of the fair value of OTC equity instruments and debt instruments which have a quoted market price in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, only small volumes are traded, or bid-ask spreads are very wide.

If financial instruments the Company obtained are traded in active markets and meet the criteria, their fair value is determined on the basis of market quotation.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended in December 31, 2016 and 2015, so there was no transfer between levels.

(u) Financial risk management

(i) Overview

The nature and the extent of the Company's risks arising from financial instruments, which include credit risk, liquidity risk, and market risk, are discussed below. Also, the Company's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes to the financial statements.

(Continued)

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk means the potential loss of the Company if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

1) Accounts receivable and other receivables

The Company's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Company transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company uses other publicly available financial information and the records of transactions with its customers. The Company continues to monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review by the finance department to manage the credit exposure.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The exposure to credit risk related to bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, management believes that the Company does not have compliance issues or significant credit risk.

3) Guarantees

The Company did not provide any endorsement or guarantee as of December 31, 2016 and 2015.

(Continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(v) Capital management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Company manages capital by the debt-to-equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

The Company monitors capital by regularly reviewing the asset-to-liability ratio. "Total equity" on the balance sheet represents the Company's capital, which also represents total assets less total liabilities.

The Company's debt-to-equity ratios at the balance sheet date were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 3,171,521	3,346,698
Less: cash and cash equivalents	(562,174)	(490,702)
Net debt	2,609,347	2,855,996
Total capital	5,378,528	5,101,301
Adjusted capital	$ 7,987,875	7,957,297
Debt to equity ratio	32.67%	35.89%

(Continued)

(7) Related-party transactions:

(a) List of subsidiaries

Subsidiary	Location	Shareholding ratio December 31, 2016	Shareholding ratio December 31, 2015
TSH Biopharm Co., Ltd.	Taiwan	56.48%	56.48%
Xudong Haipu International Co., Ltd.	Cayman Is.	100.00%	100.00%
Worldco International Co., Ltd.	Hongkong	100.00%	100.00%
American Taiwan Biopharma Phils Inc.	Philippines	87.00%	87.00%

(b) Ultimate parent company

The Company is the ultimate parent company.

(c) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	For the years ended December 31 2016	2015
Subsidiaries	$ 129,571	132,360
Associates	44,252	61,331
Other related parties	1,822	2,399
	$ 175,645	196,090

1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

2) Prices charged for sales transactions with subsidiaries were based on market quotation. The average credit term for notes and accounts receivable pertaining to such sales transactions was one month.

3) There were no significant differences between the terms and pricing of sales transactions with related parties and those with distributors. The collection period was ninety days. If paid within one month, a cash discount of 1% was offered.

(Continued)

(ii) Service revenue

Recognized item	Category	December 31, 2016	December 31, 2015
Service revenue	Subsidiaries	$ 4,386	2,241
	Other related parties	3,815	6,990
		$ 8,201	9,231

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Commission revenue

Recognized item	Category	December 31, 2016	December 31, 2015
Commission revenue	Subsidiaries	$ 24,270	5,256

(iv) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties and the outstanding balances were as follows:

Recognized item	Category	December 31, 2016	December 31, 2015
Purchases	Subsidiaries	$ 8,937	4,126
	Other related parties	20,743	32,495
		$ 29,680	36,621

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions was sixty days or one month, which is similar to that of other vendors.

(v) Rental revenue

Recognized item	Category	For the years ended December 31 2016	2015
Rental revenue	Subsidiaries	$ 3,651	3,217
	Associates	2,645	1,924
	Other related parties	161	1,995
		$ 6,457	7,136

Rent was based on recent market transactions on arm's-length terms.

(Continued)

(vi) Other income

Recognized item	Category	For the years ended December 31 2016	2015
Other income	Subsidiaries	$ 6,128	5,744
	Associates	14,350	8,410
	Other related parties	22,599	357
		$ 43,077	14,511

1) The revenue from subsidiaries included warehouse fees, information service, and commissioned research expense. Warehouse fees are determined by industry rates, and the payment is received within 60 days after the invoice date. The Company uses cost-plus pricing for information service and commissioned research expense, and the payment is received within 60 days after the invoice date.

2) Based on management services agreements, the associates should pay the Company for information service daily accounting tasks, development in the Pharmaceutical Industry or registration of new pharmaceutical products.

3) The credit term for revenue from daily accounting tasks is three months.

(d) Liabilities with related parties

Recognized item	Category	December 31, 2016	December 31, 2015
Notes receivable	Other related parties	$ -	342
Accounts receivable	Subsidiaries	$ 21,840	9,487
	Associates	13,668	22,529
		$ 35,508	32,016
Other receivables	Subsidiaries	$ 22,219	8,895
	Associates	1,573	18,101
	Other related parties	17,126	539
		$ 40,918	27,535
Refundable deposits paid	Other related parties	$ 582	4,708
Accounts payable	Other related parties	$ -	4,814

(Continued)

Recognized item	Category	December 31, 2016	December 31, 2015
Other payables	Subsidiaries	$ -	11,238
	Associates	-	3,240
	Other related parties	6,150	1,577
		$ 6,150	**16,055**
Guarantee deposit received	Subsidiaries	$ 622	-
	Associates	470	-
		$ 1,092	**-**
Other current liabilities (Note)	Subsidiaries	**$ -**	**426,725**

Note: Subsidiaries lend capital to the Company. Please refer to Note 13 for relevant information.

(e) Key management personnel compensation

	For the years ended December 31 2016	2015
Salaries and other short-term employee benefits	$ 53,950	47,285
Post-employment benefits	434	557
	$ 54,384	**47,842**

(8) Pledged assets:

As of December 31, 2016 and 2015, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2016	December 31, 2015
Investment property	Bank loans, letters of credit	$ -	60,881
Other financial asset—noncurrent	Provisional guarantee	120,010	120,010
		$ 120,010	**180,891**

(Continued)

(9) Commitments and contingencies:

(a) The Company signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Company obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to $36,361 and $33,922 for the years ended December 31, 2016 and 2015, respectively.

(b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $261,293 and $709,211, and the unpaid amount was $52,920 and $89,054 as of December 31, 2016 and 2015, respectively.

(c) As of December 31, 2016 and 2015, performance bonds from financial institutions for the sale of medicine amounted to $17,659 and $31,106, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman, Rong-Jin Lin, for the offense of breach of trust under the Securities and Exchange Act. This lawsuit is being heard by the Taipei District Court. The Company cannot predict the result of the lawsuit.

(e) On January 19, 2016, the Securities and Futures Investors Protection Center filed a suit to discharge the Company's ex-chairman, Rong-Jin Lin, in accordance with Paragraph 1 of Article 10-1 of the Securities Investor and Futures Trader Protection Act. The lawsuit was withdrawn by the Securities and Futures Investors Protection Center in August 2016.

(f) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

(g) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.

(h) On July 1, 2016, Center Laboratories, Inc. filed a lawsuit against the Company in the Taipei District Court to confirm the validity of the agreement it had entered into with the Company regarding a generic drug called Risperidone. The Company cannot predict the result of the lawsuit.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

(12) Other:

(a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

	For the years ended December 31					
	2016			2015		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 217,411	386,346	603,757	188,486	340,371	528,857
Health and labor insurance	15,525	23,605	39,130	13,580	23,809	37,389
Pension	8,392	13,968	22,360	7,239	13,932	21,171
Others	15,366	64,496	79,862	5,821	59,508	65,329
Depreciation	66,379	31,042	97,421	59,418	34,453	93,871
Amortization	347	10,089	10,436	29	13,703	13,732

The Company had total employees of 512 and 492 in the years 2016 and 2015, respectively.

(b) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

(c) The Company donated $26,297 and $34,784 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage in the years ended December 31, 2016 and 2015, respectively.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	Yes	91,239 CNY 7,887 USD 1,700	54,825 USD 1,700	54,825 USD 1,700	0.5%	2	-	Operating capital	-	-	-	241,035 CNY 52,206	241,035 CNY52,206
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	96,750 CNY 3,000	80,625 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	96,412 CNY 20,882	96,412 CNY 20,882
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	548,250 USD 17,000	548,250 USD 17,000	-	0.9%	2	-	Operating capital	-		-	599,322	599,322

(Continued)

The exchange rate of USD to NTD as of the reporting date is 1:32.25, and the average exchange rate of USD to NTD as of the reporting date is 1:32.254.

The exchange rate of CNY to NTD as of the reporting date is 1:4.617, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.85.

Note 1): Nature of financing activities is as follows:

1.Trading partner, the number is “1”.

2.Short-term financing, the number is “2”.

Note 2): The total amount for lending to a company shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2016.

Note 5): The amounts were approved by the board of directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:None

(Continued)

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Lumosa Therapeutics Co., Ltd.	Note	Available-for-sale financial assets – noncurrent	1,600	70,800	1.90%	70,800	

Note：A director of the Company is its chairman, who resigned on March 24, 2016.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	124,159	3.71%	30 days	Normal		14,143	1.93%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(Continued)

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,498,304	(25,883)	(25,883)	Subsidiary
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	241,037	8,034	8,034	Subsidiary
〃	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	459	87.00%	1,893	(392)	(341)	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	817,869	141,203	79,751	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	371,070	371,070	23,640	19.30%	733,329	689,625	133,097	Investments accounted for using equity method
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	192,236	60,069	24,027	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	22,903	35,100	14,040	Investments accounted for using equity method
〃	CY Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	57,000	6,326	27.54%	59,290	(41,047)	(10,791)	Investments accounted for using equity method
TSH Biopharm Co., Ltd.	Pharmira Laboratories, Inc.	Taiwan	Developing biotechnology	-	70,000	-	- %	-	-	20	Note 1

Note 1): The Company lost its significant influence over the Pharmira Laboratories, Inc. in February 2016, the investments were reclassified from investments accounted for using the equity method to financial assets carried at cost-noncurrent. Pharmira Laboratories, Inc.'s shares were listed on the emerging market in December 28, 2016. So these investments were reclassified to available-for-sale financial assets.

(Continued)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	328,950 USD 10,200	(2)	323,433	-	-	323,433	32,592 CNY 6,720	100%	32,592 CNY 6,720	CNY (15,304)	-
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling chemical medicine	54,942 CNY 11,900	(2)	92,940 CNY 20,130	-	-	92,940 CNY 20,130	(664) CNY (137)	100%	(664) CNY (137)	CNY 11,091	-

The exchange rate of USD to NTD as of the reporting date is 1:32.25, and the average exchange rate of USD to NTD as of the reporting date is 1:32.254.

The exchange rate of CNY to NTD as of the reporting date is 1:4.617, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.85.

Note 1): There are three ways to invest in Mainland China, and only the categories are identified.

1.Remittance from third-region companies to invest in Mainland China.

2.Through the establishment of third-region companies, then investing in Mainland China.

3.Through transfer of investment to third-region existing companies, then investing in Mainland China.

4.Other method.

Note 2): The investment income (loss) is recognized on the financial report was audited by an international accounting firm in cooperation with an accounting firm registered in the R.O.C.

(Continued)

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
423,982	1,506,978 （USD 46,728 ）	3,227,117

(iii) Significant transactions: Please refer to Note 7.

(Continued)

(14) Segment information:

Please refer to the consolidated financial report for the years ended December 31, 2016 and 2015.

VII. Financial Analysis

1. Financial Analysis

Unit: NT$ Thousand

Item \ Year	2015	2016	Difference	
			Amount	%
Current assets	4,301,026	4,668,280	367,254	8.54
Fixed assets	2,295,527	2,585,575	290,048	12.64
Other assets	522,117	237,233	(284,884)	(54.56)
Total assets	8,824,940	9,290,305	465,365	5.27
Current liabilities	2,068,934	2,280,658	211,724	10.23
Long-term liabilities	1,061,056	999,335	(61,721)	(5.82)
Total liability	3,129,990	3,279,993	150,003	4.79
Capital stock	2,486,500	2,486,500	—	—
Additional paid-in capital	373,985	405,368	31,383	8.39
Retained earnings	1,880,805	2,201,572	320,767	17.05
Total shareholder’s equity	5,694,950	6,010,312	315,362	5.54

(1) Main Reasons for Critical Change Items:

① Increase in current asset is mainly due to increase in cash and cash equivalent from collection of investment proceeds under equity method.

② Increase in fixed assets and decrease in other assets are mainly because of completion of factory expansion and prepaid equipment payment is transferred into fixed assets.

③ Increase in current liabilities and decrease in long term liabilities are because some long term loan will become due within one year.

④ Increase in liability total amount is mainly because of increase in long term loan.

⑤ Increase in retained earnings in mainly due to increase in profits.

(2) Impact from Critical Change Items and Future Responding Plan:

① Impact:

Repayment of some short term loans and increase of long term loans are for the purpose of improving the Company’s financial structure.

② Future Responding Plan:

Under measurement of the Company’s mid-long term development and financial planning, this plan considers adopting financial leverage, avoiding equity over expansion while balancing dividend policy for the purpose of enhancing the Company’s financial structure.

2. Operating Result Analysis

Unit: NT$ Thousand

Year / Item	2015	2016	Increase (Decrease) Amount	Changes (%)
Net operating income	3,195,218	3,760,717	565,499	17.70
Operating cost	1,006,869	1,203,773	196,904	19.56
Add:Realized sales profit or loss	1,203	6,408	5,205	432.67
Less:Unrealized sales profit or loss	6,408	4,132	(2,276)	(35.52)
Gross profit	2,183,144	2,559,220	376,076	17.23
Operating expense	1,393,357	1,379,533	(13,824)	(0.99)
Operating net income	789,787	1,179,687	389,900	49.37
Non-Operating income and expense	735,808	332,372	(403,436)	(54.83)
Income from continuing operations before income taxes	1,525,595	1,512,059	(13,536)	(0.89)
Income tax expense	279,003	257,335	(21,668)	(7.77)
Net income for continuing operations	1,246,592	1,254,724	8,132	0.65
Cumulative Effect of Changes in Accounting Principle	–	–	–	–
Net income for division	–	–	–	–
Net income	1,246,592	1,254,724	8,132	0.65

(1) Main Reasons for Critical Changes:

① Increase in operating revenue is due to growth in contract manufacturing business as well as current operating revenue growth from effective expense control.

② Increase in consolidated non-operating revenue and expense is mainly due to profit increase from investment disposal.

③ Decrease in income tax expense is mainly because increase in tax-free securities transaction income leads to decrease in income tax expense.

(2) Expected Sales Volume and Expectation Basis:

For 2017, the Company expects to sell oral preparation of 379,000,000 granules and 5,200,000 injections. The Company forms its expected sales volumes based on IMS statistic report as well as under considerations of possible future demand/supply change in market, new product development speed and national health insurance policy.

(3) Potential Impact to The Company's Future Finance & Business and Responding Plan:

The Company's current operation enjoys stable profitability. This shall have positive influence over future finance and business, and shall benefit Company's operation scale expansion and implementation of continued internationalization.

3. Cash Flow Analysis

Unit: NT$ Thousand

Cash Balance -Beginning	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance - Ending	Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
1,710,524	710,755	312,566	2,108,713	—	—

(1) Analysis of Cash Flows in the Most Recent Year:

① Operational activities: Inflow of NT$ 710,755thousand is mainly due to NT$ 1,254,724 thousand pure profit generated in current period.

② Investment activities:Net inflow of NT$405,903 thousand dollars is mainly because of recovery of investment payment of NT$455,398 thousand dollars under equity method from disposal of previous year, and consolidation of subsidiary Tsh Biopharm's selling of available-for-sale financial assets and financial assets measured in costs.

③ Financial activities: Net outflow of NT$718,469 thousand is mainly due to 2015 cash dividend distribution of NT$870,275 thousand.

(2) Improvement Plan for Insufficient Liquidity:Not Applicable.

(3) Cash Liquidity Analysis within the Year:

Unit: NT$ Thousand

Cash Balance -Beginning	Estimated Annual Net Cash Flow from Operating Activities	Estimated Annual Cash Outflow	Estimated Cash Balance - Ending	Estimated Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Financial Plan
2,108,713	856,784	794,158	2,171,339	—	—

① Expected Whole-Year Net Cash Flow from Operating Activities: NT$856,784 thousand which is mainly due to profit generated from expected operating revenue growth for 2017. As such, operating activity net cash inflow is a positive figure.

② Expected Whole-Year Cash Outflow: NT$ 794,158 thousand which is mainly due to cash dividend distribution, increase in real property as well as purchase of factory and equipment

4. Influence on Financial Condition Caused By Prominent Capital Expenditures in the Most Recent Year

Unit: NT$ Thousand

Program items	Actual and estimated source of capital	Actual or estimated date of completion	Total fund needed	Actual or estimated use of capital	
				2016	2017
Injection Plant Established in Liudu Plant	The Company's Own Fund and Bank Loan	2016	39,332	39,332	-
Microsphere Preparation Plant Established in Liudu Plant	The Company's Own Fund and Bank Loan	2017	73,613	25,405	48,208

The Company's profitability is stable and the capital required above has no significant impact on the Company's finance and business.

5. Investment Policy in Fiscal Year 2016, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan:

(1) Reinvestment Policy in the Most Recent Year:

① Strategic alliance for new drug R&D such as: Pharmaengine Inc, EnhanX Inc.

② Strategic Alliance for Access to New Market Channel such as: Worldco International Limited's re-investment in Worldco Biotech (Chengdu) Pharmaceutical Ltd.,American Taiwan Biopharma(Thailand channel), American Taiwan Biopharma Philippines Inc.(Philippines channel)

(2) Major Reasons for Profit and Loss and Its Improvement Plan:

① With respect to re-investment in new drug R&D, anti-Pancreatic cancer new drug "PEP02" developed by PharmaEngine Inc. was successful licensed out in 2011. Application to market new drug has already been submitted to Korean Ministry of Food and Drug Safety (MFDS) and European Medicines Agency (EMA) respectively in 2016. Permit from the latter has been obtained and sales in European area has already started.PharmaEngine, Inc. enjoyed 2016 after tax net profit of NT$689，625 thousand because it received a US$35.5M milestone. As such, the Company recognized investment profit of NT$133，097 thousand.

② With respect to re-investment in new market channel strategic alliance, both ATB Thailand and the integration between Worldco International Limited and Worldco Biotech Pharmaceutical Ltd are in a profitable status. As for American Taiwan Biopharma Philippines Inc., distribution items need to be expanded in order to achieve economies of scale. With this, profits are expected to be generated accordingly.

(3) Next Year's Investment Plan:

Going forward, the Company will still adopts long term strategic investments as its principle and carefully assess re-investment plan.

6. Risk Management and Evaluation

(1) The Impact of Interest Rate, Foreign Exchange Rate, and Inflation on the Company's Profit/Loss and Future Responsive Measures:

① The impact of change in interest rates on the Company's profit or loss:

2016

Item	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	(8,789) thousand	(23,349) thousand
Percentage over Net Revenue	(0.02)%	(0.06)%
Percentage over Pre-tax Net Profit	(0.06)%	(0.02)%

② The responsive measures：

(i) Interest rate: After reviewing the Company and its subsidiary's mid-long term development and financial plan, the Company considers to raise mid-long term loan from financial institution to meet with mid-long term capital demands. As for short term operating capital, it will be met through short term loan in order to lower capital cost incurred.

(ii) Foreign exchange rate: Given the fact that the Company and its subsidiary's purchase of offshore raw material, product and equipment mainly utilize NTD or USD for payment while most of their export payments are collected in USD, the Company utilizes pre-purchase or pre-sell foreign exchange hedge position to meet with annual net foreign exchange demand and to evade foreign exchange rate risk. Exchange loss for 2016 accounts for 0.06% of revenue income of that year. Impacted portion is still low.

(iii) Inflation: Inflation does not pose significant impact on the Company's profit or loss.

(2) High Risks, High Leverage Investments, Loaning Of Funds, Endorsement and Guarantee, and Derivatives Trade Policy, Major Reasons for Profit/Loss, and Future Responsive Measures:

The Company is not engaged in high risk or highly leveraged investments. Various investments have all been through cautious assessment before being implemented in accordance with the Company's regulations. With respect to lending capital to others and endorsement or guarantee, these are limited to re-invested companies and they are implemented in accordance with the Company's guidelines for lending capital to others as well as guidelines for endorsement or guarantee. Furthermore, operation of derivative financial products is for the purpose of hedging. All operations have been through cautious consideration of risk condition and are implemented in accordance with the Company's regulations. As such, their impact to the Company is literally minor.

(3) Future Research and Development Plans and Estimated Research and Development Expenses Required:

The Company's R&D expense for 2017 is expected to reach NT$294,935 thousand. Main R&D directions are developments for special dosage drug (with patentable or high entry barrier features), biologics and new drug as well as acquisition of permits for new indications.

(4) The Impact of Material Changes of Local and Foreign Government Policies and Regulations on the Company's Finance and Business, And the Responsive Measures:

Since the implementation of "Global Budget System" in July 2001, drug prices have been through numerous adjustments. Drug price and quantity from domestic drug companies have been under control through the Global Budget System. This has impacted price and sales of some drugs and has suppressed drug company's revenue and profit.

<u>The responsive measures:</u>

In addition to establishing a complete sales network across Taiwan for the purpose to provide real time service to hospital and clinic and increase the width of sales, the Company also enhances resource utilization effectiveness and focuses on drugs with a certain market scale and value for quality improvement, and strengthens patient nursing through collaboration with medical experts, and continues to enhance hospital, clinic and doctor's confidence on drugs for the purpose of boosting opportunity to utilize prescriptions of original drug. Additionally, the Company introduces new drug for post-clinical target treatment field through licensing, and complies with pioneering nation's certification timeline in order to shorten time needed for domestic certification, and works with preeminent marketing team and resources in order to create the best product revenue and avoid circumstances of the Company's lowered profitability from the implementation of new drug price system.

(5) The Impact of Technology Changes and Industrial Changes on the Company's Finance and Business, and the Responsive Measures:

Against the backdrop of long drug development timeline, high R&D expense and low successful rate, technology and industry changes in short term will not generate immediate and critical impact to the Company's finance and business. Nevertheless, the Company is still learning new technology aggressively and is engaged in new drug development for the purpose of responding to changes of technology and industry.

(6) The Impact of Corporate Image Change on The Corporate Crisis Management, and The Responsive Measures:

In recent years, the Company is dedicated to new drug development and sales and has been recognized by hospital, clinic as well as expert and drug company in this field. The Company is also dedicated to strengthening its internal system and capital structure. This generates positive influence to both the Company's reputation and credibility.

(7) The Expected Benefits, Possible Risk, and the Responsive Measures of Merge & Acquisition: None.

(8) The Expected Benefits, Possible Risk and the Responsive Measures of Factory Expansion:

Factory expansion will enable the Company to enhance production capability. In addition to its own products, the Company is also capable of contract manufacturing other drug company's products and, as a result, increasing its revenue.

Capital expenditure for factory expansion has been through the Company's rigorous plan and, as such, there is no operation risk incurred to the Company.

(9) Risks and the Responsive Measures of Sales and Purchases Centralization:

In 2016, each of the Company's single purchase vendor has not reached 10% of total purchase amount and therefore there is no risk of aggregated purchase. Additionally, the Company sales amount for top 10 clients in 2016 only accounts for 23.38% of the whole-year sales net amount and therefore there is no risk of aggregated sales.

(10) The Impact, Risk and the Responsive Measures of Significant Equity Transfer and Conversion of the Directors, Supervisors, or Major Shareholders with Over 10% Shareholding on the Company:

For the latest year and as of the publication date of annual report, there are no circumstances of large amount equity transfer or change by the Company's directors.

(11) The Impact, Risk and the Responsive Measures of Changes in Operation Right:

For the latest year and as of the publication date of annual report, there are no circumstances of changes in the Company's management right and therefore this is not applicable.

(12) For The Litigation or Non-Litigation Events, Shall Illustrate the Legal Judgment or the Material Lawsuit in Progress and Non-litigation or Administrative Lawsuit of the Company and Its Directors, Supervisors, President, the Actual Person in Charge, the Major Shareholders with More Than 10% Shareholding, and Subsidiaries; the Significant Impact of the Litigation Result on The Shareholder's Equity or the Price of Securities; Also, Shall Disclose

the Fact of the Contest, the Subject Matter, the Amount, the Litigation Starting Date, the Parties, and the Process of the Event as of the Publication Date of the Annual Report:

① In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman, Rong-Jin Lin, for the offense of breach of trust under the Securities and Exchange Act. This lawsuit is being heard by the Taipei District Court. The Company cannot predict the result of the lawsuit.

② On January 19, 2016, the Securities and Futures Investors Protection Center filed a suit to discharge the Company's ex-chairman, Rong-Jin Lin, in accordance with Paragraph 1 of Article 10-1 of the Securities Investor and Futures Trader Protection Act. The lawsuit was withdrawn by the Securities and Futures Investors Protection Center in August 2016.

③ On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

④ On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.

⑤ On July 1, 2016, Center Laboratories, Inc. filed a lawsuit against the Company in the Taipei District Court to confirm the validity of the agreement it had entered into with the Company regarding a generic drug called Risperidone. The Company cannot predict the result of the lawsuit.

Result of the final judgment is not expected to have significant impact to shareholder's rights or securities price of the Company.

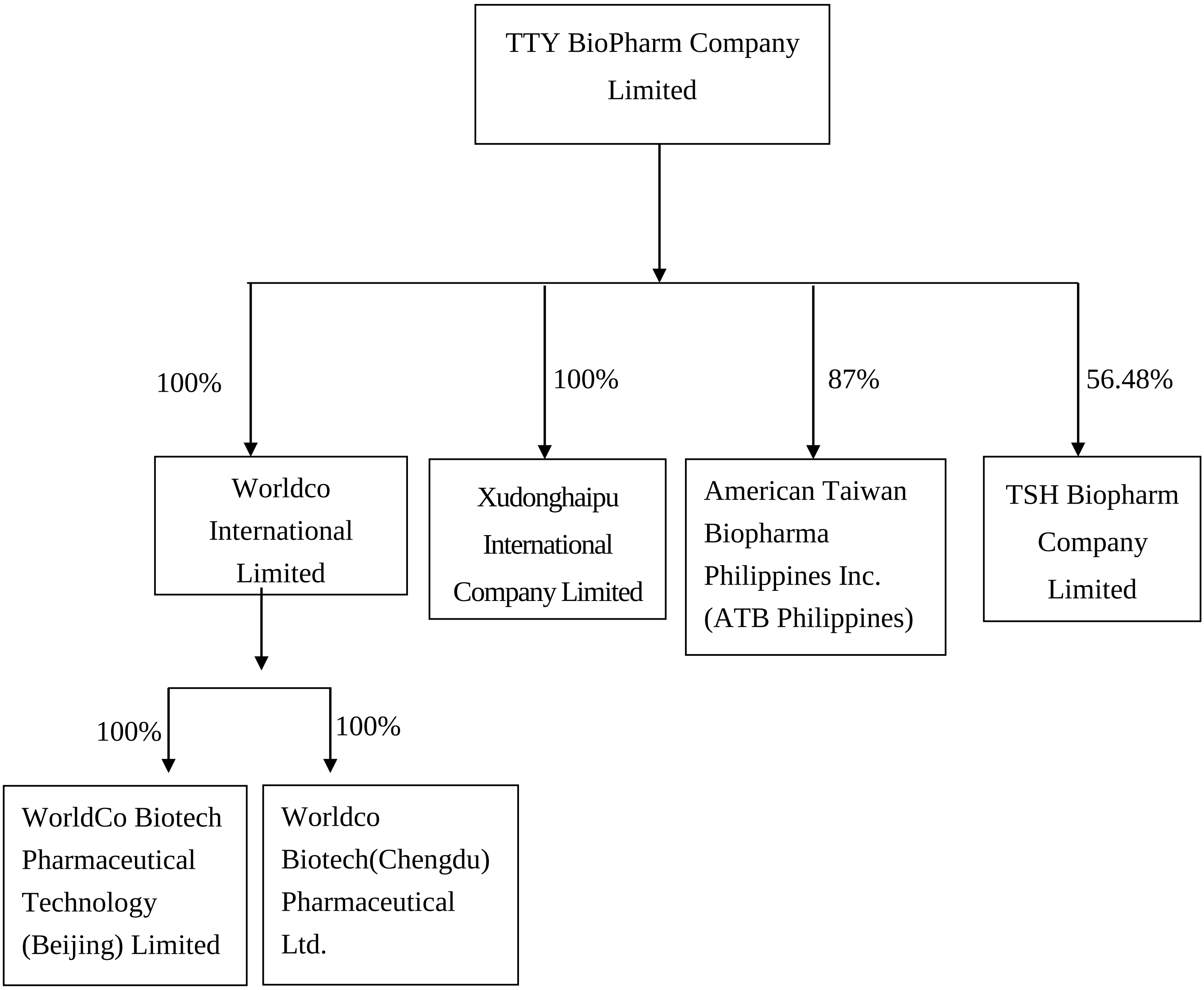
(13) Other Material Risks and The Responsive Measures: None.

7. Other Material Risks and The Responsive Measures: None.

VIII. Special Notes

1. Subsidiaries

(1) Subsidiaries Chart (12/31/2016)



(2) Subsidiaries

Unit: NT$ Thousand as of Dec.31, 2016

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Xudonghaipu International Company Limited	2009.04	Scotia Center,4th Floor ,P.O. Box 2804,George Town ,Grand Cayman ,Cayman Islands ,British West Indies.	NTD 250,000	Investment
Worldco International Limited	2004.09	Room 1606, Alliance Building, 133 Connaught Road Central, Hong, Kong	HKD 19,800	Investment, Drug Marketing
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	2005.10	Room 904, No. 1, Zhuangxi Li, Bali, Chaoyang District, Beijing(Ocean Paradise Apartment)	USD 10,200	Drug Marketing Consultant
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	2012.02	Room.3~4,7th Floor,Unit 2, Jinniu Civic Center Building 1, No. 999, Yipin Tianxia Dajie, Jinniu District, Chengdu City, Sichuan Province	RMB 11,900	Sales of Drug
American Taiwan Biopharma Philippines Inc.	2003.08	Unit 2703-C, East Tower PSE Center, Ortigas Center, Pasig City, Metro Manila	PHP 55,305	Sales of Drug
TSH Biopharm Company Limited	2010.09	3F-1, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 383,981	Sales of Drug

(3) Shareholders in Common of TTY and Its Subsidiaries with Deemed Control and Subordination： None

(4) Rosters of Directors, Supervisors, and Presidents of Subsidiaries

Unit: NT$ Thousand as of Dec.31, 2016

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Xudonghaipu International Company Limited	Chairman	Taiwan Tungyang International Company Limited Representative: Hsiao, Ying-Chun	25,000,000	100.00%
	Director	Taiwan Tungyang International Company Limited Representative:Chang, Hsiu-Chi		
	Director	Taiwan Tungyang International Company Limited Representative:Wu, Hsueh-Liu		
	Director	Taiwan Tungyang International Company Limited Representative: Chang, Wen-Hwa		
	Director	Taiwan Tungyang International Company Limited Representative: Tseng, Tien-Szu		
American Taiwan Biopharma Philippines Inc.	Chairman	Jui-Hsiung Cheng	71,885	13.00%
	Director	TTY BioPharm Company Limited Representative: Hsiao , Ying-Chun	481,168	87.00%
	Director	TTY BioPharm Company Limited Representative: Wu , Hsueh-Liu		
	Director	TTY BioPharm Company Limited Representative: Chang , Chih-Meng		
	Director	TTY BioPharm Company Limited Representative: Chang, Wen-Hwa		
Worldco International Limited	Chairman	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun	39,600,000	100.00%
	Director	TTY BioPharm Company Limited Representative: Chang, Wen-Hwa		
	Director	TTY BioPharm Company Limited Representative: Chang, Hsiu-Chi		
	Director	TTY BioPharm Company Limited Representative: Wu, Hsueh-Liu		
	Director	TTY BioPharm Company Limited Representative: Tseng, Tien-Szu		

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	Chairman	Worldco International Limited Representative: Wu, Hsueh-Liu	－	100.00%
	Director	Worldco International Limited Representative: Chang, Hsiu-Chi		
	Director	Worldco International Limited Representative: Hsiao, Ying-Chun		
	Director	Worldco International Limited Representative: Chang, Wen-Hwa		
	Director	Worldco International Limited Representative: Wu, Min-Che		
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Director	Worldco International Limited Representative: Hsiao, Ying-Chun	－	100.00%
	Supervisor	Worldco International Limited Representative: Wu, Hsueh-Liu		
TSH Biopharm Company Limited	Chairman	TTY BioPharm Company Limited Representative: Chang , Chih-Meng	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun		
	Director	TTY BioPharm Company Limited Representative: Chang, Wen-Hwa		
	Director	TTY BioPharm Company Limited Representative: Chiang, Chao-Yi		
	Independent Director	Kuo , Ming-Cheng	－	－
	Independent Director	Lee , Yuan-Teh	－	－
	Independent Director	Chen, Chung-Yang	－	－
	Supervisor	Lu, Chiang-Chuan	－	－
	Supervisor	Liu, Hsin-Young	－	－
	Supervisor	Lirong Technology Company Limited Representative：Lin, Jung-Chin	435,989	1.14%
	General Manager	Chen,Chun-Liang	101,161	0.26%

(5) Operational Highlights of Subsidiaries

Unit: NT$ Thousand as of Dec.31, 2016

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating profit or loss	Net Income (Loss)	EPS
Xudonghaipu International Company Limited	250,000	1,498,515	211	1,498,304	—	(6,058)	(25,883)	(1.04)
Worldco International Limited	82,458	262,451	21,414	241,037	64,703	(9,487)	8,034	N/A
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	328,950	28,210	98,871	(70,661)	274	(373)	32,592	N/A
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	54,942	78,010	26,805	51,205	—	(815)	(664)	N/A
American Taiwan Biopharma Philippines Inc.	37,768	17,801	13,019	4,782	17,091	(320)	(392)	N/A
TSH Biopharm Company Limited	383,981	1,567,234	116,872	1,450,362	492,465	30,834	141,203	3.68

Foreign exchange rates are as follows:

B/S	I/S
$1 RMB= $4.6170 NT	$1 RMB= $4.8500 NT
$1 PHP = $0.6684 NT	$1 PHP = $0.6961 NT
$1 USD = $32.2500 NT	$1 USD = $32.2540 NT

(6) Affiliates Consolidated Report

Affiliates Consolidated Financial Statements

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS 10 “Consolidated and Separate Financial Statements” endorsed by the FSC.Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

TTY BioPharm Company Limited

Chairman：Hsiao, Ying-Chun

March 10, 2017

2. The Status of Issuing Private Placement Securities in the Most Recent Year and as of the Publication Date of the Annual Report: None.

3. Acquisition or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report: None.

4. Other Necessary Supplementary Notes：

(1) The Company's Uncompleted OTC Commitment: None.

(2) Assessment Basis and Foundation over Recognition Method of the Company's Balance Sheet Appraisal Items

① Assessment over account receivable impairment:

Consider any change in the credit quality from origination date to reporting date to determine the probability of collection. Past experience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days,divided into four category including OEM, overseas customer, hospital and others, an allowance account is recognized after analyzing the payment history of customer accounts and the evaluating the uncollectible amounts.

② Assessment on allowance for inventory market price decline loss and obsolete and slow-moving inventory:

<u>Loss from Market Price Decline</u>:

Product:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then utilized for evaluations based on product categories.
Finished Goods:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then utilized for evaluations based on product categories.
Work in Progress & Half-Finished Goods:	Net realizable value is drawn from deducting marketing expense and re-invested cost from estimated sales price. Individual Item Approach is then utilized for evaluations based on product categories.
Raw Materials:	For finished product price decline, replacement cost will be utilized to assess if price decline is incurred accordingly.

<u>Loss for Obsolete and Slow-Moving Inventories</u>:

Obsolete or Expired: 100% Recognition

Unused for over 1 year: 100% Recognition

Expired: 100% Recognition

Expired within half a year: 50% Recognition

③ Evaluation of Other Financial Assets:

With respect to financial asset future estimated cash flow reduction resulted from single or multiple events occurred after financial asset original recognition, such different will be deemed as impairment amount incurred to that financial asset.

With respect to fair value evaluation, basis for evaluation is determined depending on if there is an active market transaction for such financial asset.

(i) With active market: fair value evaluation will be based on market quotation on the balance sheet date.

(ii) Without active market: fair value evaluation is conducted using observable market materials as much as possible. In the event that no such materials are available, evaluation will then be conducted using specific estimates

④ Evaluation on Financial Debt:

Subsequent evaluation of financial debt is conducted using amortized cost from effective interest rate, or using fair value through profit/loss.

(i) Financial debt evaluated in fair value through profit/loss will be evaluated in fair value on the report ending day.

(ii) With respect to financial debt not held for transaction and not designated to be evaluated in fair value through profit/loss, evaluation will be conducted using amortized costs on subsequent accounting period ending day. Book value for financial debt evaluated based on amortized cost will be determined based on effective interest rate.

⑤ Evaluation of Non-Financial Asset Impairment:

(i) On the report ending day, the Company will inspect tangible and intangible asset book values in order to determine if there are signs of impairment on such asset. In the event that there are signs of impairment, asset recoverable amounts will be estimated in order to determine impairment to be recognized. In the event that recoverable amount for individual asset can not be evaluated, the Company will then evaluate recoverable amount for cash generating unit to which such asset belong.

(ii) In the event that recoverable amount for asset or cash generating unit is expected to be lower than book value, book value for such asset or cash generating unit will be written down to recoverable amount and impairment amount will be recognized as current profit/loss immediately.

(iii) In the event that condition for previously recognized asset impairment no longer exists, recognition of reversed benefits shall be limited to book value generated under the circumstance that book value after reversion does not exceed such aseet or cash generating unit’s unrecognized impairment loss for previous years.

5. The Occurrence of Any Events as Stated in Section 3 Paragraph 2 Article 36 of the Securities Exchange Act that Had Significant Impacts on Shareholders' Equity or Securities Prices in the Most Recent Year and as of the Publication Date of the Annual Report: None.

TTY BIOPHARM CO., LTD.

CHAIRMAN：Hsiao, Ying-Chun